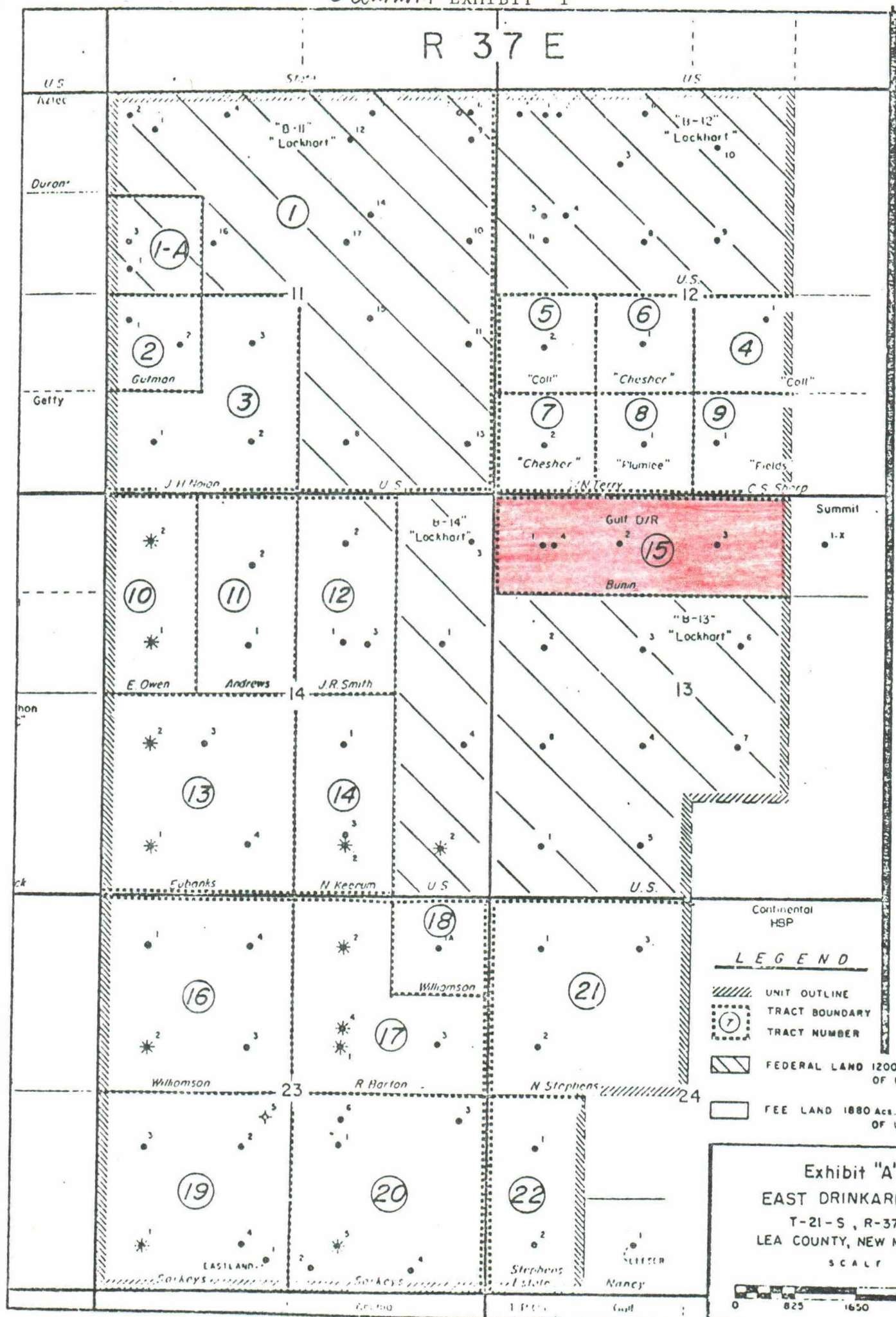


Summit EXHIBIT I

R 37 E

T 21 S



Continental HSP

**LEGEND**

- UNIT OUTLINE
- TRACT BOUNDARY
- TRACT NUMBER
- FEDERAL LAND 1200 Acs. = 38.96% OF UNIT AREA
- FEE LAND 1880 Acs. = 61.04% OF UNIT AREA

**Exhibit "A"**  
**EAST DRINKARD UNIT**  
 T-21-S, R-37-E  
 LEA COUNTY, NEW MEXICO  
 SCALE



**Summit Energy, Inc.**

112 North First  
Artesia, New Mexico 88210

PROPOSED EAST BLINEBRY  
UNIT AND EAST DRINKARD UNIT

EXHIBIT II

Letters requesting that Atlantic Richfield Co. consider  
Summit Energy, Inc.'s requests.

EW:  
M.  
Calais

November 7, 1975

Atlantic Richfield Company  
Permian District  
P. O. Box 1610  
Midland, Texas 79701

Attn: Mr. J. L. Tweed

Re: Proposed Blinebry Unit

Dear Mr. Tweed:

While Summit Energy, Inc., does not desire to submit a participation formula at the present time, we do feel strongly that a Phase I formula has to incorporate Parameter 3, Parameter 5 and particularly Parameter 10.

In fact, Summit at the present time would like to withdraw from unit participation. We would like to cooperate in the event that the unit operation becomes a reality. We will convert our Gulf Bunin No. 2 well to injection as per the proposed pattern and inject equivalent amounts of water as soon as the unit is in operation.

Sincerely yours,

Paul G. White  
Vice President-Production

PGW/gb

January 13, 1976

State of New Mexico  
Oil Conservation Commission  
P. O. Box 1980  
Hobbs, New Mexico 88240

Gentlemen:

Summit Energy, Inc., has notified Atlantic Richfield Company that Summit Energy, Inc., does not wish to participate nor join the proposed Blinbry Unit in Lea County, New Mexico. This letter to Atlantic was dated November 7, 1975. We have received no response from Atlantic.

Summit Energy, Inc., operates and owns the Gulf Bunin Lease located in the N/2 of the N/2 of Section 13-T21S-R37E, Lea County, New Mexico.

The formulae that have been submitted to the point in the Working Interest Owners Meeting in no way awards Summit with an equitable parameter.

In our letter to Atlantic, please note that we wish to fully cooperate and will, in fact, equip the proper injection well and inject water at pressures and rates compatible with the unit.

We are writing this letter for two reasons. One, we have not received any answer from Atlantic Richfield, Inc. Secondly, we want to head off any attempt by Atlantic to enforce Statutory Pooling.

Sincerely yours,

Paul G. White  
Vice President-Production

October 4, 1976

**Summit Energy, Inc.**

ATTN: Mr. E. J. ...  
A. J. ...  
740-9957

Atlantic Richfield Co.  
Permian District  
P.O. Box 1610  
Midland, Texas 79701

Re: Proposed East Blinbry  
East Drinkard Units

Gentlemen:

After careful study of the parameters and data as compiled by Atlantic Richfield Co., it is the decision of Summit Energy, Inc., to not join in the unitization plan.

However, we want to emphasize that we will cooperate and support the necessary water injection pattern. Summit will work out an equitable agreement with the unit operator in order to inject water into the Gulf Bunin No. 2 well.

Sincerely yours,



Paul G. White  
Vice President-Production

PGW/gb

cc: NMOCC-Hobbs  
NMOCC-Sante Fe

June 14, 1977

Atlantic Richfield Company  
P.O. Box 1610  
Midland, Texas 79701

Re: Proposed East Blinebry and East Drinkard Units  
Lea County, New Mexico

Gentlemen:

Summit Energy, Inc., operator of the Gulf Bunin Lease, Lea County, New Mexico, has repeatedly informed Atlantic Richfield that we do not desire to join any unit as per the East Blinebry Field.

Further, we have informed you that Summit will cooperate in any way to maintain proper water injectors on their lease as per the proposed pattern. We feel that we are prudent operators and we also feel that we can maintain the proper procedures for secondary recovery in cooperation with the unit operator.

We do intend to resist any effort by Atlantic Richfield, to invoke the "Statutory Pooling". Summit has never desired to involve itself in (1) a multi-pay area which is unitized (2) involve the company in a very complicated mechanical area such as dually completed wells, etc. (3) involve the company in the exorbitant operating costs incurred when in joint operations with major companies.

Sincerely,

Paul G. White  
Vice President-Production

PGW/gb

cc: Mr. Joe Ramey - NMOCC  
Mr. Jerry Sexton - NMOCC

July 18, 1977

Summit Energy Inc

1000  
1000

Addressee List Attached

Re: East Blinebry and East Drinkard Units  
Lea County, New Mexico

Gentlemen:

Summit Energy, Inc., operator of the Gulf Bunin Lease in the proposed unit area, would like to request that all unsigned parties on the subject unit, have an independent engineering appraisal made on your equity, prior to joining any unit operation.

We would like to point out certain observations and pass on certain comments about the proposed secondary operation.

1. If you have equity in a Tubb Gas Zone or Abo Oil Zone and this is produced through a common bore hole and casing, are you aware of the affect to these pay sections when Blinebry or Drinkard work-overs are in progress?
2. As response occurs in the Blinebry Oil Zone or Drinkard Oil Zone, any inequity or damage to your Tubb or Abo Reserves will be completely masked and untrackable.
3. Why was not a pilot operation performed on specific ARCO properties prior to a request for total unit-ization of the field?
4. Do you think a Secondary Recovery Operation is timed well when operators still have leases which are producing \$ 5,000 per well net income? What if the FEA releases all stripper crude to float on the World market but excludes secondary reserves, even if your base lease was a stripper lease?

Summit Energy, Inc.

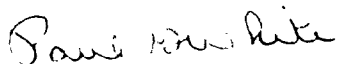
Page 2  
July 18, 1977

5. Summit has letters on file where we requested a co-operative agreement with ARCO in the event of waterflooding. We only want to operate our own property. We do not feel that this could possibly create the necessity of "force pooling". ARCO has refused to respond on this so it is our opinion that it becomes confiscation of property and not force pooling.

Atlantic Richfield Company has called for a hearing on the force pooling of all outstanding unsigned equities. The hearing has been postponed until September, 1977. I assume that the hearing has been delayed because Atlantic Richfield Company does not yet have the necessary percentage of working interests signed to the unit agreement. It would be a strange affair indeed to have a "force pooling" hearing before the New Mexico Oil Conservation Commission and not be able to provide the necessary signatures for unitization.

We would suggest that you be fully aware of the economics and the mechanical complexities of this proposed unit before you join.

Yours truly,



Paul G. White  
Vice President-Production

PGW/gb

cc: All Working Interests  
NMOCC - Hobbs  
NMOCC - Santa Fe



ADDRESSEE LIST

J.R. Cone  
Attn: Mr. John Byers  
Box 6308  
Lubbock, Texas 79400

Continental Oil  
Box 1959  
Midland Savings Bldg.  
Midland, Texas 79701

Eastland Oil Company  
704 Western United Life Bldg.  
Midland, Texas 79701

Getty Oil Co.  
8th Floor  
Midland National Bank Tower  
Box 1231  
Midland, Texas 79701

Gulf Energy & Minerals Co.-U.S.  
P.O. Box 1150  
Midland, Texas 79701

Hondo Drilling Co.  
c/o Tom Sivley  
Booker Building  
Artesia, New Mexico 88210

Imperial American  
215 Mid-America Bldg.  
Midland, Texas 79701

Barbara Jernigan  
1007 Green Acres Dr.  
Hobbs, New Mexico 88240

Mobil Oil Corporation  
Box 633  
Wall Towers West  
Midland, Texas 79701

Moranco  
John F. Moran(Trust)  
P.O. Box 1860  
Hobbs, New Mexico 88240

Moranco  
Robert M. Moran  
Box 1860  
Hobbs, New Mexico 88240

Shell Oil Co.  
P.O. Box 1509  
Midland, Texas 79701

Texaco, Inc.  
Box 3109  
Midland, Texas 79701

Young Oil Corporation  
103 Wall Towers East  
Midland, Texas 79701

Aztec Oil & Gas Co.  
2000 1st. Nat'l. Bank Bldg.  
Dallas, Texas 75202

Chevron Oil Co.  
8th Floor Wall Towers East Bldg.  
Midland, Texas 79701

Amoco Production Co.  
P.O. Box 3092  
Houston, Texas 77001

John Hendrix  
Box 9A  
Eunice, New Mexico 88231

Young Oil Corp.  
Wall Towers East  
Midland, Texas 79701

Kirby Exploration Co.  
P.O. Box 1745  
Houston, Texas 77001

George Donnelly  
3105 Shell  
Midland, Texas 79701

Richard Donnelly  
5 Winchester Court  
Midland, Texas 79701

J. Harvey Herd  
Wilco Building  
Midland, Texas 79701



Summit Energy, Inc.

112 North First  
Artesia, New Mexico 88210

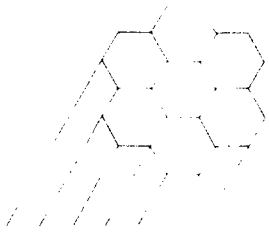
PROPOSED EAST BLINEBRY  
UNIT AND EAST DRINKARD UNIT

EXHIBIT III

PRESENT RATE OF INCOME

LEASE: GULF BUNIN

<u>MONTH</u>	<u>GROSS INCOME</u> \$	<u>OPERATING EXPENSE</u> \$	<u>NET INCOME</u> \$
1/77	11,660	1,317	10,343
2/77	15,366	1,452	13,914
3/77	13,366	1,125	12,241
4/77	11,656	1,245	10,411
5/77	11,236	1,493	9,743
6/77	<u>12,829</u>	<u>1,053</u>	<u>11,776</u>
TOTAL (6 MOS)	\$ 76,113	\$ 7,685	\$ 68,428



**Summit Energy, Inc.**

112 North First  
Artesia, New Mexico 88210

PROPOSED EAST BLINEBRY  
UNIT AND EAST DRINKARD UNIT

EXHIBIT IV

PRIMARY ECONOMICS

GULF BUNIN LEASE  
LEA COUNTY, N.M.

<u>GROSS ULTIMATE PRODUCTION</u>		<u>CUMULATIVE PRODUCTION</u>	
		7-31-77	
<u>Oil, Bbls.</u>	<u>Gas, Mcf.</u>	<u>Oil, Bbls.</u>	<u>Gas, Mcf.</u>
520,008	2,795,256	415,033	1,845,725
<u>FUTURE GROSS RESERVES</u>		<u>FUTURE NET RESERVES</u>	
<u>Oil, Bbls.</u>	<u>Gas, Mcf.</u>	<u>Oil, Bbls.</u>	<u>Gas, Mcf.</u>
104,975	949,531	86,321	726,850
<u>GROSS INCOME</u>	<u>OPERATING COST</u>	<u>NET INCOME</u>	
\$	\$	\$	
1,821,211	711,322	1,109,889	

\*Oil Price escalated 6% per year to \$20.00 per barrel gross.

\*Operating costs escalated 10% per year for life of property.

OIL AND GAS RESERVE  
APPRAISAL

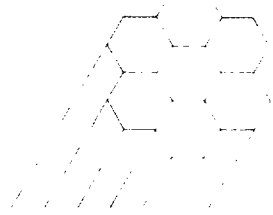
STATE: NEW MEXICO  
COUNTY: LEA  
LEASE: GULF BUNIN  
DATE: July 31, 1977

<u>Period Ending</u>	<u>Gross Oil</u> <u>Bbls.</u>	<u>Net Oil</u> <u>Bbls.</u>	<u>Gross Gas</u> <u>MCF</u>	<u>Net Gas</u> <u>MCF</u>
1977 (6 MOS)	4,900	4,029	44,319	33,931
1978	9,200	7,565	83,215	63,709
1979	8,850	7,277	80,047	61,284
1980	8,425	6,928	76,208	58,235
1981	8,100	6,661	73,271	56,096
1982	7,650	6,291	69,201	52,980
1983	7,400	6,085	66,935	51,245
1984	7,000	5,756	63,316	48,475
1985	6,600	5,427	59,697	45,704
1986	6,400	5,263	57,893	44,323
1987	6,150	5,057	55,627	42,588
1988	5,800	4,769	52,459	40,163
1989	5,600	4,605	50,655	38,781
1990	5,400	4,440	48,840	37,392
1991	5,100	4,194	46,134	35,320
1992 (6 MOS)	2,400	1,974	21,714	16,624
TOTAL 15 YEARS	104,975	86,321	949,531	726,850
REMAINDER	-0-	-0-	-0-	-0-
TOTAL FUTURE	104,975	86,321	949,531	726,850
CUMULATIVE	415,033	-0-	1,845,725	-0-
TOTAL ULTIMATE	520,008	-0-	2,795,256	-0-

INCOME APPRAISAL

STATE: NEW MEXICO  
 COUNTY: LEA  
 LEASE: GULF BUNIN  
 DATE: July 31, 1977

<u>Period Ending</u>	<u>Gross Income</u> \$	<u>Opr. Expenses</u> \$	<u>Net Income</u> \$	<u>Cumulative Net Income</u> \$
1977 (6 MOS)	67,954	10,668	57,286	57,286
1978	133,416	23,470	109,946	167,232
1979	134,231	25,817	108,414	275,646
1980	141,320	28,399	112,921	388,567
1981	141,736	31,239	110,547	499,114
1982	140,453	34,363	106,090	605,204
1983	135,854	37,799	98,055	703,259
1984	128,509	41,579	86,930	790,189
1985	121,164	45,737	75,427	865,616
1986	117,502	50,311	67,191	932,807
1987	112,903	55,342	57,561	990,368
1988	106,473	60,876	45,597	1,035,965
1989	102,811	66,964	35,847	1,071,812
1990	99,127	73,660	25,467	1,097,279
1991	93,636	81,026	12,610	1,109,889
1992 (6 MOS)	44,072	44,072		1,109,889
TOTAL 15 YEARS	1,821,211	711,322	1,109,889	1,109,889
REMAINDER	-0-	-0-	-0-	-0-
TOTAL FUTURE	8,821,211	711,322	1,109,889	1,109,889



**Summit Energy, Inc.**

112 North First  
Artesia, New Mexico 88210

PROPOSED EAST BLINEBRY  
UNIT AND EAST DRINKARD UNIT

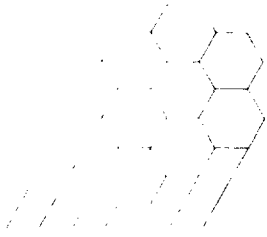
EXHIBIT V

SECONDARY ECONOMICS

GULF BUNIN LEASE  
LEA COUNTY, N.M.

<u>GROSS RESERVES</u>		<u>NET RESERVES</u>			
<u>Oil, Bbls.</u>	<u>Gas, Mcf.</u>	<u>Oil, Bbls.</u>	<u>Gas, Mcf.</u>		
364,006	1,400,000	298,485	1,148,000		
<u>GROSS INCOME</u>		<u>DEVELOPMENT COSTS</u>		<u>OPERATING COSTS</u>	
\$		\$		\$	
5,063,902		750,000		1,193,940	
<u>NET INCOME UNDISCOUNTED</u>					
\$					
3,119,962					

- (1) Oil Price used \$14.85/Barrel for life of flood.
- (2) Recovery for Secondary Reserves 70% of Primary.
- (3) Operating Costs \$4.00/Barrel for life of flood and includes water costs.



**Summit Energy, Inc.**

112 North First  
Artesia, New Mexico 88210

PROPOSED EAST BLINEBRY  
UNIT AND EAST DRINKARD UNIT

EXHIBIT VI

COMBINED PRIMARY AND SECONDARY RESERVES

GULF BUNIN LEASE  
LEA COUNTY, N.M.

<u>FUTURE GROSS RESERVES</u>		<u>FUTURE NET RESERVES</u>			
<u>Oil, Bbls.</u>	<u>Gas, Mcf.</u>	<u>Oil, Bbls.</u>	<u>Gas, Mcf.</u>		
468,981	2,349,531	384,806	1,874,850		
<u>GROSS INCOME</u>		<u>DEVELOPMENT COSTS</u>		<u>OPERATING COSTS</u>	
\$		\$		\$	
6,885,113		750,000		1,905,262	
<u>NET INCOME UNDISCOUNTED</u>					
\$					
4,229,851					

- (1) Reported \$92,000,000 Undiscounted Profit for total unit would give Summit Energy a \$2,760,000 Profit for 3% of the unit.
- (2) Does not include Debt Service during High Investment Cost Year.