STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

December 1, 1989

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Richmond Petroleum, Inc.
c/o Permits West, Inc.
37 Verano Loop
Santa Fe, NM 87505

Attention: Brian Wood

Administrative Order NSL-2720

Dear Mr. Wood:

Reference is made to your letter dated November 27, 1989 requesting approval of an unorthodox coal gas well location for Richmond's Federal 9 Well No. 1 to be located 510 feet form the North line and 210 feet from the East line (Unit A) of Section 9, Township 32 North, Range 6 West, NMPM, Basin-Fruitland Coal (Gas) Pool, San Juan County, New Mexico.

It is our understanding that this well location was originally approved by Division Order No. R-9033 to be drilled at an unorthodox coal gas well location 360 feet from the North line and 120 feet form the East line (Unit A) of said Section 9; however to appease certain federal government mandates, this location was moved to the aforementioned location which is less unorthodox than the location approved by said Order No. R-9033.

Pursuant to Decretory Paragraph No. 15 of said Division Order No. R-9033, the above described unorthodox coal gas well location is hereby approved.

Sincerely,

William J. LeMay
Director

WJL/MES/ag

cc: Oil Conservation Division - Aztec
NM Oil and Gas Engineering Committee - Hobbs
US Bureau of Land Management - Farmington
US Bureau of Reclamation - Durango

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

03/21/94 13:52:19
OGOMES -EMBF
PAGE NO: 1

Sec : 09 Twp : 32N Rng : 06W Section Type : NORMAL

4	3	2	1
18.95 Fee owned	19.25 Fee owned	19.55 Fee owned	19.85 Fee owned
E	F	G	H
40.00 Fee owned A	40.00 Fee owned	40.00 Fee owned	40.00 Fee owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

Sec : 09 Twp : 32N Rng : 06W Section Type : NORMAL

L 40.00 Fee owned	K 40.00 Fee owned	J 40.00 Fee owned	I 40.00 Fee owned
M 40.00 Fee owned	N 40.00 Fee owned P	O 40.00 Fee owned	P 40.00 Fee owned

KELLAHIN AND KELLAHIN
ATTORNEYS AT LAW
EL PATIO BUILDING
117 NORTH GUADALUPE
POST OFFICE BOX 2265
SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION RECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

March 18, 1994

HAND DELIVERED

MAR 18 1994

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
P. O. Box 2088
Santa Fe, New Mexico 87501

10955

Re: Application of Consolidated Oil & Gas, Inc.
for Compulsory Pooling, San Juan County, New Mexico
Federal 32-6-9 #1 Well
NMOCD Case 9745
Order R-9033

Dear Mr. Stogner:

On behalf of Consolidated Oil & Gas, Inc., please find enclosed our application to amend a previously issued compulsory pooling order which we request be set for hearing on the next available Examiner's docket now scheduled for April 14, 1994.

Also enclosed is our proposed notice for this case to be included on the Division's docket.

By copy of this letter, including the application, to all affected parties, we are notifying them by certified mail-return receipt requested, 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.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, April 8, 1994, with a copy delivered to the undersigned.

Very truly yours,

W. Thomas Kellahin

Enclosure

cc: Mr. Philip G. Wood
Consolidated Oil & Gas, Inc.
(Denver)

BY CERTIFIED MAIL-RETURN RECEIPT REQUESTED
All parties listed in Paragraph 9 of the Application

MAR 18 1994

PROPOSED NOTICE

10955

Case_____: Application of Consolidated Oil & Gas, Inc. to amend Division Order R-9033, San Juan County, New Mexico. Applicant seeks to amend Division Order R-9745 which designated Richmond Petroleum Inc. as operator and compulsory pooled the E/2 equivalent of Section 9, T32N, R6W, NMPM for the drilling of the Federal 32-6-9 #1 Well at an unorthodox location in the Basin Fruitland Coal Gas Pool. These amendments are to include the substitution of the applicant as operator, to provide a supplemental election to participate, to add additional parties, to revise the various reporting dates in this order and to otherwise reissue and renew the subject order including the recovery of both actual and future costs of drilling and completing the said well including a charge for the risk involved.

Said unit is located approximately 2 miles west of the intersection of the San Juan and Rio Arriba Counties lines with the Colorado-New Mexico border.

EDMUND T. ANDERSON, IV
OIL AND GAS PROPERTIES
P.O. BOX 8575
MIDLAND, TEXAS 79708-1575
TELE: (915) 686-8838

April 8, 1994

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Santa Fe, NM 87501

Re: Application of Consolidated Oil & Gas, Inc., Case 9745

Dear Mr. Stogner,

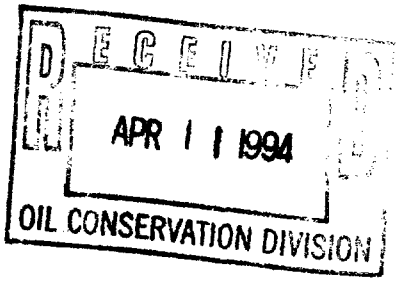
Please pardon the additional intrusion into your day, but I have found a New Mexico Supreme Court case which deals with the issue of whether the Commission can decide matters of law.

In Continental Oil Company v. Oil Conservation Commission, 373 P.2d 809, Supreme Court of New Mexico, May 16, 1962, re-hearing denied, the Court said:

> "...If the protection of correlative rights were completely separate from the prevention of waste, then there might be no need in having the commission as a party; but if such were true, it is very probably that the commission would be performing a judicial function, i.e., determining property rights, and grave constitutional problems would arise. For the same reason, it must follow that, just as the commission cannot perform a judicial function..." See pp. 818-819.

This is exactly the problem we have here. The protection of correlative rights and prevention of waste are separate problems, and the involvement of the Commission in the issues of validity of the lease and legal right to demand reimbursement confer upon it a judicial function which is prohibited.

The two issues at the heart of this matter, the validity of the lease and the right to reimbursement, are questions of law that are reserved to the courts.

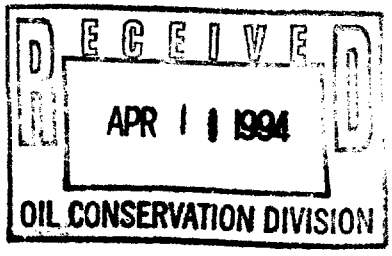


Sincerely,

Edmund T. Anderson, IV

EDMUND T. ANDERSON, IV
OIL AND GAS PROPERTIES
P.O. BOX 8575
MIDLAND, TEXAS 79708-1575
TELE: (915) 686-8838

April 8, 1994



Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Santa Fe, NM 87501

Re: Application of Consolidated Oil & Gas, Inc., Case 9745

Dear Mr. Stogner,

After our conversation yesterday, I realized that I had not fully set forth the reasons for requesting a continuance in the above case.

The case is more than just one of preventing waste and protecting correlative rights. No one has filed for a permit to drill additional wells, or otherwise protect their land against drainage. No one is contesting Consolidated's right to complete the wells. The only correlative rights at stake here are those of the parties Consolidated is seeking to force pool. No, this case involves thorny legal questions which should be addressed in a court.

For instance. Consolidated says my lease expired. Richmond continues to try to pay me shut-in gas royalties, and has tried to pay Mr. Rubow shut-in gas royalties within the last two weeks. Mr. Rubow is in the same position as I, that is, Richmond was never entitled to pay shut-in gas royalties because the well was never capable of producing gas. This is a legal question, and Consolidated and Richmond cannot both be right; the lease is either in effect, or it is not. The Commission does not have the jurisdiction under Section 70-2-12 to decide this issue.

Further, the issue of costs is not primarily one of reasonableness or validity, although those issues will come up; the issue is whether Consolidated or Richmond have a legal right to claim them. Again, this is a legal question which should be addressed in a court of law, and I have taken the first step to resolve this.

Finally, I have had to take a great deal of my time to defend this action; time which I could have spent making money for my family. Consolidated's demand that I pay my proportionate share of what Richmond spent is so contrary to the law that I am entitled to attorney's fees. The hearing examiner would not have the authority to grant me compensation for my time, but the court can.

Actions such as these clog dockets and impede business. Consolidated should have to compensate me for all the problems they have caused.

Consolidated has represented to me that they have begun completion on both wells in order to secure the Section 29 tax credits. Therefore, no harm will be done to Consolidated or the State of New Mexico by delaying this hearing.

I would like you to know that I was unaware that the letter I received from Consolidated constituted notice as required by Section 70-2-23. I felt sure that the Commission would send me notice when it was ready to proceed.

Again, I request that this hearing be postponed until the court has ruled on the matter.

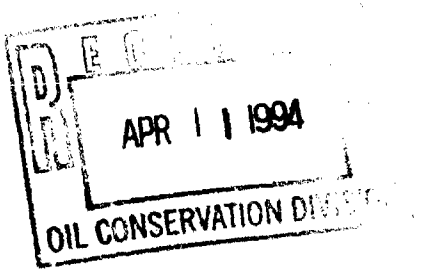
Thank you for your time and attention to this matter.

Sincerely,

Edmund T. Anderson, IV

EDMUND T. ANDERSON, IV
P.O. BOX 8575
MIDLAND, TEXAS 79708-8575

MIDLAND TEXAS 797 04/08/94



Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Santa Fe, NM 87501

87501-2708 05

Case No. 10955

EDMUND T. ANDERSON, IV
OIL AND GAS PROPERTIES
P.O. BOX 8575
MIDLAND, TEXAS 79708-1575
TELE: (915) 686-8838

April 8,

Post-It™ brand fax transmittal memo 7671 | # of pages ▸ 2

To Michael Stogner	From Ed Anderson
Co.	Co.
Dept.	Phone #
Fax # 505-827-5741	Fax # 915-683-4500

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Santa Fe, NM 87501

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Post-it™ brand fax transmittal memo 7671 | # of pages ▸ 2

To Michael Stogner	From Ed Anderson
Co.	Co.
Dept.	Phone #
Fax # 505-827-5741	Fax # 915-925-4700

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

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

April 13, 1994

Edmund T. Anderson, IV
Oil and Gas Properties
P. O. Box 8575
Midland, Texas 79708-1575

James J. Rubow
1645 Court Place - No. 324
Denver, Colorado 80202

Kellahin & Kellahin
Attn: W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

Re: Applications of Consolidated Oil & Gas, Inc. for Compulsory Pooling and to Amend Three Certain Existing Division Orders (Nos. R-9033, R-9178, and R-9179). Case Nos. 10955, 10956, and 10957.

Dear Messrs. Anderson, Rubow and Kellahin:

Reference is made to Mr. James Rubow's correspondence dated April 8, 1994 and to Mr. Edmund Anderson's correspondence also dated April 8, 1994 requesting the above-referenced cases, currently docketed for April 14, 1994, to be continued to the April 28, 1994 hearing.

After considering said letters and upon several telephone conversations with each of you, the request to continue these three cases to the second hearing in April is hereby denied. These cases will be called at the April 14th hearing and the process to deliberate these matters will commence at that time.

Should in still be necessary for the defendants in these matters to still seek a continuance, it can be requested verbally at that time.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Aztec
Case File 10955
Case File 10956
Case File 10957
William J. LeMay - OCD Director, Santa Fe
Jim Morrow - Chief Engineer, OCD, Artesia
Rand Carroll - General Counsel, OCD, Santa Fe

P.01

TRANSACTION REPORT

APR-13-94 WED 11:54

DATE	START	RECEIVER	TX TIME	PAGES	NOTE
APR-13	11:53	19822047	1'21"	3	OK

FAX TRANSMITTAL SHEET
OIL CONSERVATION DIVISION - FAX NO. (505) 827-5741

TO: W. Thomas Kellahin	FR: Michael E. Stogner
PAGES w/cover: 2 1/2	DATE: April 13, 1994

Original to follow by mail.

If there are any problems with this transmission, please call (505) 827-5806.

EDMUND T. ANDERSON, IV
OIL AND GAS PROPERTIES
P.O. BOX 8575
MIDLAND, TEXAS 79708-1575
TELE: (915) 686-8838

Case No. 10955

April 8, 1994

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
Santa Fe, NM 87501

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Post-it™ brand fax transmittal memo 7671 | # of pages ▸ 1

To Michael Stogner	From E. T. Anderson
Co.	Co.
Dept.	Phone #
Fax # 505-827-5741	Fax # 915-682-4570

Sincerely,

Edmund T. Anderson, IV

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

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

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April 13, 1994

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OIL CONSERVATION DIVISION - FAX NO. (505) 827-5741

TO: James J. Rubow	FR: Michael E. Stogner
PAGES w/cover: 2 1/2	DATE: 4/13/94

Original will be sent by mail.

If there are any problems with this transmission, please call (505) 827-5806.

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

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

April 13, 1994

Edmund T. Anderson, IV
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Midland, Texas 79708-1575

James J. Rubow
1645 Court Place - No. 324
Denver, Colorado 80202

Kellahin & Kellahin
Attn: W. Thomas Kellahin
P. O. Box 2265
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cc: Oil Conservation Division - Aztec
Case File 10955
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William J. LeMay - OCD Director, Santa Fe
Jim Morrow - Chief Engineer, OCD, Artesia
Rand Carroll - General Counsel, OCD, Santa Fe

EDMUND T. ANDERSON, IV
OIL AND GAS PROPERTIES
P.O. BOX 8575
MIDLAND, TEXAS 79708-8575 **TELE: (915) 686-8838**

May 23, 1994

David R. Catanach
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, NM 87504

Re: NMOCD Cases 10955 and 10957,
Application of Consolidated Oil & Gas, Inc., San Juan County, New Mexico

Dear Mr. Catanach,

I was reviewing Consolidated's Memorandum of Legal Authority, etc., and noticed for the first time that Consolidated is contending that a Release of Lease moots my contention that I do not have the right to drill.

Please be advised that I have not seen or been provided with the original of this Release, nor does it moot the question I have raised, nor does it release the lease. Further, I do not recall it being introduced at the hearing, and I object to its use now.

The release is from the wrong parties; neither Richmond nor Consolidated signed the Release, yet they are the parties of record ownership. The point is far from moot; it is not yet resolved.

My memory may be faulty, but I do not recall the Release being introduced at the hearing, nor of it existing at the time of the hearing, nor of leave to attach it to the record. I object to its use now, especially in view of the fact that it is from the wrong party. The contention that its existence renders my title problems moot is, in two words, flat wrong.

I request that all references to the Release and its consequences be stricken from the record.

Post-it™ brand fax transmittal memo 7671 | # of pages ▸ 1

To DAVID CATANACH	From E. T. ANDERSON
Co.	Co.
Dept.	Phone # 393-2727
Fax #	Fax # 827-5741

Sincerely,

Edmund T. Anderson, IV

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

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

APR 7 1994

APPLICATION OF CONSOLIDATED OIL & GAS INC.
TO AMEND DIVISION ORDER NO. R-9033, *CASE 10955*
SAN JUAN COUNTY, NEW MEXICO

APPLICATION OF CONSOLIDATED OIL & GAS INC.
TO AMEND DIVISION ORDER NO. R-9178, *CASE 10956*
SAN JUAN AND RIO ARRIBA COUNTIES, NEW MEXICO

APPLICATION OF CONSOLIDATED OIL & GAS INC. *CASE 10957*
TO AMEND DIVISION ORDER NO. R-9179,
SAN JUAN AND RIO ARRIBA COUNTIES, NEW MEXICO

CONSOLIDATED PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Consolidated Oil & Gas, Inc. as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT	ATTORNEY
Consolidated Oil & Gas Inc. 410 17th Street, Suite 2300 Denver, Colorado 80202 attn: Mr. Philip Wood (303) 893-1225	W. Thomas Kellahin Kellahin & Kellahin P. O. Box 2265 Santa Fe, NM 87504 (505) 982-4285

STATEMENT OF THE CASES

APPLICANT

CONSOLIDATED OIL & GAS, INC., in accordance with Section 70-2-17(c) (1978) seeks orders from the Division amending previous compulsory pooling orders:

(1) Case 10955: Order R-9033, issued November 3, 1989, designated Richmond Petroleum Inc as operator and which pooled all mineral interests in the Basin Fruitland Coal Gas Pool underlying the E/2 equivalent of Section 9, T32N, R6W, NMPM, San Juan County, New Mexico, forming a 279.40-acre gas spacing and proration unit dedicated to the Federal 32-6-9 Well No. 1 which was drilled by Richmond Petroleum Inc. at an unorthodox location within Unit A of said Section 9;

(2) Case 10956: Order R-9178, issued May 23, 1990, which designated Richmond Petroleum Inc. as operator and which pooled all mineral interests in the Basin Fruitland Coal Gas Pool underlying the N/2 of irregular Section 11, T32N, R6W, NMPM, San Juan and Rio Arriba Counties, New Mexico, forming a nonstandard 232.80-acre gas spacing and proration unit dedicated to the Miller "11" Well No. 1 which was drilled by Richmond Petroleum Inc. at an unorthodox location within Unit E of said Section 11.

(3) Case 10957: Order R-9179, issued May 23, 1990, which pooled all mineral interests in the Basin Fruitland Coal Gas Pool underlying the S/2 of irregular Section 11, T32N, R6W, NMPM, San Juan and Rio Arriba Counties, New Mexico, forming a standard 320-acre gas spacing and proration unit dedicated to the Carnes "11" Well No. 1 which was drilled by Richmond Petroleum Inc. at an unorthodox location within Unit L of said Section 11.

Consolidated Oil & Gas, Inc., ("Consolidated") is the successor in interest to Richmond Petroleum Inc. ("Richmond") and now has a working interest ownership in each of these wellbores and in the oil and gas minerals underlying each of these spacing units.

Order R-9033 provided among other things that (a) the Federal 32-6-9 Well No. 1 should be commenced on or before January 1, 1990, unless extended by the Division Director; and (b) it should be completed within 120 days after commencing drilling. The Division entered various extensions and on May 13, 1990, Richmond commenced the well and drilled to total depth on May 16, 1990, cased the wellbore and then suspended operations. The well is awaiting perforation and fracture completion and installation of pipeline facilities.

Order R-9895 provided among other things that (a) the Carnes 32-6-11 Well No. 1 should be commenced on or before August 1, 1990, unless extended by the Division Director; and (b) it should be completed within 120 days after commencing drilling. On June 5, 1990, Richmond commenced the well and drilled to total depth on June 9, 1990, cased the wellbore and then suspended operations. The well is awaiting perforation and fracture completion and installation of pipeline facilities.

Order R-9178 provided among other things that (a) the Miller "11" Well No. 1 should be commenced on or before August 1, 1990, unless extended by the Division Director; and (b) it should be completed within 120 days after commencing drilling. On June 23, 1990, Richmond commenced the well and drilled to total depth on June 26, 1990, cased the wellbore and then suspended operations until December, 1990 when the well was perforated. The well is awaiting fracture completion and installation of pipeline facilities.

On January 24, 1994, Consolidated acquired the interests of Richmond in these wellbores and spacing units and has assumed operations therein.

Certain parties originally pooled by Richmond are being pooled again by Consolidated. In addition, during the period between issuing the orders and Consolidated's acquisition of these units and wells, some oil & gas leases have expired. Consolidated seeks amendments of the pooling orders to pool these interest owners who are now "unleased" and have refused to lease their interests.

Consolidated has proposed these wells to all parties but, as of the date of this statement, Consolidated has not be able to obtain a voluntary agreement from all those parties. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, Consolidated needs an order of the Division pooling the mineral interests involved in order to protect correlative rights and prevent waste.

Accordingly, Consolidated seeks the following amendments:

(a) that Ordering paragraph (1) be amended to designate Consolidated as operator;

(b) that a new deadline be established for the completion of the Carnes and Federal wells which shall be not less than 120 days after the date of this order;

(c) that all parties previously pooled or to be now pooled shall be afforded an election to participate in the appropriate well by paying their proportionate share of actual and future costs;

(d) that any non-consenting party shall be subject to a 156% penalty;

(e) that the overhead rates shall be amended to provide for a $3,500 per month drilling/completing rate and a $350 per month producing rate; and

(f) for such other relief as is necessary to re-issue or otherwise affirm the validity of the subject pooling order.

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EST. EXHIBITS
Philip G. Wood (landman)	1 hr.	15 exhibits
Alan Harrison (petroleum engineer)	1 hr.	8 exhibits

PROCEDURAL MATTERS

None applicable at this time.

RESPECTFULLY SUBMITTED:

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

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

IN THE MATTER OF THE APPLICATION
OF CONSOLIDATED OIL & GAS, INC.
TO AMEND DIVISION ORDERS R-9033 AND
R-9179

POST HEARING BRIEF OF EDMUND T. ANDERSON, IV

Edmund T. Anderson, IV, individually and as Trustee for the Mary Anderson Boll Family Trust, hereafter "Anderson," enters the following Post Hearing Brief to the application of Consolidated Oil & Gas, Inc., hereafter "Consolidated."

Anderson hereby adopts the "Response of Edmund T. Anderson, IV" given the hearing examiner, Mr. Catanach, at the conclusion of the hearing held April 14, 1994, and includes its comments here as though it was attached and made a part hereof.

The rule that Consolidated proposes is bad law. Not only does it fly in the face of every decision of every court which has considered the issue, but it seeks to upset the relationship between lessor and lessee which, although not codified, has existed since the first oil well was drilled under the terms of an Oil and Gas Lease. As the Commission considers the issue Consolidated has raised and the answer to such question, Anderson hopes the Commission asks the additional question: "Do we really want this proposal to become law in New Mexico?" The answer should be a resounding, "absolutely not," because the consequences will deal the industry yet another blow to its already beleaguered body.

The relationship between a mineral owner and the mineral lessee is well understood. The following tenets are commonly held inviolate:

1. When a mineral owner leases, (s)he gives up all right of control over drilling, completion, operations, production and decision making.

2. In exchange for relinquishing 75% to 87 1/2% of the revenue attributable to the production of oil and gas, the mineral owner is excused of all costs of drilling, completion, operations and production, except for the specific costs contemplated in the lease, such as taxes, compression of natural gas, dehydration of natural gas, etc.

3. All financial, mechanical, regulatory, and environmental risks, as wells as all other risks, in drilling, completing, operating and producing the well or wells, are borne by the mineral lessee. Such lessee has never, ever, anywhere, had the right to demand reimbursement for any such costs from the mineral owner.

4. The relationship between the mineral owner and the mineral lessee terminates upon expiration of the lease. The lessee has no rights whatsoever following termination, save those specifically provided in the lease.

5. The lessee bears the entire risk of nonperformance of the conditions and covenants of the lease, and the penalty for such is forfeiture of all rights.

6. The well, the costs, the risks, the hazards and the bulk of the rewards belong to the lessee. If he makes a mistake and looses the lease, he has no one to blame and no one against whom he may seek recourse; he looses his investment and time. All rights revert to the mineral owner. Period. No questions asked. No discussion. No new deal.

Consolidated seeks to change all this. It seeks a rule which would allow it to recoup costs incurred, not by itself, but by a predecessor in title. It seeks to force the mineral owner to pay for well costs despite the fact that the prior lessee had agreed with such mineral owner to pay such costs, and to bear them in the ratio of 100% for the lessee and 0% for the mineral owner. Consolidated says it stands in better fitting shoes than the prior lessee, even though its title emanates from such prior lessee. This is not just bad law, this is without a doubt or justification, one of the worst and most deleterious rules ever proposed. The Commission would rue the day it adopted such a rule, in any form or manner.

The following is a list of possible consequences of snuggling up to such a proposition:

1. Mineral owners will be reluctant to lease knowing that they might be ordered to pay for past costs or be forced to accept unacceptable lease terms, even though such terms might have been offered equally to all other mineral owners in a given tract. This does not apply just to fee mineral owners; it would also apply to minerals owned by the State of New Mexico.

For example, X lessee takes 37 leases from different mineral owners to drill a well, which is dry. He lets 36 expire, then proposes a recompletion. X offers each mineral owner $10.00 per acre and a 1/8 royalty. When they all refuse X's offer, he force pools them and gets an order for them to lease or join in the recompletion after paying for

the dry hole.

The rule Consolidated proposes is worse than the example. Consolidated wants to go even farther, and force the mineral owners to pay for wells previously drilled by other lessees.

It is easy to see that the mineral owners will be dubious regarding leasing. Dubious of the motives of the lessees; dubious of the consequences.

2. The cost of leasing will go up, as mineral owners hedge their bets against possible future payback orders.

3. Taxation revenues will drop as fewer wells are drilled and completed.

4. Consolidated's proposal will reward lessees for their own negligence, despite the fact that there has always been strong public and judicial policy against rewarding any person or entity for being negligent, whether such negligence be simple, ordinary, gross or willful. That policy has been heeded and revered because it seeks to make people responsible for their actions. Consolidated's rule would be an about face for such policy, as negligent lessees would inherit a whole list of fact situations in which they could recoup costs following their simple, ordinary, gross or willful oversights. Public policy demands responsibility and care in the management of one's affairs; this is part of our heritage and should be held inviolate.

There are times when public policy should be the cornerstone of rule making. This is one of those cases. The ruling Consolidated seeks here will not appear and disappear as if it was born and died in a vacuum. The decision of the Commission will reverberate throughout the industry, and will be felt by all those who work in New Mexico. For some it will be a tool for gouging the mineral owner. For others an opportunity for fraudulent deals. For no one will it have a positive result. Anderson cannot think of a single instance in which this rule and its offspring, if adopted as New Mexico's pride and joy, would benefit anyone except an opportunistic or unscrupulous operator.

As the Commission decides the fate of this alien concept, it should keep one eye on the future and one eye on the present. The oil and gas industry is in many ways on its knees, and there is nothing happening in the world to change

that fact. Anything which makes it harder to put a drilling deal together, or drill a well, affects all of us now and our children in the future. Consolidated's position is not a cool and refreshing breeze blowing over a musty industry; it is a chilling wind which fortells an uncertain future and bodes illfated consequences. Do not be drawn into the snake charmer's dimly lit den, for only Pandora's box awaits the unsuspecting's desire to see what is inside.

Following Consolidated's way will not be the end of the industry, but it will be found on the road going there; an historical marker will mark the spot. It will read, "In 1994, lessees were given the right to recover exploration costs from the mineral owners."

Alternative Considerations

It is most difficult to shift gears and go on from here. Anderson feels so strongly about Consolidated's proposal that discussion of other issues brought out in the hearing seems unnecessary. Yet, these must be addressed. The following points should not enter the decision making process; Consolidated should loose. But if it does not....

1. Consolidated is asking Anderson to pay for his own reserves in place.

Consolidated more or less represented that it had paid Richmond what Richmond had spent in drilling the two wells. Testimony at the hearing revealed that Consolidated did not pay Richmond dollar for dollar on costs expended, but rather paid Richmond on the basis of a property evaluation which was not subject to cross examination. Mr. Harrison stated that Consolidated evaluated the Carnes and Federal wells based partially on reserves in place. He did not know the formula, nor was he part of the team which evaluated the wells.

Ordinarily in an acquisition, properties are valued mostly for reserves in place, and value is given to recoverable surface equipment and casing on a used basis, despite the equipment being new when purchased. From the casing program used, it appears that none of the casing is recoverable; therefore, the surface equipment would be the only tangible property which could be sold. In the case of both the Carnes and Federal wells, the only surface equipment is the wellhead. Mr. Harrison so stated.

In the case of the Carnes, Richmond spent $10,357.75 and $115.98 on wellheads and wellhead equipment. See items 3 and 204 of the Summary Property Sub-Ledger Report.

On the Federal well, Richmond spent $10,127.57 on the wellhead equipment. See item 3 on the Summary Property Sub-Ledger Report.

Based on Mr. Harrison's description of the wellheads in place, the used cost recovery would amount to approximately $3,000.00 per wellhead, based on a $1,000.00 used price for each of the wellhead components.

So, where is the remainder of the value Consolidated paid Richmond? In reserves.

How quaint. Consolidated is asking Anderson to pay Consolidated for Anderson's reserves. Consolidated wants Anderson to buy his reserves from Consolidated, as if Consolidated owned them, which it does not. That is a nifty concept. Anderson can see a lot of possibilities for a shifty operator there.

The only limit on the criminal heart is the imagination; the Commission should not give operators additional mental fodder for creative "deals."

2. There is considerable doubt as to whether Richmond paid the costs listed on its Summary Property Sub-Ledger Report.

Anderson checked the records in San Juan County. There were a multitude of Liens filed against Richmond. Anderson did not have time to research each of these, but the

testimony of Mr. Wood was that the Federal, Carnes and Miller wells were the only ones drilled by Richmond in San Juan County. This being the case, these liens must have applied to these wells.

Liens always represent unpaid bills. Sometimes they are unpaid for good reasons, and sometimes not, but they are always unpaid.

It is unreasonable, unconscionable, unethical and unlawful to require Anderson to pay bills which Richmond did not pay. Consolidated should at the very least, be required to prove to the Commission the exact dollar amount Richmond paid in the drilling of the Carnes and Federal wells.

3. Consolidated did not prove that Richmond paid the proportionate costs of the Federal and Carnes wells attributable to Anderson's mineral interest. Consolidated offered no proof that Richmond paid such costs; it only offered the testimony of Mr. Wood that Richmond farmed out its acreage and that the usual terms of farmouts require the farmoutee to pay such costs. Consolidated did not produce the farmout, and Anderson did not have the opportunity to cross examine it. Under the circumstances, it is unwise and imprudent to assume anything about the manner in which Richmond paid its bills, or whether it paid what would have been ordinarily charged to McElvain, had McElvain participated in the wells on a heads up basis. Consolidated did not prove that Richmond paid such costs; therefore, it would be grave error to require Anderson to reimburse Consolidated on the grounds Richmond did in fact pay them. McElvain may have paid such costs. To reimburse Consolidated would be unjust enrichment.

5. The reasonableness of the costs is still an issue. Mr. Harrison testified that the costs incurred by Richmond were reasonable. Yet, on cross examination, he admitted time and time again that he did not know what individual charges represented, nor had he seen the specific invoices relating to those charges. Without the opportunity to cross examine the invoices, charging Anderson for those costs would be, at the very least, an abdication of judiciousness.

Miscellaneous Matters

1. Consolidated's theory. If Anderson understands Consolidated's theory, as espoused by Mr. Wood, it goes something like this: Richmond drilled the well but did not perform under the terms of the farmout with McElvain (which

Anderson has never seen); therefore, McElvain never earned an interest in the Carnes or Federal wells. If this is the case, this is pretzel logic, and needs to be broken.

Anderson supposes the argument runs as follows. Richmond never earned McElvain's leases because Richmond did not perform under the farmout. If Richmond did not earn McElvain's leases, then McElvain did not earn part of the wells. Wouldn't Lewis Carroll be impressed.

The fact is that McElvain committed Anderson's lease to the Carnes #1 by signing the Declaration of Pooling and Pooling Agreement dated October 1, 1990, recorded Book 1127, page 379, San Juan County, New Mexico. Paragraph II of said Agreement reads as follows:

> "The Pooled Area shall be developed and operated as an entirety. The location, commencement, completion, continued operations, production or reworking of a well or wells in the Pooled Area shall be construed and considered as the location, commencement, completion, continued operation, production or reworking in each and all of the lands within and comprising the Pooled Area, and operations or production pursuant to this Agreement shall be deemed to be operations or production under each Exhibit "A" Lease and each Exhibit "A" Tract."

And, the fact is that McElvain committed Anderson's lease to the Federal #1 by signing the Designation of Pooled Unit and Corrected Designation of Pooled Unit, undated, but recorded Book 1121, page 313, and Book 1143, page 129, San Juan County, New Mexico. The third paragraph of said Designation provides:

> "NOW, THEREFORE, pursuant to the rights so granted, the undersigned parties do hereby designate, consolidate and pool the following described lands into a consolidated pooled area for the exploration, development, and production of oil and natural gas (including coalbed methane gas), to wit:
>
> Township 32 North, Range 6 West N.M.P.M.
>
> Section 9: E 1/2
> Containing 279.40 acres more or less
> San Juan County, New Mexico"

Anderson's lease was committed to the Carnes and Federal wells. To assert differently is folly, despite Richmond's performance or nonperformance. The parties contemplated that the drilling of a well anywhere on the acreage would be the same as drilling on any one tract, even Anderson's tract. Anderson owns part of the respective wellbores.

2. Consolidated is entitled to no risk penalty. Section 70-2-17 of the New Mexico Statutes states in part:

> "...and may include a charge for the risk involved in the drilling of such well, which charge for risk shall not exceed two hundred percent...."

Consolidated has asked for a 156% penalty. It is not entitled to any penalty because there is no risk in "the drilling of such well[s]." The wells have already been drilled. Risk penalty is not allowed by the statute.

3. Even if "drilling" includes completion, Consolidated's "risks" are not deserving of a risk penalty.

Consolidated tried to prove, through the testimony of Mr. Harrison, that there were a number of risks left in the completion of said wells, among which risks were possible formation damage from drilling the Carnes well with mud.

Those risks are not the "risks" contemplated by the statute. The statute is aimed at risks associated with drilling, such as: loss of circulation, sluffing, lost hole, junked hole, fishing, rig down time, cementing problems, deviated hole, weather, etc.

The question of how good the wells will be, or whether there is formation damage are just that, unknowns. They are not risks. Indeed, Mr. Harrison stated that the Federal #1 looked like it would make a good well, based on the pressures and gas recovery.

Realistically, Consolidated has no risks left in the completion of these two wells which would justify a penalty.

Summary

This is a complex case. It involves matters of jurisdiction and first impression. It will not be simple to resolve, and a recitation of legal questions and arguments appears unnecessary. There is one overriding consideration. Consolidated wants the Commission to make new law. The Commission, if it errs in this case, should err on the side of supporting well settled principles rather than making new law. If Consolidated wants to create law in New Mexico, it should have to ask the permission of the New Mexico courts.

ANDERSON EXHIBIT #12

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

IN THE MATTER OF THE APPLICATION
OF CONSOLIDATED OIL & GAS, INC.
TO AMEND DIVISION ORDERS R-9033
and R-9179

RESPONSE OF EDMUND T. ANDERSON, IV

Edmund T. Anderson, IV, individually and as Trustee for the Mary Anderson Boll Family Trust, hereafter "Anderson", enters the following response to the application of Consolidated Oil & Gas, Inc., hereafter, "Consolidated."

1. Statement of Facts

Anderson, in a somewhat different legal capacity, was the owner of an undivided 1/4 mineral interest in SE¼ SE¼ Section 9, T-32-N, R-6-W, and SE¼ SW¼ Section 11, T-32-N, R-6-W, N.M.P.M., all in San Juan County, New Mexico, prior to July 19, 1988.

Anderson leased said undivided 1/4 mineral interest to T. H. McElvain, Jr., hereafter "McElvain" on July 19, 1988. Said lease provided for a two year term and a two year limitation on shut-in gas royalties.

McElvain pooled said mineral interests with other mineral and leasehold owners and participated in the drilling of two wells: Carnes 32-6-11 #1, 1800' FSL and 230' FWL of NW¼ SW¼ of said Section 11, hereafter "Carnes #1," and the Federal 32-6-9 #1, 510' FNL and 210' FEL of NE¼ NE¼ of said Section 9, hereafter "Federal #1."

Said wells were apparently drilled and operated by Richmond Petroleum Inc., hereafter "Richmond." Anderson believes Richmond did not complete either well.

On November 14, 1990, McElvain sent Anderson a check for shut-in gas royalties for the Federal #1. On November 20, 1990, Anderson wrote McElvain requesting a drilling report to substantiate McElvain's right to hold said lease by payment of shut-in gas royalties, since the primary term had expired. On April 22, 1991, McElvain finally responded. When Anderson did receive a drilling report, no completion report was supplied, and Anderson believed that the Federal #1 had not been completed. Anderson destroyed the shut-in gas royalty check.

Richmond tried to pay shut-in gas royalties on May 11, 1992, but Anderson returned the check to Richmond. Richmond attempted to pay shut-in gas royalties on April 23, 1993; Anderson returned the check. The relationship between McElvain and Richmond is unclear. Richmond may have tendered shut-in gas royalties as operator.

Anderson has checked the records of San Juan County, New Mexico. There is no assignment from McElvain to Richmond or any other party of the July 18, 1988 lease. Of record, McElavin still owns the lease.

Consolidated Oil & Gas, Inc., hereafter "Consolidated," contacted Anderson sometime in January or February of 1994, and informed Anderson that Consolidated had acquired Richmond's interest and intended to complete said wells. Consolidated offered to lease Anderson's interest, but strongly objected to Anderson's suggestion that he might join in the completion.

On March 1, 1994, Consolidated wrote Anderson, offering to lease, or let Anderson participate in the completion if, and only if, Anderson would pay Consolidated the money Richmond spent in the drilling, proportionately reduced to Anderson's interest. Otherwise, Consolidated indicated it would force pool Anderson, and in fact has filed to do so.

2. Anderson should not be a party to the hearing.

The word "jurisdiction" is a term of large and comprehensive import. It includes jurisdiction over the subject matter, over the parties, and power or authority to decide the particular matters presented. Elwess v. Elwess, 73 N.M. 400, Supreme Court of New Mexico (1964). A lack of jurisdiction means an entire lack of power to hear or determine the case and the absence of authority over the subject matter or the parties. Grace v. Oil Conservation Commission of New Mexico, 87 N.M. 205, Supreme Court of New Mexico, January 31, 1975.

For the Commission to issue an order affecting Anderson, it must have jurisdiction over him. It does not, and cannot decide the issue of validity of the lease in Anderson's favor, which decision would grant jurisdiction.

Section 70-2-17 NMSA, the force pooling statute, applies to "owners" of various defined interests. "Owner" is defined by Section 70-2-33 E, as follows:

> "E. 'owner' means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another;"

At this point, the right of Anderson to drill into and to produce from any pool is in doubt and unclear. Anderson contends that the said lease has expired; lessee, by continuing to tender shut-in gas royalties, evidences its opinion that the lease is in force and effect. Therefore, Anderson is not an "owner" within the meaning of the statute, and the Commission has no jurisdiction over him at this hearing. Further, the Commission has no jurisdiction over the legal issue of whether Anderson's lease is valid, because legal issues are reserved to the courts, and the power to decide the validity of oil and gas leases is not one of the powers give the Commission or Division by Section 70-2-12 NMSA.

Until the validity of Anderson's lease is decided by the courts, the Commission cannot treat Anderson as a party to this hearing, nor issue any order affecting him.

3. The Commission has no jurisdiction over the central issue that divides Anderson and Consolidated.

The crux of the conflict between Anderson and Consolidated is Consolidated's right to collect from Anderson money spent by Richmond. This is a question of law over which the Commission has no authority, and therefore is powerless to decide.

Questions of law are reserved to the courts. The Supreme Court of New Mexico has ruled:

> "...if the protection of correlative rights were completely separate from the prevention of waste, then there might be no need in having the commission as a party; but if such were true, it is very probable that the commission would be performing a judicial function, i.e., determining property rights, and grave constitutional problems would arise. For the same reason, it must follow that, just as the commission cannot perform a judicial function..." [emphasis added] Continental Oil Company v. Oil Conservation Commission, 373 p.2d 809, Supreme Court of New Mexico, May 16, 1962, rehearing denied.

The Commission has no authority to determine property rights, and any delegation to the Commission by the legislature would be unconstitutional.

This legal issue has apparently not been before the courts in New Mexico, but it is well settled in Texas and Oklahoma that Consolidated has no right to make such a demand. Wilcox Oil Company v. Corporation Commission, 393 P.2d 242, Supreme Court of Oklahoma, June 9, 1964. Steeple Oil & Gas Corporation, et al v. J. D. Amend, 392 SW2d 744, CCA Amarillo, reversed on other grounds 394 SW2d 789. Hunt v. HNG Oil Company, 791 SW2d 191, CCA Corpus Christi. Broadway v. Stone, 15 SW2d 230, Commission of Appeals, Section A. Eubank v. Twin Mountain Oil Corp., 406 SW2d 789, CCA Eastland, n.r.e. Wood Oil Company v. Corporation Commission, 239 P.2d 1023, Supreme Court of Oklahoma, October 24, 1950.

The above cited cases treat this issue as a legal one, and while it is true that New Mexico is not bound by what has been decided in Texas and Oklahoma, not only would it be grave error for the Commission to entertain the issue, but it would be even more serious for the Commission to rule in Consolidated's favor in the face of such great weight of authority.

4. Should the Commission rule on the legal issue of Consolidated's right to recover Richmond's costs from Anderson, it should rule in Anderson's favor.

a. The costs were not incurred by Richmond alone, but rather by Richmond and its working interest partners. Whatever rights Consolidated acquired from Richmond did not include any rights to costs incurred by parties other than Richmond. Consolidated is seeking to unjustly enrich itself.

b. The costs are unreasonable, as was pointed out in the hearing.

c. Richmond did not pay the costs associated with the lease dated July 19, 1988. McElvain paid those costs, and McElvain continues to hold record title to said lease. To the extent Richmond sold said lease to Consolidated, Consolidated bought bad title, and Consolidated should suffer the consequences; that is, it should not be rewarded for paying value for nothing.

d. Case No. 10801, Order R-9996 does not control this issue, and is not applicable. Although it is unclear from the Order, apparently Markham only owned a working interest in the Fruitland Sand. Markham had no options or rights during the drilling of the Osborne No. 1. Markham could not participate in the drilling of said well. Anderson did have the right, and elected to lease. Anderson's costs were covered, and such costs were forfeited when the lease expired. Anderson's costs have already been paid.

e. For all time it has been generally recognized that when a mineral owner leases, he gives up all right of control over the drilling and production, and is excused of all costs in connection with drilling, completion, production and operation, except for those costs specifically spelled out in the lease, such as taxes. To award the costs Consolidated asks would result in the following preposterous results:

> (1) Lessee drills a well and runs out of money. He intentionally lets some of the leases expire, proposes a completion, force pools the mineral owners and recoups the costs of drilling to pay for the completion.
>
> (2) Lessee takes a lease on a plugged and abandoned well, force pools the remaining mineral owners and makes them pay for the dry hole.
>
> (3) Lessee takes a lease and attempts a completion in a zone which has a 40 acre proration unit. The well is dry. Lessee proposes a completion in a zone requiring 640 acres and force pools the mineral owners and leasehold owners. Lessee collects the cost of his dry hole and makes enough money to pay for the completion.

This is truly a dangerous precedent.

f. Consolidated did not pay Richmond 100% of the money Richmond spent as operator for drilling said wells. Consolidated has refused to tell Anderson how much it actually paid Richmond for the Carnes #1 and the Federal #1. Again, Consolidated is trying to enrich itself unjustly.

Consolidated is attempting to overturn well settled law and decades of well understood relationships between mineral owners and lessees. When a lessee takes a lease, he incurs all the costs and risk; the lessee cannot turn to the mineral owner for renumeration. Such a rule would have a chilling effect on the oil and gas industry. Mineral owners would be afraid to lease, fearful that they would have to repay the lessee for costs the lessee incurred. How absurd.

The Commission should not decide this issue; it is a legal one and belongs in the courts. Anderson has filed suit against Consolidated for a determination of Consolidated's legal position. It should be decided there.

Finally, whatever the Commission does, it should exclude Anderson from its decision. It has no jurisdiction over him because Anderson is not an "owner" in terms of the statutes.

KELLAHIN AND KELLAHIN
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EL PATIO BUILDING
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POST OFFICE BOX 2265
SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*
*NEW MEXICO BOARD OF LEGAL SPECIALIZATION RECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

April 25, 1994

HAND DELIVERED

APR 25 1994

David R. Catanach
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87504

Re: NMOCD Cases 10955, 10956 & 10957
Applications of Consolidated Oil & Gas Inc. to amend certain compulsory pooling orders, San Juan and Rio Arriba Counties, New Mexico

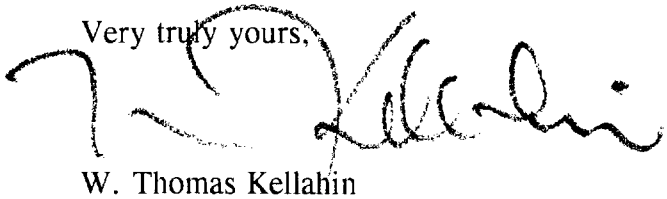
Dear Mr. Catanach:

On behalf of Consolidated Oil & Gas, Inc., I am submitting the following:

(1) Memorandum of Legal Authority
(2) Affidavit of Philip G. Wood
(3) Affidavit of George Broome
(4) Proposed Order for Case 10955
(5) Proposed Order for Case 10956
(6) Proposed Order for Case 10957
(7) Replacement Exhibit 8-B (Miller 11)

In addition, Consolidated as authorized me to withdraw the confidentiality request for Consolidated Exhibit (16). I have also attached to Mr. Broome's affidavit a copy of the Richmond-McElvain Farmout Agreement along with copies of the releases of the Quintana and the Anderson oil and gas leases. The originals of those releases have been forwarded to the appropriate county clerk for recording.

Very truly yours,



W. Thomas Kellahin

cc: Consolidated Oil & Gas, Inc.
cc: Edmund T. Anderson, James Rubow

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
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SANTA FE, NEW MEXICO 87504
(505) 827-5800

June 16, 1994

KELLAHIN AND KELLAHIN
Attorneys at Law
P. O. Drawer 2265
Santa Fe, New Mexico 87504

RE: CASE NO. 10955
ORDER NO. R-9033-A

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally Martinez

Sally E. Martinez
Administrative Secretary

cc: BLM - Farmington
OCD - Aztec
Ed Anderson
Taxation & Revenue

Consolidated Oil & Gas, Inc.

July 7, 1994

CASE FILE - 10955
DC

FAX #505-827-5741

Mr. David R. Catanach
State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: OCD Order No.'s R-9033-A,
R-9178-A and R-9179-A
San Juan & Rio Arriba Counties, New Mexico

Dear Mr. Catanach:

Enclosed are copies of the Certified letters, including itemized schedules of estimated completion costs that were sent to Mr. Rubow and Mr. Anderson for the Federal 32-6-9 #1, Carnes 32-6-11 #1 and Miller 32-6-11 #1 wells. Please call me with any questions or comments that you may have.

Further, with regards to Mr. Rubow's letter of July 6, 1994, the office of T.H. McElvain has advised me that the release of Mr. Rubow's minerals is recorded as follows:

COUNTY	SAN JUAN	RIO ARRIBA
Recording Date	5-23-94	6-29-94
Book	1183	145
Page	245	638

I am certain that Mr. Kellahin can provide you with a copy next week.

Sincerely,

Philip G. Wood
Land Manager

PGW:lm
enclosures

410 17th Street, Suite 2300 • Denver, Colorado 80202
Telephone: (303) 893-1225 • Facsimile: (303) 893-0946

Consolidated Oil & Gas, Inc.

July 7, 1994

CERTIFIED MAIL

Mr. Edmund T. Anderson, IV, Individually, and as
Trustee of the Mary Anderson Boll Family Trust
P.O. Box 8575
Midland, Texas 79708-1575

Case AFE - 10955

Re: Federal 32-6-9 #1 Well
E/2 Section 9, T32N, R6W
Carnes 32-6-11 #1 Well
S/2 Section 11, T32N, R6W
San Juan County, New Mexico

Dear Mr. Anderson:

Pursuant to State of New Mexico Oil Conservation Division Orders R-9033-A and R-9179-A, you are hereby provided with Consolidated's itemized schedule of estimated completion costs for the Federal 32-6-9 #1 and Carnes 32-6-11 #1 wells.

Each AFE has an industry standard 10% contingency factored into its total, which move the amounts slightly above the estimates set forth in the orders, but should still fall well within the range of "reasonable well costs."

At this time, Consolidated requests your election to either 1) participate by paying your pro-rata share of reasonable well costs, or 2) become subject to the risk penalties outlined in the Orders. Should you elect to participate in either one or both wells, please provide Consolidated with a cashiers check for your pro-rata share as follows:

	Federal 32-6-9 #1		Carnes 32-6-11 #1
	$285,232.80		$205,338.40
	* 0.03579098%		* 0.03125%
Your share:	$10,208.76	Your share:	$6,416.82

Your share in both wells: $16,625.58

Your election to participate and subsequent payment of funds is due within thirty (30) days from receipt of this letter.

Consolidated Oil & Gas, Inc.

Consolidated Oil & Gas, Inc. is approximately midway through the construction of its Colorado based gas gathering/water disposal system that will ultimately branch southward and tie into the Carnes and Federal wells. Water will be piped to a central facility in La Plata County and disposed of through our agreement with RMI Environmental Services. The gas line will be connected to El Paso's Ignacio Blanco System.

We anticipate initial gathering and disposal rates of $0.80 - $1.00 per barrel of water and $0.18 - $0.25 per MCF. Additional information regarding rates and time schedules is forthcoming. Our plan is to be fully operational by October 1, 1994.

Sincerely,

Philip G. Wood
Land Manager

PGW:ab
enclosure

cc: State of New Mexico
Oil Conservation Division
Attn: Mr. David R. Catanach
P.O. Box 2088
Santa Fe, NM 87504

410 17th Street, Suite 2300 • Denver, Colorado 80202
Telephone: (303) 893-1225 • Facsimile: (303) 893-0946

CONSOLIDATED OIL & GAS, INC.
410 17TH STREET, SUITE 2300
DENVER, CO 80202

AUTHORIZATION FOR EXPENDITURE

AFE No. 0694005
Lease Federal 32-6-9 #1 Field Basin Fruitland Coal
County San Juan State New Mexico
Date Work to Start 8-22-94 Time to Complete 12 Days Work to Be Done By 9-1-94

Nature of Proposed Work: The well will be completed using the cavitation method, equipped with facilities, a flowline laid, and hooked up for sales.

It is estimated that the following labor, material, etc., will be required:

Quantity	Description	Estimated Cost
	Cavitation Completion Unit (Rig, Compressor, BOPs, etc.) (10 days @$7,500/day)	$75,000.00
	Equipment (Tbg, Rods, Valves)	$8,500.00
	Facilities (P.U., Sep., Tanks, Mtr.)	$34,000.00
	Flowline Installation	$45,000.00
	Testing	$2,500.00
	Site Reclamation, Road Work, Graveling	$15,000.00
	Misc. (Roustabout, Rentals, etc.)	$5,000.00
	Contingencies @10%	$18,500.00
	Supervision	$6,000.00
	TOTAL	$209,500.00

Recommended by Alan C. Harrison, District Operations Manager Date: July 1, 1994
Name and Title

Approved by J A Wrechter Date: 7/1/94

COMPANY NAME: Edmund T. Anderson, IV, Individually, and as Trustee of the Mary Anderson Bell Family Trust

Approved by _____ Date: _____
Name and Title

Company W. I. .03579098 Net Cost: ~~$7,498.21~~

CONSOLIDATED OIL & GAS, INC.
410 17TH STREET, SUITE 2300
DENVER, CO 80202

AUTHORIZATION FOR EXPENDITURE

AFE No. 0694006
Lease Carnes 32-6-11 #1 Field Basin Fruitland Coal
County San Juan State New Mexico
Date Work to Start 8-29-94 Time to Complete 5 Days Work to Be Done By 9-2-94

Nature of Proposed Work: The well will be fracture stimulated, equipped with facilities and hooked up for gas sales.

It is estimated that the following labor, material, etc., will be required:

Quantity	Description	Estimated Cost
	Frac Stimulation	$70,000.00
	Workover Rig	$6,000.00
	Testing	$2,500.00
	Equipment (Tbg, Rods, Valves)	$9,500.00
	Facilities (P.U., Sep., Tanks, Mtr.)	$34,000.00
	Flowline Installation	$16,000.00
	Site Reclamation, Road Work, Graveling	$15,000.00
	Misc. (Roustabout, Rentals, etc.)	$3,000.00
	Contingencies @10%	$15,000.00
	Supervision	$2,500.00
	TOTAL	$173,500.00

Recommended by Alan C. Harrison, District Operations Manager Date: July 1, 1994
Name and Title

Approved by J A Waechter Date: 7/1/94

COMPANY NAME: Edmund T. Anderson, IV, Individually, and as Trustee of the Mary Anderson Boll Family Trust

Approved by _____ Date: _____
Name and Title

Company W. I. .03125 Net Cost: $5,421.88

Submit 3 Copies to Appropriate District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

cc: Richmond Petroleum
Dana Deventhal
Well File

Form C-103
Revised 1-1-89

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

OIL CONSERVATION DIVISION
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'91 JUL 11 AM 9 01

WELL API NO.
30 045 27535

5. Indicate Type of Lease STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

7. Lease Name or Unit Agreement Name
Federal ~~32-6~~-9

1. Type of Well: OIL WELL ☐ GAS WELL ☒ OTHER

2. Name of Operator
Richmond Petroleum, Inc.

8. Well No.
1

3. Address of Operator
2651 N. Harwood, Suite 360, Dallas, TX 75201

9. Pool name or Wildcat
Basin Fruitland Coal Gas

4. Well Location
Unit Letter A : 510 Feet From The North Line and 210 Feet From The East Line

Section 9 Township 32N Range 6W NMPM San Juan County

10. Elevation *(Show whether DF, RKB, RT, GR, etc.)*
6,110' GL

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:				SUBSEQUENT REPORT OF:			
PERFORM REMEDIAL WORK	☐	PLUG AND ABANDON	☐	REMEDIAL WORK	☐	ALTERING CASING	☐
TEMPORARILY ABANDON	☐	CHANGE PLANS	☐	COMMENCE DRILLING OPNS.	☐	PLUG AND ABANDONMENT	☐
PULL OR ALTER CASING	☐			CASING TEST AND CEMENT JOB	☐		
OTHER:	☐			OTHER: Drilling	☒		

12. Describe Proposed or Completed Operations *(Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work)* SEE RULE 1103.

Drilling History Attached

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE [signature] TITLE Operations Manager DATE 6-4-90

TYPE OR PRINT NAME Steven S. Dunn TELEPHONE NO. 505-327-9801

(This space for State Use)

APPROVED BY [signature] TITLE SUPERVISOR DISTRICT # 3 DATE JUL

CONDITIONS OF APPROVAL, IF ANY:

FEDERAL 32-6-9 NO. 1

May 9, 1990
Location and road construction in progress. (CCM)

May 11, 1990
Location construction complete. (CCM)

May 14, 1990
TD: 275' KB
Current Operation: Move Earth Drilling on location and rig up. Drill rat hole and mouse hole. Drill 12-1/4" hole to fit casing. TOH. RIH w/ 264.18' of 9-5/8" 36# ST&C csg. Set @ 262' KB. Circulate last jt down with rig pump. Rig up BJ and cement as follows: Break Circulation with 10 Bbls water. Mix and pump 200 sx Class "B" cement with 2% Cacl and 1/4#/sk cello flakes. Yield: 1.18 cf/sk. Density: 15.6 lb/gal. Shut down, drop top wood plug and displace cement with 18 Bbls water to leave 30' cement in casing. Circulate 10 Bbls cement to surface.

Casing

9-5/8" notched casing collar	.95'
7 jts 9-5/8" casing	264.18'

Set @ 262' KB

May 15, 1990
TD: 1,989'
Current Operation: Drilling
Drilled 1,714' in the last 24 hours. Formation: Sand and shale. (ARM)

May 16, 1990
TD: 2,430'
Current Operation: Drilling
Drilled 441' in the last 24 hours. Formation: Sand and shale.

TD @ 4:45 p.m. with Bit #2 - 8-3/4" Hughes J-22 in @ 268'. Total footage of 2,162' in 35-3/4 hours. Condition hole to run csg. TOH w/ DP & DC. Rig up csg crew and RIH w/ 77 jts 7", 20# and 23# ST&C and LT&C csg. Circulate last jt down with rig pump. Condition hole to cement. Rig up BJ and cement as follows: Establish circulation with 20 Bbls water. Mix and pump 200 sx Class "B" cement with 2% sodium matasilicate and 1/4# per sk celloflakes. Yield 2.06 cf/sk. Density: 12.48. Tail in with 150 sx class "B" cement with 2% CaCl and 1/4# per sk celloflakes. Yield: 1.18 cf/sk. Density 15.6 lb/gal. Shut down and wash lines. Drop top wiper plug. Displace cement with 98 Bbls water. Bump plug 500 psi over differential. Bleed back pressure - float held good. Bump plug 12:55 a.m. Circulate cement to surface @ 42 Bbls. Land csg in wellhead slips and cut off. (ARM)

Casing

7" cement nose guideshoe	.95
Shoe joint	23.33
76 jts 7" 20# and 23#	2432.44
Set @ 2,430' KB	
Float collar @ 2,407' KB	

Submit 3 Copies to Appropriate District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

cc: Richmond Petroleum
D. Delventhal

Form C-103
Revised 1-1-89

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

OIL CONSERVATION DIVISION
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'91 JUL 8 AM 9 58
CONFIDENTIAL

WELL API NO.
30 045 27535

5. Indicate Type of Lease STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

7. Lease Name or Unit Agreement Name
Federal 32-6-9

1. Type of Well:
OIL WELL ☐ GAS WELL ☒ OTHER

2. Name of Operator
Richmond Petroleum Inc.

8. Well No.
1

3. Address of Operator
2651 N. Harwood, Suite 360, Dallas, Tx 75201

9. Pool name or Wildcat
Basin Fruitland Coal Gas

4. Well Location
Unit Letter A : 510 Feet From The North Line and 210 Feet From The East Line

Section 9 Township 32N Range 6W NMPM San Juan County

10. Elevation *(Show whether DF, RKB, RT, GR, etc.)*
6,110' GL

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK ☐	PLUG AND ABANDON ☐	REMEDIAL WORK ☐	ALTERING CASING ☐
TEMPORARILY ABANDON ☐	CHANGE PLANS ☐	COMMENCE DRILLING OPNS. ☐	PLUG AND ABANDONMENT ☐
PULL OR ALTER CASING ☐		CASING TEST AND CEMENT JOB ☐	
OTHER: ☐		OTHER: Spud Notice ☒	

12. Describe Proposed or Completed Operations *(Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work)* SEE RULE 1103.

The Federal 32-6-9 No. 1 well was spud on May 13, 1990.

RECEIVED
MAY 21 1990
OIL CON. DIV.
DIST. 3

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Steven S. Dunn TITLE Operations Manager DATE 5/14/90

TYPE OR PRINT NAME TELEPHONE NO.

(This space for State Use)

APPROVED BY TITLE DATE

CONDITIONS OF APPROVAL, IF ANY:

30-045-27535

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

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OPERATOR		

OIL CONSERVATION DIVISION

OIL CONSERVATION DIVISION
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P. O. BOX 2088
SANTA FE, NEW MEXICO 87501
'89 DEC 4 AM 10 39

Form C-101
Revised 10-1-78

5A. Indicate Type of Lease STATE ☐ FEE ☒

5. State Oil & Gas Lease No. N/A

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work
DRILL ☑ DEEPEN ☐ PLUG BACK ☐

b. Type of Well
OIL WELL ☐ GAS WELL ☑ OTHER SINGLE ZONE ☑ MULTIPLE ZONE ☐

7. Unit Agreement Name N/A

8. Farm or Lease Name Federal ~~32-6-9~~

2. Name of Operator
Richmond Petroleum Inc. (214) 720-7730

9. Well No. #1

3. Address of Operator
2651 North Harwood, Suite 360, Dallas, Tx. 75201

10. Field and Pool, or Wildcat Basin-Fruit. Coal Gas

4. Location of Well UNIT LETTER A LOCATED 510 FEET FROM THE North LINE
AND 210 FEET FROM THE East LINE OF SEC. 9 TWP. 32 n RGE. 6 w NMPM

12. County San Juan

19. Proposed Depth	19A. Formation	20. Rotary or C.T.
~~2,900'~~ 2850	Fruitland	Rotary

21. Elevations (Show whether DF, RT, etc.)	21A. Kind & Status Plug. Bond	21B. Drilling Contractor	22. Approx. Date Work will start
~~6,110' GL~~	~~Statewide~~	Not Yet Known	April 1, 1990

23.

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
~~12-1/4"~~	~~9-5/8"~~	~~36 (J-55)~~	~~240'~~	~~130~~	~~GL~~
~~8-3/4"~~	~~7"~~	~~20 (K-55)~~	~~2,500'~~	~~330~~	~~GL~~
6-1/4"	5-1/2"	23 (N-80)	2,130'	70	2,470'
or	4-1/2"	11.6 (K-55)	2,850'	70	2,470'

APPROVAL VALID FOR 180 DAYS FROM DATE 5-27-90
UNLESS DRILLING IS COMMENCED.
SPUD NOTICE MUST BE SUBMITTED
WITHIN 10 DAYS.

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NOV 29 1989
OIL CON. DIV.
DIST. 3

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed Brian Wood Title Consultant 984-8120 Date 11-17-89

(This space for State Use)

APPROVED BY Jerry Sexton TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE 11-27-89

CONDITIONS OF APPROVAL, IF ANY:

R-9033
Hold C-104 for location Amendment

All distances must be from the outer boundaries of the Section.

Operator	Lease	Well No.
RICHMOND PETROLEUM, INC.	Federal ~~32-9~~ 9	#1

Unit Letter	Section	Township	Range	County
A	9	32 N	6 W	San Juan

Actual Footage Location of Well:
510 feet from the North line and 210 feet from the East line

Ground Level Elev.	Producing Formation	Pool	Dedicated Acreage:
6110'	Fruitland	Basin-Fruitland Coal Gas	279.4 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

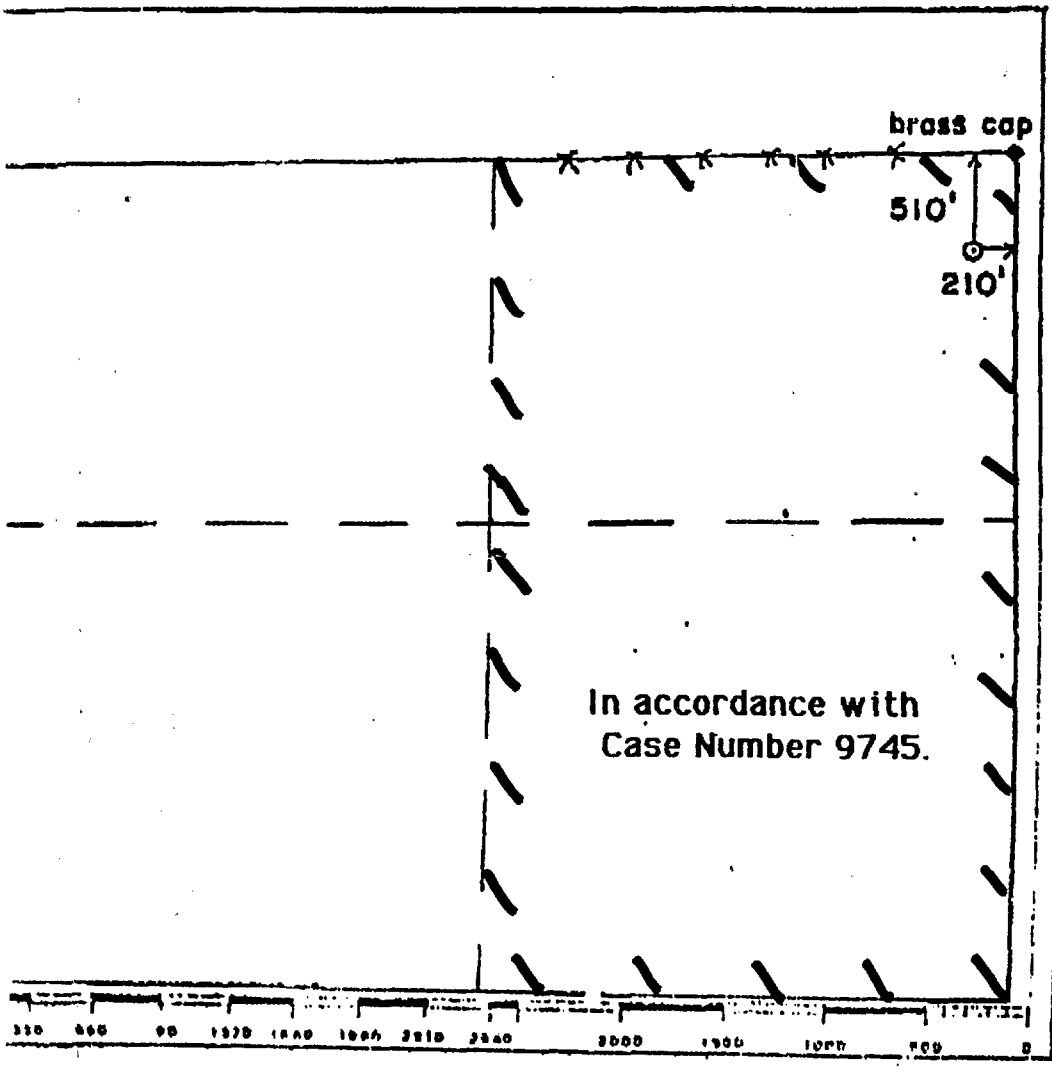
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Division.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name: Brian Wood

Position: Consultant

Company: Richmond Petroleum Inc.

Date: November 17, 1989

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: Sept 6

Registered Professional Engineer and/or Land Surveyor

Certificate No. 6844

GERALD L. HUDDLESTON 6844 NEW MEXICO REGISTERED LAND SURVEYOR

Submit 3 Copies to Appropriate District Office

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERV... DIVISION RECEIVED '94 JAN 27 AM 10 04

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Form C-103
Revised 1-1-89

WELL API NO. 30 045 27535

5. Indicate Type of Lease STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

7. Lease Name or Unit Agreement Name: Federal 3[illegible]-9

1. Type of Well: OIL WELL ☐ GAS WELL ☒ OTHER

2. Name of Operator: Richmond Petroleum, Inc.

8. Well No. 1

3. Address of Operator: 2651 N. Harwood, Suite 500, Dallas, Tx. 75201

9. Pool name or Wildcat: Basin Fruitland Coal

4. Well Location
Unit Letter A : 510 Feet From The North Line and 210 Feet From The East Line

Section 9 Township 32N Range 6W NMPM San Juan County

10. Elevation (*Show whether DF, RKB, RT, GR, etc.*) 6110' GL

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:				SUBSEQUENT REPORT OF:			
PERFORM REMEDIAL WORK	☐	PLUG AND ABANDON	☐	REMEDIAL WORK	☐	ALTERING CASING	☐
TEMPORARILY ABANDON	☐	CHANGE PLANS	☐	COMMENCE DRILLING OPNS.	☐	PLUG AND ABANDONMENT	☐
PULL OR ALTER CASING	☐			CASING TEST AND CEMENT JOB	☐		
OTHER:	☐			OTHER:			☐

12. Describe Proposed or Completed Operations *(Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work)* SEE RULE 1103.

Well is currently waiting on perforation and fracture completion.
Delays are due to waiting on pipeline facilities.
Richmond is currently working with 3rd party companies to accomplish the same.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE James L. Merkel TITLE Engineering DATE 01/17/94

TYPE OR PRINT NAME James L. Merkel TELEPHONE NO. 214-7207730

(This space for State Use)

APPROVED BY [illegible] TITLE [illegible] GAS INSPECTOR, DIST. [illegible] DATE [illegible]

CONDITIONS OF APPROVAL, IF ANY:

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

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'94 JU 28 AM 8 50

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

June 30, 1994

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Dear Mr. Kellahin:

Based upon the reasons stated in your letter of June 28, 1994, and in accordance with the provisions of Division Orders Nos. R-9033-A, R-9178-A, and R-9179-A, Consolidated Oil & Gas, Inc. is hereby granted an extension of time until October 1, 1994, in which to begin the wells on the units pooled by said orders as follows:

Federal 32-6-9 Well No. 1
Section 9, T32N, R6W
Order No. R-9033-A

Miller 32-6-11 Well No. 1
Section 11, T32N, R6W
Order No. R-9178-A

Carnes 32-6-11 Well No. 1
Section 11, T32N, R6W
Order No. R-9179-A

Sincerely,

WILLIAM J. LEMAY
Director

fd/

cc: Cases Nos. 10955, 10956, and 10957
OCD - Aztec

RECEIVED
JUL 01 1994
OIL CON. DIV.
DIST. 3

EDMUND T. ANDERSON, IV
OIL AND GAS PROPERTIES
P.O. BOX 8575
MIDLAND, TEXAS 79708-1575
TELE: (915) 686-8838

April 5, 1994

Case No. 10955

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
310 Old Santa Fe Trail, Room 219
P.O. Box 2088
Santa Fe, NM 87501

Re: Application of Consolidated Oil & Gas, Inc., NMOCD Case 9745, Order R-9033

Dear Mr. Stogner,

Please be advised that I have sued both Consolidated and Richmond Petroleum Inc. A copy of the Petition is enclosed for your inspection.

I hereby request that the hearing on the above referenced Case be postponed until the rights and liabilities of the parties have been determined by the Court.

Since I have not received a notice of hearing, I would appreciate your letting me know if the requested hearing will be continued. I have assumed that Consolidated's request for a hearing on the 24th of April was not binding on you, and that a formal notice would be sent to the parties.

Please call me if you have any questions.

Sincerely,

Edmund T. Anderson, IV

NO. 7960

FILED

94 APR -5 PM 2:17

EDMUND T. ANDERSON, IV, INDIVIDUALLY AND AS TRUSTEE OF THE MARY ANDERSON BOLL FAMILY TRUST	)	IN THE COUNTY COURT AT LAW
v.	)	MIDLAND COUNTY, TEXAS
CONSOLIDATED OIL & GAS, INC., AND RICHMOND PETROLEUM INC.	)	

PLAINTIFF'S ORIGINAL PETITION FOR DECLARATORY JUDGEMENT

TO THE HONORABLE JUDGE OF SAID COURT:

Edmund T. Anderson, IV, Plaintiff, petitions the Court pursuant to the Uniform Declaratory Judgements Act, Chapter 37 of the Civil Practice and Remedies Code of Texas, for a declaration that an Oil and Gas Lease has terminated, and that Defendants are not entitled to reimbursement for drilling costs.

I.

Plaintiff is an individual residing at 2521 Humble, Midland, Midland County, Texas 79705. Defendant Consolidated Oil & Gas, Inc., is a corporation formed and existing under the laws of the State of Delaware, and may be served with process by serving The Corporation Company, its registered agent for service of process, at 1675 Broadway, Suite 1200, Denver, Colorado 80202. Defendant Richmond Petroleum Inc., is a corporation formed and existing under the laws of the State of Texas, and may be served with process by serving W. Stephen Swayze, its registered agent for service of process, at 700 McKinney Place, 3131 McKinney Avenue, Dallas, Dallas County, Texas 75204.

II.

Plaintiff is, and at all times relevant to this petition was, the owner of an undivided 1/4 mineral interest in SE¼ SE¼ Section 9, T-32-N, R-6-W, N.M.P.M.; and an undivided 1/4 mineral interest in SE¼ SW¼ Section 11, T-32-N, R-6-W, N.M.P.M., all in San Juan County, New Mexico. Plaintiff currently holds title as reflected above, individually and as Trustee of the Mary Anderson Boll Family Trust. On July 19, 1988, plaintiff held title in the additional capacity as Independent Executor and Trustee under the Wills of E. T. Anderson, III, and Lillian Gartin, plaintiff's mother and father.

VI.

On November 14, 1990, McElvain sent plaintiff a letter, a copy of which is attached as Exhibit B, and a Shut-in Royalty Receipt, a copy of which is attached as Exhibit C, almost four months following the expiration of the primary term. Plaintiff responded with a letter, a copy of which is attached as Exhibit D, requesting a drilling report to establish the completion of a well capable of producing gas. McElvain did not respond until April 22, 1991, when McElvain's employee Rhonda Wilkinson called plaintiff. Rhonda Wilkinson admitted failure to respond to plaintiff's letter, Exhibit D, dated November 20, 1990, and she promised to send said drilling report.

VII.

McElvain did send plaintiff said drilling report, which showed the Federal #1 to have been drilled, but not completed. Plaintiff then asked McElvain for a completion report. None was provided. Plaintiff destroyed the shut-in gas royalty check dated November 14, 1990, because no well was completed.

VIII.

On May 11, 1992, Richmond again attempted to pay shut-in gas royalties by letter, a copy of which is attached as Exhibit E. Plaintiff responded by returning said shut-in gas royalties by letter dated May 22, 1992, a copy of which is attached as Exhibit F, and by filing an Affidavit noting the expiration of said lease, a copy of which Affidavit is attached as Exhibit G. Said Affidavit was recorded in San Juan County in Volume 1151, page 27.

IX.

Richmond again attempted to pay shut-in gas royalties on April 23, 1993, by letter, a copy of which is attached as Exhibit H. Plaintiff returned said tender on April 28, 1993, by letter, a copy of which is attached as Exhibit I. In no case was Richmond entitled to pay shut-in gas royalties for more than two years beyond the primary term.

III.

On July 19, 1988, plaintiff, as lessor, executed and delivered an oil and gas lease to T. H. McElvain, Jr., of Santa Fe, New Mexico (hereafter "McElvain"). By mesne conveyances, McElvain assigned said lease to defendant Richmond Petroleum Inc. (hereafter "Richmond"). Said lease granted, leased and let the land described in Paragraph II, for the purpose of exploring, drilling and producing oil and gas from said land. The lease was for a term of two years from the date of its execution and so long thereafter as oil or gas was produced from the land by lessee. Said lease was filed of record in Volume 1092, page 175, of the records of San Juan County, New Mexico. A copy of the lease is attached as Exhibit A and incorporated by reference the same as if fully copied and set forth at length.

IV.

The lease provided in Paragraph 3, in part:

> "...If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized, which is capable of producing gas in paying quantities, but which is shut-in before or after production therefrom, such well shall be considered under all provisions of this lease as a well producing gas in paying quantities and this lease shall remain in force in the manner as though gas therefrom was actually being sold or used. In such event, lessee covenants and agrees to pay lessor, as royalty, a sum equal to twice the amount of the delay rentals hereinafter provided... The first payment shall be due and payable on or before 90 days after the date such well is shut-in, or 90 days from the date this lease ceases to be maintained in force by some other provision hereof...Notwithstanding any provision herein to the contrary with regard to shut-in gas wells, the existence of a shut-in gas well on the leased premises shall not be a basis for continuing this lease in force and effect for more than two consecutive one year periods beyond the primary term."

V.

Richmond purportedly pooled plaintiff's land with other land and drilled two wells: Carnes 32-6-11 #1, 1800' FSL and 230' FWL of NW¼ SW¼ Section 11, T-32-N, R-6-W, N.M.P.M., (hereinafter Carnes #1), and Federal 32-6-9 #1, 510' FNL and 210' FEL of NE¼ NE¼ Section 9, T-32-N, R-6-W, N.M.P.M., (hereinafter Federal #1), all in San Juan County, New Mexico. The exact dates of the drilling of said wells are unknown to Plaintiff.

X.

On March 1, 1994, Plaintiff was notified by Defendant Consolidated Oil & Gas, Inc., (hereinafter "Consolidated"), by letters dated March 1, 1994, copies of which are attached as Exhibits J and K, that it had acquired Richmond's interest and that it intended to complete said wells. Consolidated offered to lease Plaintiff's minerals, or let Plaintiff participate in the completion of said wells, if Plaintiff would pay his proportionate part of the expenses incurred by Richmond. Said drilling expenses are purportedly $224,616.72 for the Carnes #1, and $139,748.88 for the Federal #1. Consolidated demanded Plaintiff pay $7,019.27 as reimbursement for Richmond's expenses incurred in connection with the Carnes #1, and $5,001.75 as reimbursement for Richmond's expenses incurred in connection with the Federal #1.

XI.

The demands by Consolidated are contrary to the law. Consolidated has no basis for demanding that Plaintiff reimburse Consolidated for expenses incurred by Richmond in the drilling of the Carnes #1 and Federal #1. Plaintiff should be allowed to participate in the completion of both wells by paying his proportionate part of the completion costs only.

XII.

Plaintiff requests that the court declare the lease dated July 19, 1988 terminated, that Plaintiff is not obligated to reimburse Defendants for any of the costs associated with the drilling of the Carnes #1 and Federal #1, and that Plaintiff be allowed to participate in the completion of said wells by payment of his proportionate part of the completion expenses incurred by Consolidated.

XIII.

Plaintiff is self employed, and has had to devote several days of his time to research the issues presented here, and prepare this Petition. That time could have been used in other productive endeavors. An award of reasonable and necessary attorney's fees to Plaintiff would be equitable and just and therefore authorized by Section 37.009 of the Civil Practice and Remedies Code.

WHEREFORE, Plaintiff requests that Defendants be cited to appear and answer herein, and that on final hearing, Plaintiff have judgement as follows:

1. The Oil and Gas Lease dated July 19, 1988, between Plaintiff and McElvain is terminated.

2. Defendants are not entitled to recover from Plaintiff any of the costs incurred by Richmond in the drilling of said wells.

3. Plaintiff is entitled to participate in the completion of said wells by payment of his proportionate share of the completion expenses incurred by Consolidated.

4. Attorney's fees.

5. Costs of suit.

6. Such other and further relief to which Plaintiff may be justly entitled.

Respectfully Submitted,

By: _____

Edmund T. Anderson, IV, Individually
and as Trustee for the Mary
Anderson Boll Family Trust
2521 Humble
Midland, Texas 79705
Telephone: 915-686-8838
Fax Number: 915-683-4500
State Bar I.D. Number: 01221000
Attorney Pro Se

OIL AND GAS LEASE

THIS AGREEMENT made this 19th day of July, 19 88, between the below signed party, of 2521 Humble, Midland, Texas 79705

and _____, herein called lessor (whether one or more), and T.H. McElvain, Jr., of P.O. Box 2148, Santa Fe, NM 87504-2148, lessee.

1. Lessor, in consideration of Ten Dollars and Other Valuable Consideration, 10.00 & OVC 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, gas, and associated hydrocarbons, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, power stations, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said substances, the following described land in San Juan County, New Mexico, to wit:

SE¼ SE¼ Section 9, and SE¼ SW¼ Section 11, both in T-32-N, R-6-W, N.M.P.M.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 80 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 2 years from this date (called "primary term"), and as long thereafter as oil or gas, either or both, is produced from said land or land with which said land is pooled.

3. The lessee shall deliver to lessor, free of cost, in the tanks or at the transmission pipelines (as distinguished from gathering pipelines) to which wells may be connected, an equal 1/5 part of all oil, gas and associated hydrocarbons produced and saved from said land or, at the option of the lessor, said part of the market value of all oil and gas produced and saved from said premises, provided that on gas sold at the well in a bona fide transaction between the lessee and a party not controlled by the lessee the term "market value" shall be the price realized from such sale. If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized, which is capable of producing gas in paying quantities, but which is shut-in before or after production therefrom, such well shall be considered under all provisions of this lease as a well producing gas in paying quantities and this lease shall remain in force in the manner as though gas therefrom was actually being sold or used. In such event, lessee covenants and agrees to pay lessor, as royalty, a sum equal to twice the amount of the delay rentals hereinafter provided for per annum for the period commencing on the date such well is actually shut-in, unless this lease is being maintained in force and effect by some other provision hereof, in which event such period shall commence on the date this lease ceases to be maintained in force and effect by some other provision hereof. Payment or tender shall be made to lessor or deposited to the credit of the lessor in the depository bank named in this lease. The first payment shall be due and payable on or before 90 days after the date such well is shut-in, or 90 days from the date this lease ceases to be maintained in force by some other provision hereof. Unless gas from such well is produced and sold or used prior thereto, except temporary sales or use for lease operations, subsequent payments shall be due annually thereafter on or before the anniversary date of the period for which such prior payment was made. No additional payments shall be required if there is more than one shut-in gas well on the leased premises, or on any single pooled unit from which acreage covered hereby may be pooled or unitized. The term "gas well" shall include wells capable of producing natural gas, condensate or any gaseous substance and wells classified as gas wells by any governmental authority having jurisdiction. The requirement for the payment of such shut-in gas well royalty is a covenant and not a condition and the failure to make timely payment therefor shall in no event be deemed a basis for the automatic termination of this lease. Notwithstanding any provision herein to the contrary with regard to shut-in gas wells, the existence of a shut-in gas well on the leased premises shall not be a basis for continuing this lease in force and effect for more than two consecutive one year periods beyond the primary term.

4. If actual drilling operations are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of Eighty and NO/100 Dollars ($ 80.00) which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of the same number of months, each during the primary term. Payment or tender may be made to the lessor or to the First City National Bank of Midland, Texas which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's successors and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or either lessor if more than one, on or before the rental paying date.

5. Lessee is hereby granted the right to pool or unitize this lease, the land covered by it or any part thereof with any other land, lease, leases, mineral estates, or parts thereof for the production of oil or gas. Units pooled for oil hereunder shall not exceed forty (40) acres plus a tolerance of ten per cent (10%) thereof, and units pooled for gas hereunder shall not exceed six hundred forty (640) acres plus a tolerance of ten per cent (10%) thereof. Lessee shall file written unit designations in the county in which the premises are located. Such units may be designated either before or after the completion of wells. The entire acreage pooled into a 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. Notwithstanding any provision in this lease to the contrary, neither operations upon nor production from nor the existence of a shut-in gas well on acreage pooled into a unit (regardless of whether such unit be formed under the terms hereof or by governmental authority) shall be deemed operations, production or the existence of a shut-in gas well, sufficient to continue this lease in force as to acreage covered by this lease and not included in such pooled unit even though such operations, production or shut-in gas well may be located on land included in this lease; similarly, neither operations upon, production from, nor the location of a shut-in gas well on acreage not included in such pooled unit shall be sufficient to continue this lease in force as to acreage included in any such unit. In lieu of the royalties herein provided, 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 or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

6. If, prior to discovery of oil or gas on said land or land pooled therewith lessee should drill and abandon a dry hole or holes thereon, or if, after discovery of oil or gas, the production thereof should cease from any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within sixty (60) days thereafter, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion and abandonment of said dry hole or holes or the cessation of production. If a dry hole is completed and abandoned at any time during the last fourteen (14) months of the primary term and prior to discovery of oil or gas on said land, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, oil or gas is not being produced on said land or land pooled therewith but lessee is then engaged in actual drilling operations or the reworking of any well on said land or land pooled therewith, this lease shall remain in force in accordance with its terms so long as drilling or reworking operations are prosecuted (whether on the same or different wells) with no cessation of more than sixty (60) consecutive days, and if they result in production, so long thereafter as oil or gas is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be draining the leased premises, lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances.

7. Lessee shall have free use of oil, gas, and water from said land, except water from lessor's wells and tanks, for drilling operations (but not for repressuring, pressure maintenance, cycling, or secondary recovery operations) 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 requested by lessor, lessee shall bury pipelines below plow depth. No well shall be drilled nearer than 200 feet to any structure on said premises without the written consent of lessor. Lessee shall pay for damages caused by its operations to improvements, livestock, forage, and growing crops on said land.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee. No such change or division in the ownership of the land, rentals or royalties shall be binding upon lessee for any purpose until such person acquiring any interest has furnished lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original lessor. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. If lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall make payment of said rentals.

9. Lessor hereby warrants and agrees to defend the title to said land as to persons claiming by, through or under lessor but not otherwise, 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 apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty in the event of failure of title, it is agreed that, if lessor owns an interest in said land less than the entire fee simple estate then the royalties and rentals to be paid lessor shall be reduced proportionately. 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.

10. If this lease now or hereafter covers any land in which the ownership of the oil and gas estate differs, either as to persons (including persons designated as "Lessor") or amounts, from that as to any other part of the leased premises, no pooling or unitization of royalty interests as between any such lands is intended or shall be implied or result merely from the inclusion of such lands within this lease, nor shall the execution hereof amount to an offer to any owner of non-executive interest to effect such a pooling by the ratification of this instrument.

11. Lessee, its/his successors and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs 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 subsequent obligations, express or implied, of this agreement as to the acreage so surrendered, and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Exhibit A to Plaintiff's Original Petition

12. Anything to the contrary notwithstanding, it is agreed and understood that:

a. At the end of the primary term, or at the expiration of operations for drilling or reworking any well on the land covered by this lease or on land on which this land is pooled or unitized, whichever is the

12. Anything to the contrary notwithstanding, it is agreed and understood that:

a. At the end of the primary term, or at the expiration of operations for drilling or reworking any well on the land covered by this lease or on land on which this land is pooled or unitized, whichever is the later date, Lessee must continue to drill wells on the above described leased premises or on land on which this land is pooled or unitized provided that operations for drilling each well must be commenced no more than one hundred twenty (120) days after completion of the last well drilled. If at any time more than 120 days shall have elapsed after completion of such last well drilled, and Lessee has not commenced operations for the drilling of a subsequent well, then in that event, this lease shall terminate save and except as to the acreage dedicated to said well(s) in accordance with the minimum spacing rules of the New Mexico Oil and Gas Conservation Commission. Time saved between one well or wells may be accumulated and used to extend the time between any other pair of wells. Lessee shall designate the acreage to be retained by instrument filed for record in the county(ies) named in this Lease. Lessee shall incur no penalty for failure to drill any well other than the loss of this Lease except as to each unit designated above or as to each proration unit upon which there is a producing well.

b. Should a hole be lost during the process of drilling of any of said wells by reason of blowout, explosion, heaving shale, excessive pressure, mechanical difficulties, or any other cause beyond the reasonable control of Lessee, then Lessee shall have the privilege of drilling an "in lieu of" well provided that commencement of operations for the drilling of said "in lieu of" well is within thirty (30) days after the abandonment of said prior well, and when so drilled, such "in lieu of" well will meet the well-drilling obligations herein provided as to such well.

c. It is understood and agreed that the completion date of a well shall be construed as the date on which the official potential test is taken for the New Mexico Oil and Gas Conservation Commission, or the date on which such well is plugged if the same is a dry hole.

d. At the expiration of the primary term hereof, or at such time as this lease expires in part after extending same under the drilling, reworking or continuous development provisions of this lease, whichever is the later date, this lease shall terminate as to all horizons one hundred feet (100') below the deepest producing horizon in each spacing unit.

e. Lessee shall notify Lessor of any assignment of this lease and shall provide Lessor with a copy of such assignment.

f. Royalties due under this Lease shall begin to be paid by the first purchaser within 60 days after first sales and shall thereafter be paid monthly. If royalties are not so paid, they shall earn interest at the rate of 15% per annum until paid.

g. Other provisions:

(1) For the purpose of calculating royalty payments hereunder, "market value" shall include any monies received by lessee in the form of tax rebates.

13. Lessee agrees to notify Lessor when a test well is spudded on the land covered by this lease or pooled therewith, and Lessee agrees to furnish Lessor a location plat and drilling reports with respect to each such well.

E. T. Anderson, IV

E. T. Anderson, IV, also known as Edmund T. Anderson, IV, Individually, and as Independent Executor and Trustee under the Wills of Edmund T. Anderson, III, also known as E. T. Anderson, III, Edmund T. Anderson, and E. T. Anderson; and Lillian Anderson, also known as Lillian Gartin Anderson and Lillian G. Anderson

Report all income earned b this Lease under the Estat of Edmund T. Anderson, III Tax I.D.#75-6304688

FORM OF ACKNOWLEDGMENT FOR CORPORATIONS

THE STATE OF TEXAS

County of _____

BEFORE ME _____

a Notary Public in and for the County of _____ and State of Texas, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument as _____ of _____ and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and as the act and deed of said _____

Given under my hand and seal of office on this the _____ day of _____ A. D. 19____

_____

Notary Public in and for _____ County, Texas.

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS }
COUNTY OF MIDLAND }

The foregoing instrument was acknowledged before me on the 19th day of July, 19 88, by E. T. Anderson, IV.

NOTARY PUBLIC STATE OF TEXAS
FRANCES A. FLEMING
Notary Public, State of Texas
My Commisssion Expires Sept. 30, 19 88

Frances A. Fleming
Notary Public for the State of Texas
Notary's Printed Name: FRANCES A. FLEMING
Notary's Commission Expires: 9-30-88

SINGLE ACKNOWLEDGMENT

THE STATE OF NEW MEXICO }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____.

_____
Notary Public in and for _____
County New Mexico.
Notary's Printed Name: _____
Notary's Commission Expires: _____

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS

County of _____

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person___ whose name___ is/are subscribed to the foregoing instrument and acknowledged to me that ___he/they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office on this the _____ day of _____ A. D. 19____

_____

Notary Public in and for _____ County, Texas.

PRODUCERS 88 12/73 — TEXAS

No. _____

Oil and Gas Lease

FROM

TO

Dated _____, 19____

No. Acres _____

Term _____

This instrument was filed for record on the ____ day of _____, 19____, at ____ o'clock ____M., and duly Recorded in Book _____, Page _____ of the _____ records of this office.

_____ County Clerk
_____ County, Texas
By _____, Deputy

When recorded return to

T. H. McELVAIN OIL & GAS PROPERTIES
T. H. McELVAIN, JR., MANAGER
220 SHELBY STREET
P. O. BOX 2148
SANTA FE, NEW MEXICO 87504-2148

CATHERINE B. McELVAIN
CATHERINE M. HARVEY
T. H. McELVAIN, JR.

TELEPHONE 505/982-1935
FAX 505/984-3027

November 14, 1990

Royalty Owners in the
Captioned Well

Re: Federal 32-9-6 #1
E/2 Sec 9-T32N-R6W
San Juan County, New Mexico

Dear Royalty Owner:

Your lease, or part of your lease, has been pooled with other leasehold acreage to form the captioned pooled unit. The Federal 32-9-6 #1 well has been drilled and is now shut-in awaiting pipeline connection. The well is operated by Richmond Petroleum Company of Dallas, Texas.

The enclosed represents payment of the Shut-In Royalty as provided in your lease. Your prompt return of the receipt will be greatly appreciated; for your convenience we have also enclosed an addressed return envelope.

Should you have any questions, please direct them to the undersigned.

Sincerely,

Rhonda R. Wilkinson
Landman

Exhibit B

SHUT-IN ROYALTY RECEIPT

November 14, 1990 Return Receipt No. P 506 257 327

Edmund T. Anderson, IV
2521 Humble
Midland, TX 79705

McElvain-Miller Operating Account Check No. 14191
Amount: $160.00

in payment of Shut-In Royalty due in connection with the following property:

Prospect: Navajo Dam
Well: Federal 32-6-9 #1

Legal Description: E/2 Section 9, Township 32 North, Range 6 West, NMPM, San Juan County, New Mexico

which includes all or part of the lands described in the following lease:

Dated: July 19, 1988

Executed by: E. T. Anderson, IV, Lessor

In favor of: T. H. McElvain, Jr., Lessee

Recorded: in Book 1092 at Page 175

Kindly indicate that you have received this payment in the space provided below and return it at your earliest opportunity.

Thank you,

T H McELVAIN OIL & GAS PROPERTIES

Rhonda R. Wilkinson, Landman

Received the above-described Shut-In Royalty Payment on this _____ day of November, 1990.

_____, Royalty Owner

PLEASE SIGN AND RETURN THIS COPY

Exhibit C

EDMUND T. ANDERSON, IV
OIL AND GAS PROPERTIES
P.O. BOX 8575
MIDLAND, TEXAS 79708-1575
TELE: (915) 686-8838

November 20, 1990

Rhonda R. Wilkinson
T. H. McElvain Oil & Gas Properties
220 Shelby St.
P.O. Box 2148
Santa Fe, NM 87504-2148

Re: Federal 32-0-6#1, E½ Sec. 9, T-32-N
R-6-W, San Juan County, New Mexico

Dear Ms. Wilkinson,

I am in receipt of your letter dated November 14, 1990. In looking at the lease in question I note that the date of the lease is July 19, 1988, and the primary term was two years. If Richmond was drilling over the expiration of the primary term, then the well would have to have been completed and shut-in around August 14, 1990, or 90 days prior to your letter of November 14, 1990. Of these facts I have no knowledge, but paragraph 13 of the lease states:

> "13. Lessee agrees to notify Lessor when a test well is spudded on the land covered by this lease or pooled therewith, and Lessee agrees to furnish Lessor a location plat and drilling reports with respect to each such well."

Upon receipt of the above information I will process your shut-in royalty payment and receipt if all is in order.

Sincerely,

Edmund T. Anderson, IV

Exhibit D

RICHMOND PETROLEUM INC.

A Subsidiary of Richmond Oil & Gas Plc

May 11, 1992

Mr. Edmund T. Anderson, IV
2521 Humble
Midland, Texas 79705

Re: Federal 32-6-9 #1 Well
Shut-In Gas Payment
San Juan County, New Mexico

Dear Mr. Anderson:

Enclosed is our check, in the amount of $160.00, which represents a shut-in gas payment on the above referenced well. Please sign and return one copy of this letter evidencing your receipt of the payment. Your taxpayer identification number should be inserted next to your signature.

Enclosed is a self-addressed, stamped envelope for your convenience. Thank you for your cooperation.

Very truly yours,

Beverly Johnson

Beverly Johnson, CPL
Manager, Land Administration

Received this _____ day of May, 1992 [redacted]

_____ _____
(Signature)

Fifth Floor, Rolex Building 2651 N. Harwood Street, Dallas, Texas 75201 (214) 720-7730 Fax: (214) 871-7133
Seventh Floor, Citygate House 39-45 Finsbury Square, London, UK EC2A1PS (71) 638-6431 Fax: (71) 382-9780

Exhibit E

EDMUND T. ANDERSON, IV
OIL AND GAS PROPERTIES
P.O. BOX 8575
MIDLAND, TEXAS 79708-1575
TELE: (915) 686-8838

May 22, 1992

Beverly Johnson
Richmond Petroleum Inc.
2651 N. Harwood St.
Rolex Bldg., 5th Floor
Dallas, TX 75201

Re: Federal 32-6-9 #1, San Juan County, New Mexico

Dear Ms. Johnson,

Enclosed please find the check for shut-in gas royalty which you sent me May 11, 1992. This lease is no longer in effect for several reasons.

Paragraph 12.e. provides, "Lessee shall notify Lessor of any assignment of this lease and shall provide Lessor with a copy of such assignment". This has not been done.

Paragraph 13 provides, "Lessee agrees to notify Lessor when a test well is spudded on the land covered by this lease or pooled therewith, and Lessee agrees to furnish Lessor a location plat and drilling reports with respect to each such well." When I received the first shut-in gas payment, I sent McElvain the enclosed letter. I got a response six months later from Rhonda Wilkinson. She called, wanting to know if they had complied with the lease requirements regarding Paragraph 13. I told her, "no". She said she would send the information. Some time later I received a "drilling report". I called Ms. Wilkinson stating that the report received covered the drilling, but not completion, and would she please send the completion report. She said she would. Months later McElvain finally admitted there was no completion report, nor completion. I never cashed the initial shut-in payment. Not only has Paragraph 13 not been complied with, but the reason for Paragraph 13 leads to Paragraph 3.

Paragraph 3 reads in part, "...If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized, which is capable of producing gas in paying quantities, but which is shut-in before or after production therefrom...in such event [herein follow the usual shut-in provisions]." The well was never

Exhibit F

completed, and therefore not capable of producing gas. Additionally, the lease requires the well to be shut-in "before or after production therefrom", and there was no production.

The lease has expired; your check is returned herewith.

Sincerely,

Edmund T. Anderson, IV

9210674

AFFIDAVIT

On July 19, 1988, E. T. Anderson, IV, also known as Edmund T. Anderson, IV, Individually, and as Independent Executor and Trustee under the Will of Edmund T. Anderson, III, also known as E. T. Anderson, III, Edmund T. Anderson, and E. T. Anderson; and as Independent Executor and Trustee under the Will of Lillian Anderson, also known as Lillian Gartin Anderson and Lillian G. Anderson, executed an Oil and Gas Lease covering the following property:

SE¼ SE¼ Section 9, and SE¼ SW¼ Section 11, both in T-32-N, R-6-W, N.M.P.M., San Juan County, New Mexico,

recorded Vol. 1092, page 175 of the records of San Juan County, New Mexico.

A well was drilled by Richmond Petroleum Inc., but because of various breaches of the said Lease and because there was a limit of two years on shut-in gas royalties, and because shut-in gas royalty payments were refused and returned to Lessee by Lessor, said Lease has expired, and is no longer in effect.

Dated this 18th day of August, 1992.

Edmund T. Anderson, IV, Individually and as Trustee UWO E. T. Anderson, III, and Lillian Anderson

THE STATE OF TEXAS)
)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me on the 18th day of August, 1992, by Edmund T. Anderson, IV.

Frances A. Fleming
Notary Public for the State of Texas

FRANCES A. FLEMING
Notary Public, State of Texas
My Comm. Expires Sept. 30, 1993

FILED OR RECORDED
BOOK 1151 PAGE 27
SAN JUAN COUNTY, NEW MEXICO

AUG 2 0 1992

AT 10:50 O'CLOCK A M
Carol Buddy
COUNTY CLERK
DEPUTY Lucy Randleman
REC # R06749 FEES $ 5.00

SAN JUAN CO. NEW MEXICO
COUNTY CLERK

RICHMOND PETROLEUM INC.

A Subsidiary of Richmond Oil & Gas Plc

April 23, 1993

Mr. Edmund T. Anderson, IV
2521 Humble
Midland, TX 79705

Re: Federal 32-6-9 #1 Well
Shut-In Gas Payment
San Juan County, New Mexico

Dear Mr. Anderson:

Enclosed is our check, in the amount of $160.00, which represents a shut-in gas payment on the above referenced well. Please sign and return one copy ot this letter evidencing your receipt of the payment. Your taxpayer identification number should be inserted next to your signature.

Enclosed is a self-addressed, stamped envelope for your convenience. Thank you for your cooperation.

Very truly yours,

Beverly Johnson

Beverly Johnson, CPL
Manager, Land Administration

Received this _____ day of April, 1993 [redacted]

_____ _____
(Signature)

Exhibit H

Fifth Floor, Rolex Building 2651 N. Harwood Street, Dallas, Texas 75201 (214) 720-7730 Fax: (214) 871-7133
Seventh Floor, Citygate House 39-45 Finsbury Square, London, UK EC2A1PS (71) 638-6431 Fax: (71) 382-9780

EDMUND T. ANDERSON, IV
OIL AND GAS PROPERTIES
P.O. BOX 8575
MIDLAND, TEXAS 79708-1575
TELE: (915) 686-8838

April 28, 1993

Beverly Johnson
Richmond Petroleum Inc.
2651 N. Harwood Street
Rolex Bldg., 5th Floor
Dallas, TX 75201

Re: Federal 32-6-9 #1, San Juan County, New Mexico

Dear Ms. Johnson,

Your lease expired in accordance with the enclosed information sent you last year.

Your check is returned herewith.

Sincerely,

Edmund T. Anderson, IV

Exhibit I

Consolidated Oil & Gas, Inc.

March 1, 1994

Certified Mail
Return Receipt

Edmund T. Anderson IV
Individually and as Trustee of the
Mary Anderson Boll Family Trust
2521 Humble
Midland, Texas 79705

Re: Carnes 32-6-11 #1 Well (3.125%)
S/2 Section 11, T32N, R6W (320.00 acres)
San Juan County, New Mexico

Dear Mr. Anderson:

Consolidated Oil & Gas, Inc. ("Consolidated") acquired the interest of Richmond Petroleum Inc. ("Richmond") in the Carnes 32-6-11 #1 Well, effective January 1, 1994. This well has been shut-in since it was first drilled in 1990 and has yet to qualify for the Internal Revenue Code Section 29 tax credit. Consolidated is currently designing a gas gathering/water disposal system which would eventually be extended southward from Colorado to service the Carnes #1 and other wells located along the New Mexico border. We currently hope to have the well completed, equipped and tied into the gathering system by October 1, 1994.

Our records indicate that your combined mineral interest (10 net acres/40 gross acres, located in the SE/4 SW/4 of Section 11, T32N, R6W) was leased at the time the well was first drilled but that the lease has since expired and is no longer in effect. Prior to drilling, Richmond had pooled all non-participating and unleased interests under Oil Conservation Division Order No. R-9179. Sections (7) & (10) of Order No. R-9179 read as follows:

(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, 156 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.

410 17th Street, Suite 2300 • Denver, Colorado 80202
Telephone: (303) 893-1225 • Facsimile: (303) 893-0946

Exhibit J

(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.

Due to the amount of time that has transpired since the well was first drilled, Consolidated plans to file an application with the Oil Conservation Division to have the Orders validated and amended to name Consolidated as operator.

In an effort to avoid the compulsory pooling of your interest by the Oil Conservation Division, Consolidated hereby offers you the option of 1) participating in the well for your proportionate working interest, or 2) leasing your interest to Consolidated on the following basis:

A) Primary lease term of one (1) year,
B) Royalty of 20%, proportionately reduced,
C) Bonus consideration of $60.00 per net acre.

It is Consolidated's contention that your election to participate would first require you to reimburse Consolidated for your proportionate share of the costs already incurred in drilling the well. The total cost of drilling the well was $224,616.72 which, when multiplied by your participating interest of 3.125%, would mean a reimbursement to Consolidated of $7,019.27. Richmond's detailed cost summary is enclosed for your review. Consolidated's AFE and well prognosis for the next phase of completion work is also enclosed.

Please notify Consolidated of your election to either lease or participate on or before March 18, 1994, by following the procedures described below and using the enclosed self-addressed, stamped envelope:

1) To indicate your election to lease under the aforementioned terms, please sign below and return one original of this letter to Consolidated. Consolidated will provide you with a lease for execution within one (1) week of our receipt.

2) To indicate your election to participate, please sign the AFE and return one original along with a check, made out to Consolidated Oil & Gas, Inc., for $7,795.83 to cover past expenses and the estimated cost of the work to be performed under the AFE.

Sincerely,

Philip G. Wood
Land Manager

PGW:lm
enclosures

I/WE ELECT TO LEASE UNDER THE AFOREMENTIONED TERMS.

BY: _____
Edmund T. Anderson IV

DATE: _____

BY: _____
Edmund T. Anderson IV
as Trustee of the Mary Anderson Boll Family Trust

DATE: _____

Consolidated Oil & Gas, Inc.

March 1, 1994

Certified Mail
Return Receipt

Edmund T. Anderson IV
Individually and as Trustee of the
Mary Anderson Boll Family Trust
2521 Humble
Midland, Texas 79705

Re: Federal 32-6-9 #1 Well (3.579098%)
E/2 Section 9, T32N, R6W (279.40 acres)
San Juan County, New Mexico

Dear Mr. Anderson:

Consolidated Oil & Gas, Inc. ("Consolidated") acquired the interest of Richmond Petroleum Inc. ("Richmond") in the Federal 32-6-9 #1 Well, effective January 1, 1994. This well has been shut-in since it was first drilled in 1990 and has yet to qualify for the Internal Revenue Code Section 29 tax credit. Consolidated is currently designing a gas gathering/water disposal system which would eventually be extended southward from Colorado to service the Federal #1 and other wells located along the New Mexico border. We currently hope to have the well completed, equipped and tied into the gathering system by October 1, 1994.

Our records indicate that your combined mineral interest (10 net acres/40 gross acres, located in the SE/4 SE/4 of Section 9, T32N, R6W) was leased at the time the well was first drilled but that the lease has since expired and is no longer in effect. Prior to drilling, Richmond had pooled all non-participating and unleased interests under Oil Conservation Division Order No. R-9033. Sections (7) & (10) of Order No. R-9033 read as follows:

(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, 156 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.

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Telephone: (303) 893-1225 • Facsimile: (303) 893-0946

(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.

Due to the amount of time that has transpired since the well was first drilled, Consolidated plans to file an application with the Oil Conservation Division to have the Orders validated and amended to name Consolidated as operator.

In an effort to avoid the compulsory pooling of your interest by the Oil Conservation Division, Consolidated hereby offers you the option of 1) participating in the well for your proportionate working interest, or 2) leasing your interest to Consolidated on the following basis:

A) Primary lease term of one (1) year,
B) Royalty of 20%, proportionately reduced,
C) Bonus consideration of $60.00 per net acre.

It is Consolidated's contention that your election to participate would first require you to reimburse Consolidated for your proportionate share of the costs already incurred in drilling the well. The total cost of drilling the well was $139,748.88 which, when multiplied by your participating interest of 3.579098%, would mean a reimbursement to Consolidated of $5,001.75. Richmond's detailed cost summary is enclosed for your review. Consolidated's AFE and well prognosis for the next phase of completion work is also enclosed.

Please notify Consolidated of your election to either lease or participate on or before March 18, 1994, by following the procedures described below and using the enclosed self-addressed, stamped envelope:

1) To indicate your election to lease under the aforementioned terms, please sign below and return one original of this letter to Consolidated. Consolidated will provide you with a lease for execution within one (1) week of our receipt.

2) To indicate your election to participate, please sign the AFE and return one original along with a check, made out to Consolidated Oil & Gas, Inc., for $6,662.45 to cover past expenses and the estimated cost of the work to be performed under the AFE.

Sincerely,

Philip G. Wood
Land Manager

PGW:lm
enclosures

I/WE ELECT TO LEASE UNDER THE AFOREMENTIONED TERMS.

BY: _____
Edmund T. Anderson IV

DATE: _____

BY: _____
Edmund T. Anderson IV
as Trustee of the Mary Anderson Boll Family Trust

DATE: _____