CASE 7475: C & K PETROLEUM, INC. FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO

CASE NO.

7475

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

C&K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

March 9, 1982

File
Case 1475

Oil Conservation Division
Energy and Minerals Department
State of New Mexico
P.O. Box 1148
Santa Fe, New Mexico 87501

Attn: Mr. Dan Nutter, Examiner

Re: Order No. R-6901 as amended
C&K Petroleum, Inc. - Shipp 28 #1 well
E/2 SE/4 Section 28, T-16-S, R-37-E, NMPM
Lea County, New Mexico

Gentlemen:

Pursuant to the terms of the subject compulsory pooling order, effective February 15, 1982, we hereto attach copy of Authorization for Expenditure showing itemized schedule of estimated well costs for the drilling and completing of the subject well.

You are advised that on February 23, 1982, we again wrote to all of the parties owning uncommitted interests transmitting to each a copy of the subject pooling order together with a copy of the AFE and further stating their proportionate share of the costs in the event they elected to join. Subsequent to this mailing we have obtained joinder and/or oil & gas leases from several of these parties. If you wish documentation of this, please let us know and we will be happy to furnish same to you.

With best regards I am,

Very truly yours,

Danie Lebow

Ms. Danie Lebow
Senior Landman

DL:jw

enclosure

FORM NO. 102

C & K PETROLEUM, INC.

AUTHORIZATION FOR EXPENDITURE
(DRILLING)

Date Prepared 11/16/81

Well Type: Development _____ Proposed Spud Date 4/1/82

Exploration X Proposed Depth 11,600'

Prospect Name East Lovington Prospect AFE No. 02470

Lease Shipp "28" Well No. 1 Field Casey (Strawn) Property No. _____

Location 660' FS&EL of Section 28, T-16-S, R-37-E, Lea County, New Mexico

REASON FOR REQUEST: To drill an 11,600' Strawn Test

INTANGIBLES	Sub	Drilling 701	Completion 703	Total Cost Producer	Revisions	Total Cost Revised
Location Pits and Roads	091	15,000	1,000	16,000		
Water Supply	093	30,000	5,000	35,000		
Damages and Right-of-Way	095	3,000		3,000		
Rig Expense	097	325,000	12,000	337,000		
Drilling Bits	099	50,000		50,000		
Mud & Chemicals	103	45,000		45,000		
Tool & Equipment Rental	035	12,000	6,000	18,000		
Fuel & Power	105	40,000		40,000		
Cement & Cementing Services	107	17,000	17,000	34,000		
Formation Evaluation	110	45,000	5,000	50,000		
Perforating	117		6,000	6,000		
Stimulation	119		23,000	23,000		
Transportation	041	25,000	5,000	30,000		
Pipe Inspection & Testing	127		3,000	3,000		
Misc. Labor, Services & Supplies	073	10,000	5,000	15,000		
Supervision & Professional	125	18,000	5,000	23,000		
Drilling Overhead	213	5,000	1,000	6,000		
Other & Contingencies	490	60,000	9,000	69,000		
TOTAL INTANGIBLES		700,000	103,000	803,000		
TANGIBLES	**Sub**	**702**	**704**			
Casing	301	101,000	141,000	242,000		
Tubing	302		75,000	75,000		
Wellhead Equipment	307	10,000	10,000	20,000		
Packers & Anchors	309		5,000	5,000		
Auxilliary Casing Equip.	318	5,000	5,000	10,000		
Miscellaneous Equipment	320	11,000	24,000	35,000		
TOTAL TANGIBLES		127,000	260,000	387,000		
TOTAL WELL COST		827,000	363,000	1,190,000		
PLUGGING COST	**Sub**	**708**				
Clean-up Location	091	15,000				
Casing Pulling & Plugging	225	20,000				
TOTAL-PLUGGING		35,000				
TOTAL DRY HOLE COST		862,000				

APPROVED _____

(Date)

_____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
3 February 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of C & K Petroleum, Inc., for compulsory pooling, Lea County, New Mexico. CASE 7475

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

I N D E X

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MICHAEL MOSLEY

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E X H I B I T S

Applicant Exhibit One, Plat 4

Applicant Exhibit Two, Letter 5

Applicant Exhibit Three, Letter 6

Applicant Exhibit Four, Letter 7

Applicant Exhibit Five, AFE 18

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Applicant Exhibit Seven, Structure Map 25

Applicant Exhibit Eight, Isopach 30

Applicant Exhibit Nine, Cross Section 31

MR. NUTTER: We'll call next Case Number 7475.

MR. PEARCE: Application of C & K Petroleum, Inc., for compulsory pooling, Lea County, New Mexico.

MR. KELLAHIN: Mr. Nutter, I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of the applicant, and I have two witnesses to be sworn.

(Witnesses sworn.)

DANIE LeBOW

being called as a witness and being duly sworn upon her oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Ms. LeBow, for the record would you please state your name and occupation, please?

A. My name is Danie LeBow. I'm a certified professional landman.

Q. You'll have to shout at us, Ms. LeBow. Your voice is soft.

Pursuant to your employment as a landman by the applicant, have you worked on the title information

with regards to the formation of an 80-acre Casey-Strawn spacing and proration unit for this application?

A. I have.

Q. And that is the southeast quarter of -- I'm sorry, the east half of the southeast quarter of Section 28, as depicted on Exhibit Number One?

A. That is correct.

Q. All right. Pursuant to your employment, Ms. LeBow, have you in the past had occasion to compile title information concerning compulsory pooling applications before the New Mexico Oil Conservation Division?

A. Yes, I have.

Q. So you're familiar with the processes involved?

A. Yes.

Q. All right.

MR. KELLAHIN: We tender Ms. LeBow as an expert petroleum landman.

MR. NUTTER: Ms. LeBow is so qualified.

Q. Ms. LeBow, let me direct your attention now to the plat, which is Exhibit Number One, and have you briefly summarize for me what you're seeking to accomplish by this pooling application.

A. We are seeking a proration unit con-

taining 80 acres and many months ago we commenced locating and identifying the owners, buying leases, obtaining farmouts and we employed Mr. Ed White of Midland -- I think his reputation is known to the Commission -- to assist us in this very complicated title.

We have obtained to the point of January 6th, 42+ percent of the unit to C & K Petroleum, Inc.

Q. As a result of your efforts and Mr. White's efforts, as of January of this year C & K had committed to it approximately 42 percent of the interest involved in the 80-acre tract?

A. That is correct.

Q. That left remaining outstanding appproximately how many companies and individuals, Ms. Lebow?

A. We had 82 individuals who were not committed.

Q. If you'll turn, then, to what we've marked as Exhibit Number Two and identify that exhibit for us.

A. Exhibit Two is a copy of a letter which I personally circulated on January 6th. Attached to that letter is a list of the people to whom it was mailed.

Q. Does that list reflect a true and accurate representation of the 82 individuals and companies who

as of January 6, had not committed their interest to this well?

A. That is correct. And this exhibit contains notations as to what happened to this particular mailing.

Q. The comment section reflects whether or not the people -- you were able to contact the people and some indication of whether they would lease or join, or whatever?

A. Correct.

Q. All right. Let's pass that exhibit for the moment and see what your subsequent efforts were.

Let me direct your attention to Exhibit Number Three.

A. Exhibit Number Three is a letter prepared by -- and circulated by E. D. White, Junior, dated January the 6th, the same date as my mailing, to the uncommitted interests, and this communication, Mr. White circulated the operating agreement, which named the people in it who we believed would join us for many reasons, you know, conversations, negotiations.

Q. Was this letter circulated to the same individuals and companies on the same list that you had circulated your letter?

A. No, it was sent to the people named in

Exhibit A, the operating agreement.

Q. All right.

A. Which is attached.

Q. All right. That list of individuals there --

A. Yeah, some of the --

Q. -- is certainly different.

A. Some of the people on my list, containing 82 names, are included here but some of the companies are not, because we felt secure.

Q. Okay.

MR. NUTTER: Now, your letter was an effort to lease.

A. Yes, sir.

MR. NUTTER: And this letter is an effort to get them to join.

A. Yes, sir. Well, my letter is primarily, Mr. Commissioner, an effort to contact these people, to notify them of our intent, and we do offer to lease.

We also mailed them the Authority for Expenditure in the event they cared to join.

MR. NUTTER: I see.

Q. All right. Let me turn now to Exhibit Number Four, Ms. Lebow, and have you identify what you did

on January 15th, 1982.

A. On January 15th we circulated a copy of our application for this hearing to the 82 people who were still uncommitted.

Q. What was the purpose of that letter, Ms. Lebow?

A. To give them legal notice on this hearing in case they felt it necessary to appear or object.

Q. Okay.

A. I mean to urge them, of course, to decision -- to make their decision, the people we had talked to over and over again, you know, to give them a reference point, you know, to do something.

Q. Let's turn to the tabulation of names, then, that follows that letter. Would you describe for us generally what efforts you and C & K have made, to your knowledge, to determine the lastknown addresses of these individuals?

A. Mr. White was solely responsible for obtaining these addresses. He looked at prior pooling efforts by other companies. He looked at tax records. He looked at records in the county, things of that nature, to try to locate them.

Q. To the best of your knowledge and in-

formation, does the last known address depicted on this exhibit represent your best efforts to locate and communicate with those individuals?

A. It does.

Q. And as I understand it, it represents to some extent what other operators have attempted to do in terms of notifying these same people as to interests in other spacing and proration units.

A. That is correct.

Q. Without going through each of the names, Ms. Lebow, if you'll start and give us some explanation of the comment section so that we can make a notation on the exhibit as to what individuals as of this date that are on this tabulation have now committed their interests in some fashion to this spacing and proration unit.

A. For the most part, they're -- the notes already on here are proper.

I do notice here that page one, number 14, this Jessie Faye La Coste, who owns with two other people this particular interest, now because she owns another separate interest, she has agreed to lease and will in fact lease her third of that interest, and there's another exhibit in here that shows that, I believe.

We have noted here on page two, in fact

right in the middle of page two, is this Jessie Faye Le Coste interest, which they have agreed to lease.

Q. All right. All the rest of the individuals on that page --

A. And then the comments over here, Not Deliverable, and Deceased, they are comments made by the Post Office Department on the enveloped returned to us.

Q. Okay.

A. Attached to this exhibit you will find the copies of return receipts indicating the people who did receive a letter, and we have since had mostly telephone calls with all these people.

Q. All right, let's go now to page three of the tabulation and have you identify any of the names on page three which have committed at this point.

A. Number -- my exhibit drops the numbers -- I guess that's 45, Sofranko, since this time -- in fact, just a day -- let's see what day is it -- Monday, I suppose, we determined that the Sofrankos are both deceased. They have five heirs. They have -- these people want to lease.

Q. Okay.

MR. NUTTER: You made that note on Exhibit Two, I think.

A. Yeah, I'll tell you what my problem, Mr.

Examiner, is here, is some of the -- it's the same exhibit and we didn't get all of our notes on the same one.

MR. NUTTER: Uh-huh.

Q. Except for the Sofranko interest, are there any others on this page that have agreed to lease or join?

A. The Schafer interest.

MR. NUTTER: Number 57?

A. Yes. That very small interest have agreed to lease. Of course, all of these we do not have the leases in hand but I do not propose to remove any of these names from this. We will do that after we get the paper.

58, Hanesco, Inc., out of Roswell, have approached us on a farmout. We are still negotiating that. They wanted, oh, a whole lot better terms on this farmout than we had given to the people who have already agreed to farmout, and we're reluctant to do that until we have some more negotiations with them.

Q. On page four, then.

A. This Mr. Van Zant, who is the first one on page four, would -- he wants to join. We haven't made a deal with him. He wants to be able to receive from C & K his proportionate part of anything we acquire and we cannot, of course, proceed in that manner.

The Corrigan interest out of Vero Beach, Florida, are old time Midlanders, they will lease.

The last six names that appear here --

Q. The Cone interest?

A. Commencing with Mr. Latham, E. L. Latham, Jr., of Hobbs, and these Cone interests, have all executed the operating agreement and the AFE and they are firmly committed to join and depending on what you think, Tom, we could remove all those people from this proceeding.

Q. All right, how about page five?

A. Page five, I'm not positive what Harvey E. Yates Company is going to do. Ed has been speaking to them almost daily.

Sohio is going to farmout. We don't have the papers in hand.

The last three interests on this page, we were unable to determine what a BC interest was, HBP by Rebel Oil Company.

We had an old opinion saying that they were and we have an old opinion saying that they weren't.

Q. So you included them in --

A. So I have included them. I have spoken to the husband of Cynthia McAdoo Wheatland, and -- and they are aware of this fact.

MR. NUTTER: All right, it would be an HBP by whom?

A. Rebel Oil. Rebel appeared in the operating agreement.

MR. NUTTER: Okay, Rebel has agreed with you, then.

A. Yes.

MR. NUTTER: And they -- I saw their name somewhere on one of these lists.

A. Yes. They're on this endorsement, those lists, I believe.

See, we have employed Sim Christy to do this title for us. I know that he has received abstract and that he has commenced examination of that and will resolve that problem at that time.

MR. NUTTER: Okay, now Rebel appears on page four. I don't have the number there, what the number is.

A. Yes, mine were just faded away, too, but Rebel is also on Exhibit A to the operating agreement, Mr. Examiner.

MR. NUTTER: But they have executed, Rebel has executed the operating agreement.

A. They have not as yet.

MR. NUTTER: Well, have they indicated they would?

A. They have indicated that they -- well, the term was "We probably will", was their comment.

MR. NUTTER: Okay, while we're on this exhibit, there's another person here that we have heard from and I wonder if you had. Number 49, Adrian H. and Mary Tiss, have you heard from them?

A. Yes, in this -- I have a copy here behind -- under the same Exhibit Four, behind the copies of the return receipts, there's a letter from John Tiss, and yes, I have the copy of a letter from John Tiss and a copy of my letter in reply to his letter. We wants $500 per acre per year and --

MR. KELLAHIN: 1/16th royalty -- or 1/6th.

A. -- 1/6th royalty.

MR. NUTTER: He doesn't say per acre per year, he says $500 per year.

A. Well, the -- his letter, this little thing, right down at the bottom, you know, under --

MR. NUTTER: I see, okay. Okay.

A. -- his signature, $500 per acre per year.

MR. NUTTER: Okay, I see. I just read the letter.

A. Yes.

MR. NUTTER: Okay, what we're talking about, Mr. Pearce ought to read the letter that we got from him.

A. Oh, thank you, and this was from John Tiss, now?

MR. NUTTER: Yes.

A. All right.

MR. NUTTER: It was addressed to the Director of the Oil Conservation Division, and says, "There has been no settlement to me, John W. Tiss, only heir to Adrian H. and Mary Tiss, and therefor object to my part being compulsory pooled on February 3, 1982." Signed John W. Tiss.

A. Thank you very much.

MR. NUTTER: That was dated January 25th, by the way.

A. My letter was, Mr. Examiner, my letter was dated January 26th, and I do point out that we would require legal verification that he is the only heir.

MR. KELLAHIN: You'll note the letter is in the packet of exhibits just prior to Mr. Tiss' letter.

MR. NUTTER: All right.

MR. KELLAHIN: Ms. Lebow's letter, in which an offer is made to him.

MR. NUTTER: Right.

Q. Now the offer made to Mr. Tiss, would you describe for us the kind of offer you made to him?

A. At this point in time he has been offered the top price, the top terms that we have given to any lessor in this unit. $100 per acre, 3/16ths, 3-year lease.

MR. NUTTER: And I also had a telephone call yesterday from a man in Tulsa, and I believe he was representing --

A. Well, he was representing McGinley and Leroy and Franke, or something like that.

MR. NUTTER: Leroy, Ranroy, and --

A. Yes.

MR. NUTTER: -- McGinley.

A. Yes.

MR. NUTTER: And they didn't necessarily express opposition to the pooling, they just wanted an explanation of what the pooling action would --

A. Yes.

MR. NUTTER: -- [illegible], or how they would be affected.

A. His name was Edwards?

MR. NUTTER: I can't recall.

A. They live in Oklahoma. They probably will join, okay, all three of those interests.

He, it was my feeling, his total concern, Oklahoma pooling is not as fair as New Mexico pooling.

MR. NUTTER: Well, you actually are compelled to sell your interests, is what it amounts to.

A. That's right. I tried my best to explain to him that it was not like that, but he would be given this notice period after your order comes out.

Beyond that, that C & K would never force anybody to lease or pool if we could make other arrangements, which really had always been the policy of our company, and he then told me that he wanted to look over the operating agreement which he had, and line by line, and he would call me back about 5:00 o'clock, and he wanted to go over that line by line, and I told him I was very sorry but I would be in a meeting at 5:00 and I would be leaving at 6:30 this morning, and he would get hold of Mr. White, that Mr. White had full authority to speack for us in these matters.

Well, he didn't like that very much but anyway, I hope you assured him that we don't do to people --

MR. NUTTER: I explained to him how it

would work, that he would have the option --

A. Yes.

MR. NUTTER: That those parties would have the option of paying their share.

A. Or whatever they choose to do.

MR. NUTTER: Right, or elect the option to participate or not participate, subject to the penalty, of course, if they didn't.

We don't have Mr. Taylor from Carlsbad on this list, do you?

MR. KELLAHIN: No, we're still talking to him about other matters.

MR. NUTTER: I see. He's not involved in this case?

A. No, sir.

MR. KELLAHIN: Not yet.

Q. Ms. Lebow, if you'll turn to Exhibit Number Five, let's talk about that.

Ms. Lebow, what is the first document under Exhibit Number Five?

A. The first page of Exhibit Five is C & K Petroleum, Inc.'s Authority for Expenditure, which is our engineering staff's best estimate of the cost.

Q. Give me the total dry hole cost and then

the completed well cost.

A. $862,000, dry hole; $1,190,000, completed well.

Q. Okay.

A. Now --

Q. Is this the AFE that was circulated by Mr. White to --

A. And by myself.

Q. And by yourself to these various owners?

A. Yes.

Q. All right.

A. Now, immediately behind this I have included the AFE signed by Mr. Latham and the Cone family. Those are the only ones I had the day we prepared all this.

Q. All right, if you'll pass the approved AFE's by the Cone Interest, and go to this document that bears Mr. Hall's signature and explain that for us.

A. C & K participated for a small interest in the Mesa West Knowles No. 8 Well.

Q. The Examiner doesn't have benefit of the plats yet, Ms. Lebow. Would you describe generally where the Mesa Well is in relation to this proposed well?

A. The Mesa Well is approximately one mile

east and just a little bit south. It's the same field.

Q. And this is also a Strawn well?

A. It's a Strawn.

Q. And Mesa is the operator of this well in which C & K has an interest?

A. Yes.

Q. All right, and what does this tabulation show?

A. Mesa's AFE for this well, which was drilled last year, was a completed well, $814,000. Well, of course when I saw that it gave me a little concern.

When I did ask Mr. Hall to tabulate the actual cost to date, which is this summary executed by Mr. Hall, Mesa's actual cost to date, and the bills are not all in, equal $1,154,000.

Q. So your estimated well costs for the Casey-Strawn well compare favorably to the actual --

A. Yes.

Q. -- costs of the Mesa well?

A. I feel that it does.

Q. All right. And then that, the documentation following Mr. Hall's summary gives the actual cost for the Mesa well?

A. The Mesa invoices, yes.

Q. All right. And then following the invoices is the Mesa AFE, which was --

A. Correct.

Q. -- the $814,000. All right.

A. I regret that this is the only AFE I was able to get ahold of from these other operators in the area, but we -- it's the only one I had, since we did participate and did, in fact, sign it.

As you can see, they exceeded their costs considerably.

Q. All right.

MR. NUTTER: When was this Mesa well drilled?

A. Last year. It still, it's not all said and done. It's not hooked up yet.

MR. NUTTER: So they do still have some items --

A. Yes, sir.

MR. NUTTER: -- coming in.

A. Yes, sir.

MR. NUTTER: I would imagine the bulk of the expenses are in now, however, aren't they?

A. I haven't examined that. I couldn't make a judgment on that.

MR. NUTTER: Okay, go ahead.

MR. KELLAHIN: All right, sir.

Q. Ms. Lebow, if you'll turn now to Exhibit Number Six.

A. Okay.

Q. Do you have a recommendation to the Examiner as to the overhead charges to be assessed in the pooling order for a drilling well rate and a producing well rate?

A. I do.

Q. And what is that recommendation, Ms. Lebow?

A. C & K put into the COPAS accounting procedure attached to our operating agreement, which has been executed by six old time oil hands, a drilling well rate of $3750 and a producing well rate of $375.

Now, this first page of Exhibit Six is a comparison to -- going back to the Mesa West Knowles No. 8 -- Mesa is invoicing us for the drilling well rate of $2755 and a producing well rate of $291.

The other comparison on here is the Shipp 27 No. 1 Well, operated by C & K, which is on the section east, contiguous and adjacent to Section 28.

Q. That is a CAsey-Strawn well?

A. Yes, which we are now getting $374 for.

Now, for Mesa's rates, and I'm sure that you are aware, April the 1st all operators will file a recommendation of the Petroleum Account Association of America and all these costs wil' be upgrading by ten percent, or more or less.

For the last six years it has been eleven percent or 9.3 percent, or things of that nature, the upgrading of the charges in your operating agreement.

This well that we are talking about here will be spudded April 1st. All these operations will be subsequent to April 1st.

We feel that our charges will -- are fair.

MR. NUTTER: Does your operating agreement that calls for the $3700 and the $375 contain the escalation clause in it?

A. It does. All operating agreements do, I hope.

These -- this producing well rate and drilling well rate, however, we will not on this well escalate the charges. This will become active after April 1st.

MR. NUTTER: Right.

A. So will stay with these numbers for the

next year in accordance with the recommendations of the --

Q. Were Exhibits One through Six compiled by you or under your direction and supervision, Ms. Lebow?

A. Yes.

MR. KELLAHIN: We move the introduction of Applicant Exhibits One through Six.

MR. NUTTER: Exhibits One through Six will be admitted in evidence.

MR. KELLAHIN: That concludes our examination of Ms. Lebow.

MR. NUTTER: Are there any questions of Ms. Lebow? She may be excused.

MICHAEL MOSLEY

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q. Would you please state your name and occupation?

A. My name is Michael Mosley. I'm a geologist with C & K Petroleum in Midland.

Q. And spell your last name M-O-S-L-E-Y?

A. M-O-S-L-E-Y.

Q. Mr. Mosley, have you previously testified before the Division as a geologist?

A. No, sir.

Q. Would you describe for the Examiner when and where you obtained your degree in geology?

A. I obtained a BS in geology from Texas Tech University in May of 1980 and I have been with C & K Petroleum in Midland since September of '81.

Q. Have you prepared certain geological exhibits for presentation to the Examiner today concerning the Casey-Strawn Pool?

A. Yes, sir.

Q. And have you prepared and do you have a recommendation to the Examiner as to a risk penalty factor to be assessed against the nonconsenting participants in this case?

A. Yes, sir.

MR. KELLAHIN: We tender Mr. Mosley as an expert geologist.

MR. NUTTER: Mr. Mosley is qualified.

Q. Mr. Mosley, let me have you refer to your Strawn structure map, which is marked as Applicant Exhibit Number Seven, --

A. You'll find that in the righthand pocket of your folder.

Q. -- and first of all, if you'll locate for us the subject location for this well.

A. Yes, sir, such location is marked in red on your structure map, with a red arrow pointing to it. The location is 660 feet from the south and east lines of Section 28.

Q. Will that be a standard location for a Strawn well in the Casey-Strawn Pool?

A. Yes, sir.

Q. All right, sir, would you identify for us the well symbols that are identified on here so that we know what kind of wells we're looking at?

A. Yes, sir. All the wells with the large circles were wells which penetrated or tested this Lower Strawn interval.

Q. Regardless of what color they are shaded in, they penetrated or tested the Strawn?

A. Yes, sir. The wells in blue are currently producing from the Lower Strawn interval.

A well circled but not colored in is a dry hole which tested or penetrated the Lower Strawn.

A well colored in orange is a Strawn

test producing from the Drinkard formation.

And green is a San Andres producer from a Strawn test.

Q. Would you describe generally the characteristics of the Strawn, Lower Strawn structure, that you find in the proposed proration unit?

A. Yes, sir. The Casey-Strawn is a mainly stratigraphic trap, depending on the porosity interval developing in the Lower Strawn lime.

The area is sitting on a gentle northeast structural nose. Our proposed well will be on the flank of this proposed nose.

Q. In terms of productivity, Mr. Mosley, would you identify and describe some of these wells that do produce here in Section 34 to the southeast?

A. The newest well in the field is the Mesa Knowles No. 8, which you'll see marked with an "8". The location is 660 feet from the north and east line of Section 34. It was completed in September of '81 for an initial flow of 958 barrels per day of oil.

The Shipp 34-A No. 1 is 1980 from the west and 660 from the north in Section 34. It was completed in 1975 for an initial production of 480 barrels of oil per day. To date this well has produced 207,174 barrels of oil,

and 173,973 Mcf. Those are as of December of '81.

Q. Those are pretty good wells, but I notice that there is also, apparently a dry hole immediately adjacent to those wells.

A. Yes, sir.

Q. What happened there?

A. The development of the Lower Strawn porosity is very erratic throughout this entire field. You can see the well that tested dry in 34. It tested tight on the DST, no apparent porosity, recovered 40 foot of mud.

Q. Yet it seemed to be drilled at a good structural position in the Strawn?

A. Yes, sir, it was adequate or even better to most of the wells in the field; just the porosity pinches out rather dramatically through this area.

Q. Tell us something about the well circled in green in Section 28 just to the north and west of your location.

A. That was the HEYCO Burton No. 1. It was a Strawn test. It encountered zero porosity in the Strawn interval; was plugged back to the San Andres, where it produced less than 1000 barrels cumulative and was plugged in April of last year.

Q. And there is also another dry hole in

the southwest quarter of Section 28?

A. Yes, sir. This was the C & K 27. This well had porosity in the Lower Strawn but it occurred low in the section to the point where it was wet.

MR. NUTTER: Which well was that?

Q. Is that the well in 27 or 28?

A. That is the dry hole in Section 27.

Q. 27, okay.

MR. NUTTER: Okay, now what was the story in the Strawn, wet in the Strawn?

A. Yes, sir.

MR. NUTTER: Okay.

Q. How about the well in 28 that's in the southwest of the southwest?

A. That also had zero Strawn porosity.

Q. Okay. In terms of a percentage of risk to be assessed in this pooling order, Mr. Mosley, do you have an opinion as to what that percentage ought to be?

A. Yes, sir, this is what we consider to be a very risky location. We would go for the full 200 percent.

Q. Would you give us some of the factors that you believe are important in order to reach that opinion?

A. Yes, sir. Two key wells would be the

Burton HEYCO Burton No. 1 Well, which was the dry hole in Section 28, completed in the San Andres; and the Shipp 34-A No. 1. The Shipp 34 had a fairly thick porosity interval developed in the Casey-Strawn, whereas the Burton had absolutely zero porosity developed.

We believe the porosity interval to pinch out between these two wells.

Our proposed location, we hope will be in the porosity, but as you can see, we are crowding the dry hole more than we are crowding the producting well.

Q. Let's go on to Exhibit Number Eight at this time, Mr. Mosley, and have you identify that for us.

A. Yes, sir. This is an Isopach of the net Strawn lime interval encountered in this area.

You can see that the area in question is essentially a north/south trending thick through the Strawn lime. The porosity which is productive in this area is developed within this section.

Q. All right, sir. Is there anything else about the Isopach that you'd like to draw attention to?

A. You can see that the thickness, total thickness of the Strawn interval, our location would be on par with the locations on to the east, as far as the total thickness to be encountered.

Q. All right, sir. Let's look at your cross section, which is Exhibit Number Nine.

A. This is a four-well cross section. We have the cross section line marked on all three maps. There is a key in the lower center.

The cross hatched interval you see is the Lower Strawn porosity, northwest to southeast.

The green cross hatched --

Q. Excuse me, is that the interval that you've mapped on the Isopach, Exhibit Number Eight?

A. No, sir, you can see the Isopach interval mapped on the far left. It is the total Strawn lime.

The porosity shown is developed in that interval.

Q. Okay.

A. There is a local water contact at approximately a datum of -7620 feet through the area. The cross hatched in green represents the oil column; the cross hatched blue represents the water column.

You can see from the HEYCO Burton Well on the far left, labeled A, to the Shipp 34 No. 1 Well, that the porosity goes from an approximate 120+ feet to a zero porosity foot.

It is our hope that the porosity pinches

out in approximately the manner shown here, where our well should encounter porosity of commercial quality.

Q. If it should pinch out before it gets to your proposed location, you're going to have a dry hole, aren't you?

A. Yes, sir.

Q. All right. Mr. Mosley, were Exhibits Seven, Eight, and Nine prepared by you or compiled under your direction and supervision?

A. Yes, sir.

Q. In your opinion, Mr. Mosley, will approval of this application be in the best interests of conservation, the prevention of waste, and the protection of correlative rights?

A. Yes, sir.

MR. KELLAHIN: That concludes our examination of Mr. Mosley.

We move the introduction of Exhibits Seven, Eight, and Nine.

MR. NUTTER: Exhibits Seven through Nine will be admitted in evidence.

Are there any questions of Mr. Mosley? He may be excused.

Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in Case Number 7475?

We'll take the case under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7475 heard by me on 2/3 1982.

Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

March 5, 1982

Mr. Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 7475
ORDER NO. R-6901-A

Applicant:

C & K Petroleum, Inc.

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 7475
Order No. R-6901-A

APPLICATION OF C & K PETROLEUM, INC.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-6901, dated February 15, 1982, does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED:

(1) That Finding No. (2) on page 1 of Order No. R-6901 be and the same is hereby corrected to read in its entirety as follows:

"(2) That the applicant, C & K Petroleum, Inc., seeks an order pooling all mineral interests in the Casey-Strawn Pool underlying the E/2 SE/4 of Section 28, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico."

(2) That the corrections set forth in this Order be entered nunc pro tunc as of February 15, 1982.

DONE at Santa Fe, New Mexico, on this 5th day of March, 1982.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY
Director

S E A L

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

February 15, 1982

Mr. Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 7475
ORDER NO. R-6901

Applicant:

C & K Petroleum, Inc.

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7475
Order No. R-6901

APPLICATION OF C & K PETROLEUM, INC.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on February 3, 1982, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 15th day of February, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, C & K Petroleum, Inc., seeks an order pooling all mineral interests in the Casey-Strawn Pool underlying the E/2 SW/4 of Section 28, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

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

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

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

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

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

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

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

(11) That $3700.00 per month while drilling and $375.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before May 1, 1982, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Casey-Strawn Pool underlying the E/2 SE/4 of Section 28, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 80-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of May, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Strawn formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of May, 1982, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That C & K Petroleum, Inc. is hereby designated the operator of the subject well and unit.

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

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

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall

be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

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

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

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

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

(9) That $3700.00 per month while drilling and $375.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a

one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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

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

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

S E

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY
Director

McGROY INC. LANROY INC. CLEROY INC.

512 MAYO BUILDING
TULSA, OKLAHOMA 74103
(918) 587-1342

RECEIVED
JAN 29 1982
OIL CONSERVATION DIVISION
SANTA FE

January 27, 1982

Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Case 7475

Re: C & K Petroleum Inc.
Application for Pooling
E/2 SE/4
Sec 28-16S-37E
Lea Co., New Mexico

Gentlemen:

As a named party to the above pooling, this is inform you of our new address.

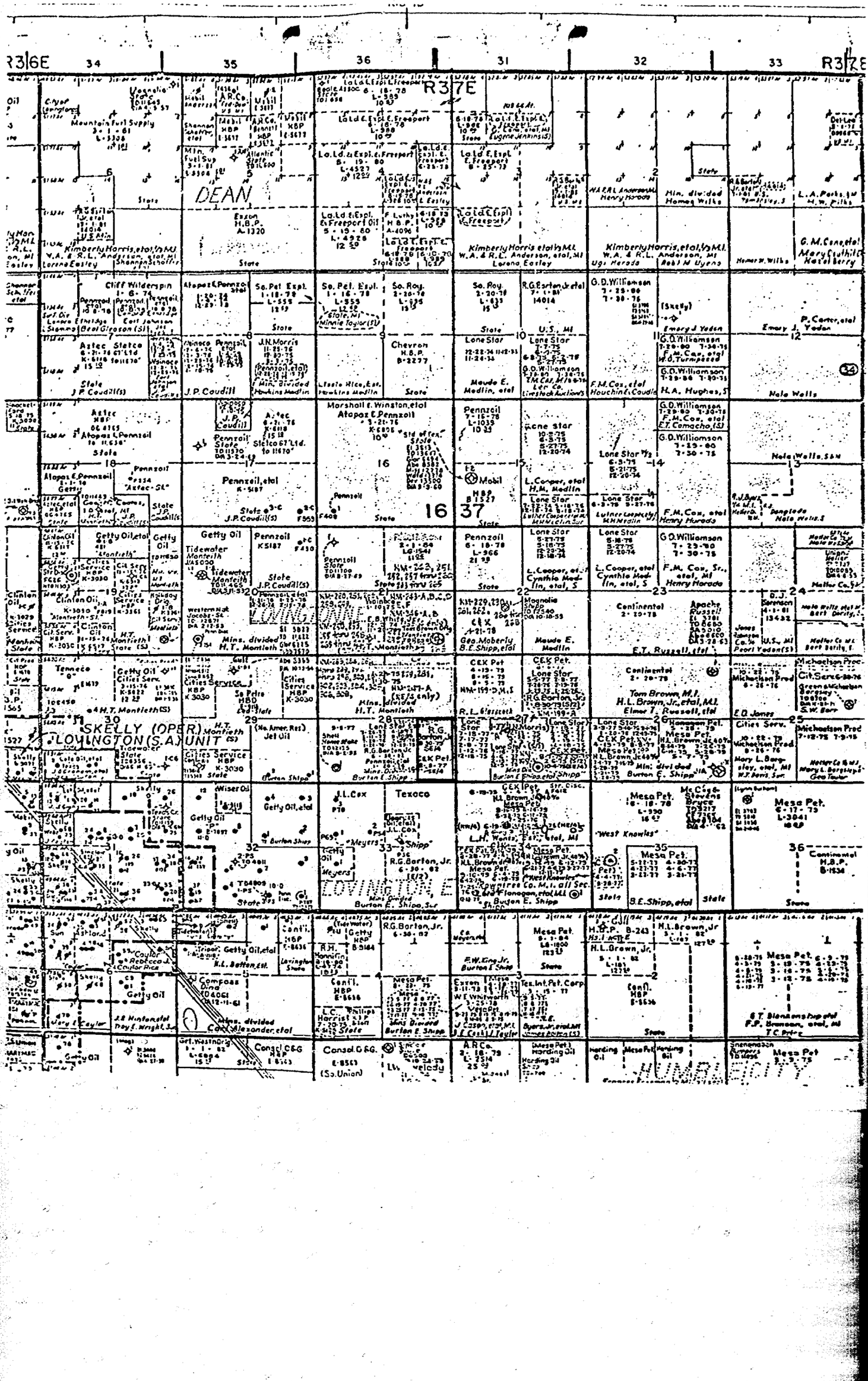
512 Mayo Bldg.
Tulsa, Ok. 74103

Yours truly,

CLEROY INC.
LANROY INC.
J. R. McGINLEY, JR.

By: Walden Gemmill

Exhibits 1 thru 6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DEAN
LOVINGTON
SKELLY (OPER.) LOVINGTON (S.A.) UNIT
LOVINGTON
HUMBLE CITY

C&K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

January 6, 1982

Re: Proposed 11,600 feet Strawn formation test at legal location in SE/4 of SE/4 of Section 28, Twp. 16, South, Rge. 37, East, Lea County, New Mexico

Dear Mineral Owner:

C&K Petroleum, Inc. as Operator, proposes the drilling of the subject test well on a well spacing unit comprised of the E/2 of SE/4 of Section 28, Twp. 16 South, Rge. 37 East, containing 80 acres, more or less. The test well would be commenced on or before April 1, 1982.

As an owner of unleased minerals in the well spacing unit, you are entitled to participate in the drilling of the test well. In this connection, enclosed is an AUTHORITY FOR EXPENDITURE covering the drilling of said test well. If you wish to participate in the drilling of the test well to the extent of your interest, please sign and return the AUTHORITY FOR EXPENDITURE to us.

If you do not wish to participate in the drilling of said test well, we offer to acquire an Oil and Gas Lease on your interest in the well spacing unit, and your interest in the balance of Section 28, for $100.00 per acre bonus, 3/16 royalty, three (3) year primary term.

Sincerely,

Danie Lebow

Ms. Danie Lebow
Senior Landman

DL:jw

enclosure

Control - ff-1 attempt

UNCOMMITTED INTERESTS: E½ of SE¼ of Section 28, Twp. 16 South, Rge. 37 East

	OWNER- LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
1	Ethel Armentrout Peterson Banning, CA 92220	1/6400 unleased mineral interest	1-27-82 Addressee unknown
2	Florence M. Balkam Mason City, IA 50401	"	returned - insufficient address 1-14-82
3	Helen M Brewer Mason City, IA 50401	1/3200 unleased mineral interest	returned - insufficient address 1-14-82
4	Arthur Briston Roland, IA 50236	1/6400 unleased mineral interest	
5	Louis E. Brooker Mason City, IA 50401	"	returned - insufficient address 1-14-82
6	R. W. Brown Mason City, IA 50401	"	returned - insufficient address 1-14-82
7	Jennie Anderson Buck Klamath Falls, OR 97601	"	returned - 1-18-82 insufficient address
8	W. C. Caldwell Mason City, IA 50401	"	returned - insufficient address -1-14-82
9	Evan Christainsen Lake Mills, IA 50450	"	returned - 1-15-82 not deliverable
10	Ellen A. Crepaw and the Estate of L. C. Crepaw Mason City, IA 50401	"	returned - insufficient address 1-14-82
11	Lillian M. Drew, widow of W. A. Drew No address	"	
12	Mae Duncan Bauman 2530 S. Owasso St. Tulsa, OK 74101	"	Returned - address unknown 1-12-82
13	Henry R. and Effie M. Elvidge Callender, IA 50523	"	returned - 1-15-82 unknown
14	Hazel Bruggman, Wilbur C. Enfield, Jessie Faye La Coste = 1/3 Rudd, IA 50471	"	100/ac 3 yrs. 3/16 roy
15	J. D. and Myrtle Evans Madison, WI 53703	"	returned - 1-18-82 insufficient address
16	Clifford K and Hazel Ferguson; John W. and Mary Ferguson Callender, IA 50523	"	returned - unknown 1-14-82
17	Henrietta L. McDermott Fischer 3440 Grand Ave. Des Moines, IA 50318	"	returned - 1-22-82 not deliverable
18	Frederick M. and Alta Grace Mason City, IA 50401	"	returned - insufficient address 1-14-82
19	Clifford and Clara Gray Mason City, IA 50401	"	returned - insufficient address 1-14-82
20	Ada L. and W. R. Grew Moville, IA 51039	1/3200 unleased mineral interest	returned - 1-15-82 attempted - not known
21	C. A. and Lillian W. Hanson Mason City, IA 50401	1/6400 unleased mineral interest	returned - insufficient address 1-14-8

	OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
22	Earl L. and Kathryn Hansen Swea City, IA 50590	1/3200 unleased mineral interest	
23	C. R. Hemphill Mason City, IA 50401	1/12,800 unleased mineral interest	returned - insufficient address 1-14-82
24	Mildred L. Hitchcock Mason City, IA 50401	1/6400 unleased mineral interest	returned - insufficient address 1-14-82
25	F. C. Holmes and the Estate of Eva Holmes Hampton, IA 50441	"	returned - addressee unknown 1-14-82
26	W. A. Horn 630 33rd Ave. San Francisco, CA 94101	"	returned - 1-22-82 not deliverable
27	Annie L. Brown and W. Frank Porowski No address	1/3200 unleased mineral interest	
28	Mrs. Lillian Kennedy 1303 N. Federal Mason City, IA 50401	1/6400 unleased mineral interest	returned 1-18-82 attempted - not known
29	Cynthia E. Larson and Charles R. Larson, Joint Tenants Paola, KS 66071	"	returned - address unknown 1-12 82
30	Cora I. and Geo. L. Lohr Mason City, IA 50401	"	returned - insufficient address 1-14-82
31	Jessie Faye Enfield Le Coste and Estate of Edwin G. Le Coste Rudd, IA 50471	"	) will lease - $100/AC 3/16 roy 3yr
32	G. A. Lee Emmons, MN 56029	"	will lease
33	Estella Maple Banning, CA 92220	"	returned 1-28-82 addressee unknown
34	Floy Mae Mawhinney Dennies 8840 Crawford Ave. Sun Valley, CA 91352	1/3200 unleased mineral interest	returned 1-25-82 not deliverable
35	Leonard Arthur Miller; Lois Miller Mayall 411 N. 4th Street Humboldt, IA 50548	1/6400 unleased mineral interest	
36	Dale R. and Leota F. Morgan Des Moines, IA 50318	"	returned - insufficient address 1-14-82
37	O. G. Morgan, Kenneth E. Morgan, and Don A. Morgan Wauneta, NB 69045	"	returned - address unknown 1-14-82
38	Andrew E. and Bessie R. Nelson Mason City, IA 50401	"	returned - insufficient address 1-14-82
39	W. J. and Muriel J. Parrott Mason City, IA 50401	1/12,800 unleased mineral interest	returned - insufficient address 1-14-82
40	Frank O. and Ella M. Peterson Callender, IA 50523	1/6400 unleased mineral interest	returned - deceased 1-14-82
41	Blanche L. Probert; and Shirley F. Probert Porter 6233 40th Ave., NE Seattle, WA 98101	1/3200 unleased mineral interest	

Contact Mildred Snafus Humboldt, IA.
Walter Moe Farmers + Merchants Bank Lake Mills, IA.
Delmar Dasmidt Humboldt, IA.

	OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
42	Laura C. Schrader Rudd, IA 50471	1/6400 unleased mineral interest	
43	W. J. and Martha H. Slepicka Mason City, IA 50401	"	returned - insufficient address 1-14-82
44	Chas. E. and Madge L. Snipps Mason City, IA 50401	"	returned - insufficient address 1-14-82
45	J. F. and Verona Sofranko - deceased 5 heirs Lovilia, IA 50150	"	will lease.
46	Gertrude J. Scullins 500 W. Ocean Ave. Long Beach, CA 90801	1/3200 unleased mineral interest	returned 1-18-82 insufficient address
47	Mae Shifflett 516 Wildwood Rd., Apt. 3 Waterloo, IA 50502	1/6400 unleased mineral interest	returned 1-20-82 not deliverable
48	John Satoka Box 522 Bartlesville, OK 74003	"	returned - address unknown 1-14-82
49	Adrian H. and Mary Tiss deceased De Ridder, LA 70634 Pt. 6, Bk 55-A	1/640 unleased mineral interest	Heir is John W. Tiss need legal verification
50	C. E. and Cora M. Werthenback Mason City, IA 50401	1/6400 unleased mineral interest	returned - insufficient address 1-14-82
51	G. L. and Christena B. Whitman and Estate of Blanche M. Whitman Box 2202 Waterloo, IA 50701	"	
52	Elizabeth H. Woodburn and Estate of Robert H. Woodburn 1194 Colledge Drive San Bernardino, CA 92403	"	returned 1-18-82 unclaimed
53	Ann C. Gossman Box 1051 SS Springfield, MO 65805	1/12,800 unleased mineral interest	1-28-82
54	Maxine Wendle 713 Los Zafiros Green Valley, AZ 85614	.0015625 1/640 unleased mineral interest	will join
55	James Roland Woods Box 1417 Socorro, NM 87801	54/19,200 unleased mineral interest	
56	Ronald J. Byers 209 Westgate Building 1122 Colorado Austin, TX 78701	1/128 unleased mineral interest	
57	Harry J. Schafer, Jr., Trustee of The Mary E. Grisso Trust No. 1 Box 14667 Tulsa, OK 73113	unleased 1/400 mineral interest	
58	Hanesco, Inc. Box 182 Roswell, NM 88201	57/2048 unleased mineral interest	
59	Dorothy Jeanne Van Zant Sanders 6737 Brants Lane Fort Worth, TX 76116	3/320 unleased mineral interest	

	OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
60	J. H. Van Zant, II 1722 Commerce Building Fort Worth, TX 76101	3/320 unleased mineral interest	
61	Hugh Corrigan, III Box 3388 Vero Beach, FL 32960	1/32 unleased mineral interest	
62	J. Patrick Corrigan Box 20410 Vero Beach, FL 32961	1/32 unleased mineral interest	
63	Heritage Resources Box 777 Davis, OK 73030	1/80 unleased mineral interest	
64	Petroleum Corporation of Texas Box 911 Breckenridge, TX 76024	1/60 unleased mineral interest	
65	Felmont Oil Corporation Box 2266 Midland, TX 79702	22/800 unleased mineral interest	
66	Helen Ogden Bachman 7238 West Cedar Circle Denver, CO 80226	1/6400 unleased mineral interest	
67	J. R. McGinley, Jr. 530 Beacon Building Tulsa, OK 74103	1/48 unleased mineral interest	will Join
68	Cleroy, Inc. 530 Beacon Building Tulsa, OK 74103	1/48 unleased mineral interest	
69	Lanroy, Inc. 530 Beacon Building Tulsa, OK 74103	1/48 unleased mineral interest	
70	Rebel Oil Company 603 Seco Hobbs, NM 88201	2.947979% leasehold interest	
71	Roy G. Barton, Jr., and Norma Barton Box 978 Hobbs, NM 88240	1/64 unleased mineral interest	
72	E. L. Latham, Jr. Box 1392 Hobbs, NM	1/64 unleased mineral interest	will Join
73	Douglas L. Cone Box 6217 Lubbock, TX 79413	1/320 unleased mineral interest	✓
74	Tom R. Cone Box 126 Southwest City, MO 64863	"	✓
75	Clifford Cone Box 6010 Lubbock, TX 79413	"	✓
76	Kenneth G. Cone Box 5838 Austin, TX 78763	"	✓
77	Cathie Cone Auvenshine Route 6, Box 79N Austin, TX 78737	"	✓

	OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
78	Harvey E. Yates Company Box 1933 Roswell, NM 88201	1.759684% leasehold interest	
79	Sohio Petroleum Company 50 Penn Place Oklahoma City, OK 73118	1/16 unleased mineral interest	
80	Bank of America National Trust & Savings Association Trustee U/W of Eleanor W. McAdoo P.O. Drawer EE Santa Barbara, CA 93102 Attn: Mr. Tim Gamble, Trust Dep't.	28/8192 mineral interest	
81	Ms. Marguarite de H. McAdoo 480 Park Ave. New York, NY 10022	29/16384 mineral interest	
82	Ms. Cynthia Nona McAdoo Wheatland 33 Branch St. Boston, MA 02108	29/16384 mineral interest	

Richard Wheatland
10 Post Office Square
Boston 02109
(617) 426-5755

	OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
78	Harvey E. Yates Company Box 1933 Roswell, NM 88201	1.759684% leasehold interest	
79	Sohio Petroleum Company 50 Penn Place Oklahoma City, OK 73118	1/16 unleased mineral interest	
80	Bank of America National Trust & Savings Association Trustee U/W of Eleanor W. McAdoo P.O. Drawer EE Santa Barbara, CA 93102 Attn: Mr. Tim Gamble, Trust Dep't.	28/8192 mineral interest	
81	Ms. Marguarite de H. McAdoo 480 Park Ave. New York, NY 10022	29/16384 mineral interest	
82	Ms. Cynthia Nona McAdoo Wheatland 33 Branch St. Boston, MA 02108	29/16384 mineral interest	

Richard Wheatland
10 Post Office Square
Boston 02109
(617) 426-5755

E. B. WHITE, JR.
P. O. BOX 2052
MIDLAND, TEXAS 79702
January 6, 1982

OFFICE PHONE
(915) 682-4434

RESIDENCE PHONE
(915) 683-1593

TO: Addressees as per attached Adress List

Re. Proposed 11,600' Strawn Test in SE¼SE¼ of Section 28, Twp. 16 South, Rge. 37 East, Lea County, New Mexico

Dear Owners:

I am representing C & K Petroleum, Inc., Box 3546, Midland, Texas 79702, proposed operator of the subject test well.

In connection with the proposed test well, enclosed are the following:

1. Operating Agreement dated January 4, 1981, covering the SE¼ of Section 28, Twp. 16 South, Rge. 37 East.

2. Extra copy of signature pages to the Operating Agreement.

3. AFE, in duplicate.

If you find these in order, and elect to participate in the drilling of the test well, please execute and return to me the enclosed signature page (item 2 above), and one (1) copy of the AFE. The enclosed Operating Agreement is for your file.

As there are several unknown and uncomitted interests in the proposed drillsite, C & K will be filing an application for a Compulsory Pooling Order from the New Mexico Oil Conservation Commission. The order, if granted, will not affect any owner who has elected to participate, or who has made some other arrangement relative to their interest.

Thanking you for your consideration and cooperation, I am,

Sincerely,

E. B. White, Jr.

EBW:w
encls.

Midland, TX 79702

Helen Ogden Bachman
7238 West Cedar Circle
Denver, CO 80226 .015625

J. R. McGinley, Jr.
530 Beacon Building
Tulsa, OK 74103 2.083333

ADDRESS LIST - WORKING INTEREST OWNERS
SE¼ OF SECTION 28, TWP 16 SOUTH, RGE. 37 EAST, LEA COUNTY, NEW MEXICO

Wainoco Oil & Gas Company
1625 Broadway, Suite 1710
Denver, CO 80202
Attn: Grant F. Rice

Harry J. Schafer, Jr., Trustee
of The Mary E. Grisso Trust No. 1
Box 14667
Oklahoma City, OK 73113

Hanesco, Inc.
Box 182
Roswell, NM 88201
Attn: Mr. Dan Hannifin

Dorothy Jeanne Sanders
6737 Brents Lane
Fort Worth, TX 76116

J. H. Van Zant, II
1722 Commerce Building
Fort Worth, TX 76101

Hugh Corrigan, III
Box 3388
Vero Beach, FL 32960

J. Patrick Corrigan
Box 20410
Vero Beach, FL 32961

Heritage Resources
Box 777
Davis, OK 73030
Attn: Vicki Jolly

Petroleum Corporation of Texas
Box 911
Breckenridge, TX 76024
Attn: Ronald A. Holloway

Felmont Oil Corporation
Box 2266
Midland, TX 79702
Attn: Doris Cannon

Helen Ogden Bachman
7238 West Cedar Circle
Denver, CO 80226

J. R. McGinley, Jr.
530 Beacon Building
Tulsa, OK 74103

Cleroy, Inc.
530 Beacon Building
Tulsa, OK 74103

Lanroy, Inc.
530 Beacon Building
Tulsa, OK 74103

Roy G. Barton, Jr., and
Norma Barton
Box 978
Hobbs, NM 88240

E. L. Latham, Jr. signed
Box 1392
Hobbs, NM 88240

Douglas L. Cone signed
Box 6217
Lubbock, TX 79413

Tom R. Cone signed
Box 126
Southwest City, MO 64863

Clifford Cone signed
Box 6010
Lubbock, TX 79413

Kenneth G. Cone signed
Box 5838
Austin, TX 78763

Cathie Cone Auvenshine signed
Route 6, Box 79N
Austin, TX 78737

Harvey E. Yates Company
Box 1933
Roswell, NM 88201
Attn: Mr. George Yates

Rebel Oil Company
603 Seco
Hobbs, NM 88240

Midland, TX 79702

Helen Ogden Bachman .015625
7238 West Cedar Circle
Denver, CO 80226

J. R. McGinley, Jr. 2.083333
530 Beacon Building
Tulsa, OK 74103

EXHIBIT "A"

Attached to Operating Agreement dated January 4, 1982, between C & K Petroleum, Inc., Operator, and Wainoco Oil & Gas Company, et al, as Non- Operators

I CONTRACT AREA: SE¼ of Section 28, Twp. 16 South, Rge. 37 East, NMPM, Lea County, New Mexico, containing 160 acres, more or less.

II DEPTH RESTRICTIONS: From the surface to 100 feet below the deepest depth attained in the initial test well.

III INTERESTS AND ADDRESSES OF THE PARTIES:

PARTY	PERCENT	
C & K Petroleum, Inc. Box 3546 Midland, TX 79702	42.804059	
Wainoco Oil & Gas Company 1625 Broadway, Suite 1710 Denver, CO 80202	24.710284	
Harry J. Schafer, Jr., Trustee of The Mary E. Grisso Trust No. 1 Box 14667 Oklahoma City, OK 73113	.250000	
Hanesco, Inc. Box 182 Roswell, NM 88201	2.783203	would farmout ½ back-in
Dorothy Jeanne Van Zant Sanders 6737 Brents Lane Fort Worth, TX 76116	.937500	
J. H. Van Zant, II 1722 Commerce Building Fort Worth, TX 76101	.937500	
Hugh Corrigan, III Box 3388 Vero Beach, FL 32960	3.125000	
J. Patrick Corrigan Box 20410 Vero Beach, FL 32961	3.125000	
Heritage Resources Box 777 Davis, OK 73030	1.250000	
Petroleum Corporation of Texas Box 911 Breckenridge, TX 76024	1.666667	
Felmont Oil Corporation Box 2266 Midland, TX 79702	2.750000	would farmout ½ back-in
Helen Ogden Bachman 7238 West Cedar Circle Denver, CO 80226	.015625	
J. R. McGinley, Jr. 530 Beacon Building Tulsa, OK 74103	2.083333	

EXHIBIT "A", continued

PARTY	PERCENT
Cleroy, Inc. 530 Beacon Building Tulsa, OK 74103	2.083333
Lanroy, Inc. 530 Beacon Building Tulsa, OK 74103	2.083333
Rebel Oil Company 603 Seco Hobbs, NM 88240	2.947979
Roy G. Barton, Jr., and Norma Barton Box 978 Hobbs, NM 88240	1.562500
E. L. Latham, Jr. Box 1392 Hobbs, NM 88240	1.562500
Douglas L. Cone Box 6217 Lubbock, TX 79413	.312500
Tom R. Cone Box 126 Southwest City, MO 64863	.312500
Clifford Cone Box 6010 Lubbock, TX 79413	.312500
Kenneth G. Cone Box 5838 Austin, TX 78763	.312500
Cathie Cone Auvenshine Route 6, Box 79N Austin, TX 78737	.312500
Harvey E. Yates Company Box 1933 Roswell, NM 88201	1.759684
	100.000000%

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915)683-3311

January 15, 1982

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To Interest Owners
(See Exhibit A attached)

Re: Forced Pooling Hearing
Shipp 28 #1 well
Lea County, New Mexico

Gentlemen:

Pursuant to requirement of the Oil Conservation Division of State of New Mexico, we attach copy of Application for Forced Pooling of E/2 SE/4 Section 28, T-16-S, R-37-E under which you own the interest set out under your name on attached Exhibit "A" to the application. We also attach copy of AFE showing costs for drilling and completing the subject well.

Said hearing is set to be heard on February 3, 1982, in Santa Fe, New Mexico.

Very truly yours,

Danie Lebow

Ms. Danie Lebow
Senior Landman

DL:jw

enclosures

UNCOMMITTED INTERESTS: E½ of SE¼ of Section 28, Twp. 16 South, Rge. 37 East

	OWNER- LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
1	Ethel Armentrout Peterson Banning, CA 92220	1/6400 unleased mineral interest	addressee unknown
2	Florence M. Balkam Mason City, IA 50401	"	not deliverable
3	Helen M Brewer Mason City, IA 50401	1/3200 unleased mineral interest	not deliverable
4	Arthur Briston Roland, IA 50236	1/6400 unleased mineral interest	
5	Louis E. Brooker Mason City, IA 50401	"	not deliverable
6	R. W. Brown Mason City, IA 50401	"	not deliverable
	Jennie Anderson Buck Klamath Falls, OR 97601	"	insufficient address
8	W. C. Caldwell Mason City, IA 50401	"	not deliverable
9	Evan Christainsen Lake Mills, IA 50450	"	
10	Ellen A. Crepaw and the Estate of L. C. Crepaw Mason City, IA 50401	"	not deliverable
11	Lillian M. Drew, widow of W. A. Drew No address	"	
12	Mae Duncan Bauman 2530 S. Owasso St. Tulsa, OK 74101	"	undeliverable as addressed
13	Henry R. and Effie M. Elvidge Callender, IA 50523	"	addressee unknown
14	Hazel Bruggman, Wilbur C. Enfield, Jessie Faye La Coste Rudd, IA 50471	"	
15	J. D. and Myrtle Evans Madison, WI 53703	"	insufficient address
16	Clifford K and Hazel Ferguson; John W. and Mary Ferguson Callender, IA 50523	"	not delivered - unknown
17	Henrietta L. McDermott Fischer 3440 Grand Ave. Des Moines, IA 50318	"	
18	Frederick M. and Alta Grace Mason City, IA 50401	"	not deliverable
19	Clifford and Clara Gray Mason City, IA 50401	"	not deliverable
20	Ada L. and W. R. Grew Moville, IA 51039	1/3200 unleased mineral interest	addressee unknown
21	C. A. and Lillian W. Hanson Mason City, IA 50401	1/6400 unleased mineral interest	not deliverable

	OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
2	Earl L. and Kathryn Hansen Swea City, IA 50590	1/3200 unleased mineral interest	
4	C. R. Hemphill Mason City, IA 50401	1/12,800 unleased mineral interest	not deliverable
5	Mildred L. Hitchcock Mason City, IA 50401	1/6400 unleased mineral interest	not deliverable
	F. C. Holmes and the Estate of Eva Holmes Hampton, IA 50441	"	
	W. A. Horn 630 33rd Ave. San Francisco, CA 94101	"	
	Annie L. Brown and W. Frank Porowski No address	1/3200 unleased mineral interest	
3	Mrs. Lillian Kennedy 1303 N. Federal Mason City, IA 50401	1/6400 unleased mineral interest	not deliverable
9	Cynthia E. Larson and Charles R. Larson, Joint Tenants Paola, KS 66071	"	not delivered attempted not known
0	Cora I. and Geo. L. Lohr Mason City, IA 50401	"	not deliverable
1	Jessie Faye Enfield Le Coste and Estate of Edwin G. Le Coste Rudd, IA 50471	"	} wife Cora 3 yr + mm 3/16 mm + 1mm / Acc.
2	G. A. Lee Emmons, MN 56029	"	return receipt 1-27-82
3	Estella Maple Banning, CA 92220	"	address unknown
4	Floy Mae Mawhinney Dennies 8840 Crawford Ave. Sun Valley, CA 91352	1/3200 unleased mineral interest	
5	Leonard Arthur Miller; Lois Miller Mayall 411 N. 4th Street Humboldt, IA 50548	1/6400 unleased mineral interest	
6	Dale R. and Leota F. Morgan Des Moines, IA 50318	"	
7	O. G. Morgan, Kenneth E. Morgan, and Don A. Morgan Wauneta, NB 69045	"	
8	Andrew E. and Bessie R. Nelson Mason City, IA 50401	"	not deliverable
9	W. J. and Muriel J. Parrott Mason City, IA 50401	1/12,800 unleased mineral interest	not deliverable
0	Frank O. and Ella M. Peterson Callender, IA 50523	1/6400 unleased mineral interest	Deceased
1	Blanche L. Probert; and Shirley F. Probert Porter 6233 40th Ave., NE Seattle, WA 98101	1/3200 unleased mineral interest	

	OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
2	Laura C. Schrader Rudd, IA 50471	1/6400 unleased mineral interest	
3	W. J. and Martha H. Slepicka Mason City, IA 50401	"	not deliverable
4	Chas. E. and Madge L. Snipps Mason City, IA 50401	"	not deliverable
5	J. F. and Verona Sofranko Lovilia, IA 50150	"	return receipt 1-26-82
6	Gertrude J. Scullins 500 W. Ocean Ave. Long Beach, CA 90801	1/3200 unleased mineral interest	
7	Mae Shifflett 516 Wildwood Rd., Apt. 3 Waterloo, IA 50502	1/6400 unleased mineral interest	addressee unknown
8	John Satoka Box 522 Bartlesville, OK 74003	"	addressee unknown
9	Adrian H. and Mary Tiss De Ridder, LA 70634	1/640 unleased mineral interest	return receipt 1-27-82
0	C. E. and Cora M. Werthenback Mason City, IA 50401	1/6400 unleased mineral interest	not deliverable
1	G. L. and Christena B. Whitman and Estate of Blanche M. Whitman Box 2202 Waterloo, IA 50701	"	
2	Elizabeth H. Woodburn and Estate of Robert H. Woodburn 1194 Colledge Drive San Bernardino, CA 92403	"	
53	Ann C. Gossman Box 1051 SS Springfield, MO 65805	1/12,800 unleased mineral interest	return receipt 1-26-82
54	Maxine Wendle 713 Los Zafiros Green Valley, AZ 85614	1/640 unleased mineral interest	return receipt 1-27-82
55	James Roland Woods Box 1417 Socorro, NM 87801	54/19,200 unleased mineral interest	return receipt 1-27-82
56	Ronald J. Byers 209 Westgate Building 1122 Colorado Austin, TX 78701	1/128 unleased mineral interest	return receipt 1-25-82
57	Harry J. Schafer, Jr., Trustee of The Mary E. Grisso Trust No. 1 Box 14667 Tulsa, OK 73113	unleased 1/400 mineral interest	Well Dead
58	Hanesco, Inc. Box 182 Roswell, NM 88201	57/2048 unleased mineral interest	more negotiations return receipt 1-22-82
59	Dorothy Jeanne Van Zant Sanders 6737 Brants Lane Fort Worth, TX 76116	3/320 unleased mineral interest	return receipt 1-25-82

OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
J. H. Van Zant, II 1722 Commerce Building Fort Worth, TX 76101	3/320 unleased mineral interest	return receipt 1-25-82
Hugh Corrigan, III Box 3388 Vero Beach, FL 32960	1/32 unleased mineral interest	return receipt 1-26-82
J. Patrick Corrigan Box 20410 Vero Beach, FL 32961	1/32 unleased mineral interest	
Heritage Resources Box 777 Davis, OK 73030	1/80 unleased mineral interest	return receipt 1-25-82
Petroleum Corporation of Texas Box 911 Breckenridge, TX 76024	1/60 unleased mineral interest	return receipt 1-25-82
Felmont Oil Corporation Box 2266 Midland, TX 79702	22/800 unleased mineral interest	return receipt 1-25-82
Helen Ogden Bachman 7238 West Cedar Circle Denver, CO 80226	1/6400 unleased mineral interest	return receipt 1-28-82
J. R. McGinley, Jr. 530 Beacon Building Tulsa, OK 74103	1/48 unleased mineral interest	return receipt 1-26-82
Cleroy, Inc. 530 Beacon Building Tulsa, OK 74103	1/48 unleased mineral interest	return receipt 1-27-82
Lanroy, Inc. 530 Beacon Building Tulsa, OK 74103	1/48 unleased mineral interest	return receipt 1-27-82
Rebel Oil Company 603 Seco Hobbs, NM 88201	2.947979% leasehold interest	return receipt 1-26-82
Roy G. Barton, Jr., and Norma Barton Box 978 Hobbs, NM 88240	1/64 unleased mineral interest	return receipt 1-25-82
E. L. Latham, Jr. Box 1392 Hobbs, NM	1/64 unleased mineral interest	return receipt 1-25-82
Douglas L. Cone Box 6217 Lubbock, TX 79413	1/320 unleased mineral interest	join signed Op. Agreement
Tom R. Cone Box 126 Southwest City, MO 64863	"	return receipt 1-28-82
Clifford Cone Box 6010 Lubbock, TX 79413	"	return receipt 1-22-82
Kenneth G. Cone Box 5838 Austin, TX 78763	"	return receipt 1-26-82
Cathie Cone Auvenshine Route 6, Box 79N Austin, TX 78737	"	return receipt 1-25-82

OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
Harvey E. Yates Company Box 1933 Roswell, NM 88201	1.759604% leasehold interest	return receipt 1-27-82
Sohio Petroleum Company 50 Penn Place Oklahoma City, OK 73118	1/16 unleased mineral interest	return receipt 1-27-82
Bank of America National Trust & Savings Association Trustee U/W of Eleanor W. McAdoo P.O. Drawer EE Santa Barbara, CA 93102 Attn: Mr. Tim Gamble, Trust Dept.	28/8192 mineral interest	return receipt 1-27-82
Ms. Marguarite de H. McAdoo 480 Park Ave. New York, NY 10022	29/16384 mineral interest	return receipt 1-27-82
Ms. Cynthia Nona McAdoo Wheatland 33 Branch St. Boston, MA 02108	29/16384 mineral interest	

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETU O" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered. ____¢
- ☐ Show to whom, date and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
G. A. Lee
Emmons, MN 56029

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860603	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☒Addressee ☐Authorized agent
G. A. Lee

4. DATE OF DELIVERY: 1-22-82
POSTMARK: EMMONS, MINN. JAN 23 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:
CLERK'S INITIALS

☆GPO : 1979 300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered. ____¢
- ☐ Show to whom, date and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
J.F. & Verona Sofranko
Lovilia, IA 50150

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860616	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☒Authorized agent
J M Sofranko

4. DATE OF DELIVERY: 1-22-82
POSTMARK: LOVILIA, IA JAN 22 1982 50150

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:
CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered. ____¢
- ☐ Show to whom, date and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Adrian H. and Mary Tiss
De Ridder, LA 70634

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860620	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent
John W Tiss

4. DATE C. DELIVERY: 1-23-82
POSTMARK: DE RIDDER, LA JAN 23 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:
CLERK'S INITIALS
RB

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered. ____¢
- ☐ Show to whom, date and address of delivery. ____¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered. ____¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Ann C. Gossman
Box 1051 SS
Springfield, MO 65805

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860624	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent
Ann C. Gossman

4. DATE OF DELIVERY: 1-23-82
POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:
CLERK'S INITIALS

☆GPO : 1979 300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [x] Show to whom and date delivered.....¢
- [ ] Show to whom, date and address of delivery.....¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Maxine Wendle
713 Los Zafiros
Green Valley, AZ 85614

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860625	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ]Addressee [ ]Authorized agent
Maxine Wendle

4. DATE OF DELIVERY: 1-22-82 POSTMARK: JAN 22 1982 GREEN

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [x] Show to whom and date delivered.....¢
- [ ] Show to whom, date and address of delivery.....¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
James Roland Woods
Box 1417
Socorro, NM 87801

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860626	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ]Addressee [ ]Authorized agent

4. DATE OF DELIVERY: 1-25-82 POSTMARK: JAN 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [x] Show to whom and date delivered.....¢
- [ ] Show to whom, date and address of delivery.....¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Ronald J. Byers
209 Westgate Building
1122 Colorado
Austin, TX 78701

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860654	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ]Addressee [ ]Authorized agent
Karen Payne

4. DATE OF DELIVERY: 1-21-82 POSTMARK:

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [x] Show to whom and date delivered.....¢
- [ ] Show to whom, date and address of delivery.....¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Hanesco, Inc.
Box 182
Roswell, NM 88201

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860652	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ]Addressee [ ]Authorized agent

4. DATE OF DELIVERY: POSTMARK: 88201

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [x] Show to whom and date delivered.....¢
- [ ] Show to whom, date and address of delivery.....¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Dorothy Jeanne Van Zant Sanders
6737 Brants Lane
Fort Worth, TX 76116

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860651	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ] Addressee [ ] Authorized agent

4. Dorothy Sanders
DATE OF DELIVERY 1-21-82
POSTMARK FORT WORTH, TX JAN 22 1982 STATION

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [x] Show to whom and date delivered.....¢
- [ ] Show to whom, date and address of delivery.....¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
J. H. Van Zant, II
1722 Commerce Building
Fort Worth, TX 76101

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860650	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ] Addressee [ ] Authorized agent

4. J. H. Van Zant II
DATE OF DELIVERY JAN 21 1982
POSTMARK FORT WORTH, TX JAN 22 1982 CENTRAL STATION

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [x] Show to whom and date delivered.....¢
- [ ] Show to whom, date and address of delivery.....¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Hugh Corrigan, III
Box 3388
Vero Beach, FL 32960

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860649	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ] Addressee [ ] Authorized agent

4. Hugh Corrigan
By Thomas Schick
DATE OF DELIVERY
POSTMARK VERO BEACH, FL STA JA 22 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS VA

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [x] Show to whom and date delivered.....¢
- [ ] Show to whom, date and address of delivery.....¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Heritage Resources
Box 777
Davis, OK 73030

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860647	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ] Addressee [ ] Authorized agent

4. C. Dyer
DATE OF DELIVERY JAN 21 1982
POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered.....¢
- ☐ Show to whom, date and address of delivery.....¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Petroleum Corp. of Texas
Box 911
Breckenridge, TX 76024

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860646	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY: JAN 21 1982
POSTMARK: BRECKENRIDGE, TX JAN 21 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:
CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered.....¢
- ☐ Show to whom, date and address of delivery.....¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Felmont Oil Corporation
Box 2266
Midland, TX 79702

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860645	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY
POSTMARK: MIDLAND, TX JAN 22 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:
CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered.....¢
- ☐ Show to whom, date and address of delivery.....¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Helen Ogden Bachman
7238 West Cedar Circle
Denver, CO 80226

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860644	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY: 1-21-82
POSTMARK: DENVER, CO JAN 25 80226

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:
CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered.....¢
- ☐ Show to whom, date and address of delivery.....¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
J. R. McGinley, Jr.
530 Beacon Building
Tulsa, OK 74103

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860643	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY: 1-22-82
POSTMARK: TULSA, OK JAN 25 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:
CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [x] Show to whom and date delivered..... ¢
- [ ] Show to whom, date and address of delivery..... ¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered..... ¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Cleroy, Inc.
530 Beacon Building
Tulsa, OK 74103

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860642	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ]Addressee [ ]Authorized agent
Judy B Estrander

4. DATE OF DELIVERY: 1-25-82
POSTMARK: TULSA OK JAN 25 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

PS Form 3811, Jan. 1979

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [x] Show to whom and date delivered..... ¢
- [ ] Show to whom, date and address of delivery..... ¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered..... ¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Lanroy, Inc.
530 Beacon Building
Tulsa, OK 74103

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860641	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ]Addressee [ ]Authorized agent
Judy B Estrander

4. DATE OF DELIVERY: 1-25-82
POSTMARK: TULSA OK JAN 25 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

PS Form 3811, Jan. 1979

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [x] Show to whom and date delivered..... ¢
- [ ] Show to whom, date and address of delivery..... ¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered..... ¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Rebel Oil Company
603 Seco
Hobbs, NM 88240

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860640	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ]Addressee [ ]Authorized agent

4. DATE OF DELIVERY
POSTMARK: HOBBS NM JAN 21 1982 USPO

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

PS Form 3811, Jan. 1979

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [x] Show to whom and date delivered..... ¢
- [ ] Show to whom, date and address of delivery..... ¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered..... ¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$ ____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Roy G. Barton, Jr. & Norma Barton
Box 978
Hobbs, NM 88240

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860639	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ]Addressee [ ]Authorized agent
Roy G Barton

4. DATE OF DELIVERY
POSTMARK: HOBBS NM JAN 21 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered.....¢
- ☐ Show to whom, date and address of delivery.....¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
E. L. Latham, Jr.
Box 1392
Hobbs, NM 88240

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860638	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY: 1-21-82 POSTMARK: HOBBS, N.M. JAN 20 1982

5. ADDRESS (Complete only if requested):

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered.....¢
- ☐ Show to whom, date and address of delivery.....¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Tom R. Cone
Box 126
Southwest City, MO 64863

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860636	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY: 1-21-82 POSTMARK: SOUTHWEST CITY, MO JAN 21 1982

5. ADDRESS (Complete only if requested):

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered.....¢
- ☐ Show to whom, date and address of delivery.....¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Clifford Cone
Box 6010
Lubbock, TX 79413

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860635	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY: 1-21-82 POSTMARK: LUBBOCK, TEXAS JAN 20 1982

5. ADDRESS (Complete only if requested):

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- ☒ Show to whom and date delivered.....¢
- ☐ Show to whom, date and address of delivery.....¢
- ☐ RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- ☐ RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Kenneth G. Cone
Box 5838
Austin, TX 78763

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860634	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐Addressee ☐Authorized agent

4. DATE OF DELIVERY: 1-21-82 POSTMARK:

5. ADDRESS (Complete only if requested):

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [X] Show to whom and date delivered.....¢
- [ ] Show to whom, date and address of delivery.....¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Cathie Cone Auvenshine
Route 6, Box 79N
Austin, TX 78737

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860633	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [X] Addressee [ ] Authorized agent
C. Auvenshine

4. DATE OF DELIVERY 1-21
POSTMARK TX SOUTH AUSTIN JAN 1982 USPO

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:
CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [X] Show to whom and date delivered.....¢
- [ ] Show to whom, date and address of delivery.....¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Harvey E. Yates Company
Box 1933
Roswell, NM 88201

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860632	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ] Addressee [ ] Authorized agent
L. Pfeffer

4. DATE OF DELIVERY 1-20
POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:
CLERK'S INITIALS D.M

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [X] Show to whom and date delivered.....¢
- [ ] Show to whom, date and address of delivery.....¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Sohio Petroleum Company
50 Penn Place
Oklahoma City, OK 73118

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860631	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ] Addressee [ ] Authorized agent
Edie Thompson

4. DATE OF DELIVERY 1-21-82
POSTMARK OKLAHOMA CITY OK JAN 22 1982 USPO

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:
CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

PS Form 3811, Jan. 1979

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
- [X] Show to whom and date delivered.....¢
- [ ] Show to whom, date and address of delivery.....¢
- [ ] RESTRICTED DELIVERY
  Show to whom and date delivered.....¢
- [ ] RESTRICTED DELIVERY.
  Show to whom, date, and address of delivery.$____

(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
Bank of America Nat'l Trust & Saving
Trustee U/W of Eleanor W. McAdoo
P.O. Drawer EE
Santa Barbara, CA 93102

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P20 0860630	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE [ ] Addressee [ ] Authorized agent

4. DATE OF DELIVERY 1-22-82
POSTMARK CLERK SANTA BARBARA JAN 1982

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:
CLERK'S INITIALS

☆GPO : 1979-300-459

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

S Form 3811, Jan. 1978

9) SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one.)
   - ☒ Show to whom and date delivered..... ¢
   - ☐ Show to whom, date, and address of delivery..... ¢
   - ☐ RESTRICTED DELIVERY. Show to whom and date delivered..... ¢
   - ☐ RESTRICTED DELIVERY. Show to whom, date, and address of delivery. $ ____

   (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
   Ms. Marguarite de H. McAdoo
   480 Park Ave.
   New York, NY 10022

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	P. 0860629	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE ☐ Addressee ☐ Authorized agent

4. DATE OF DELIVERY 1/11/82 — POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: — CLERK'S INITIALS

☆GPO : 1979-300-459

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915)683-3311

January 12, 1982

Bank of America National
Trust & Savings Association
Trustee U/W of Eleanor W. McAdoo
P.O. Drawer EE
Santa Barbara, CA 93102
Attn: Mr. Tim Gamble, Trust Dept.

Re: Your 28/8192 mineral interest (1.134197 net acres) in S/2 of Section 28, Twp. 16 South, Rge. 37 East, Lea County, New Mexico, containing 320 acres, more or less.

Dear Mineral Owner:

It appears the subject mineral interest may be unleased for oil and gas development.

We propose the drilling of an 11,600 feet Strawn formation test well at a legal location in the SE/4 of SE/4 of Section 28, Twp. 16 South, Rge. 37 East, Lea County, New Mexico, upon a well spacing unit comprised of the E/2 of SE/4 of said Section 28 (80 acres, more or less), said well to be commenced on or before April 1, 1982.

As the owner of an unleased mineral interest, you are entitled to participate in the drilling of the proposed test well to the extent of said interest. If you desire to participate in the drilling of said test well, please sign and return to us the enclosed AUTHORITY FOR EXPENDITURE.

If you do not wish to participate in the drilling of said test well, we offer to acquire an Oil and Gas Lease on your interest in the S/2 of said Section 28, for $100.00 per acre cash bonus, 3/16 royalty, three (3) year primary term. In this connection, enclosed is such a lease, together with bank draft in the amount of $113.42. If this lease offer is accepted, please sign the lease before a Notary Public and place the signed lease and the attached bank draft in your bank for collection.

Sincerely,

Danie Lebow

Ms. Danie Lebow
Senior Landman

EBW:jw

enclosures

C & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

January 12, 1982

Ms. Marguerite de H. McAdoo
480 Park Ave.
New York, NY 10022

Re: Your 29/16384 mineral interest (.5670985 net acre) in
S/2 of Section 28, Twp. 16 South, Rge. 37 East
Lea County, New Mexico, containing 320 acres, more or less

Dear Mineral Owner:

It appears the subject mineral interest may be unleased for oil and gas development.

We propose the drilling of an 11,600 feet Strawn formation test well at a legal location in the SE/4 of SE/4 of Section 28, Twp. 16 South, Rge. 37 East, Lea County, New Mexico, upon a well spacing unit comprised of the E/2 of SE/4 of said Section 28 (80 acres, more or less), said well to be commenced on or before April 1, 1982.

As the owner of an unleased mineral interest, you are entitled to participate in the drilling of the proposed test well to the extent of said interest. If you desire to participate in the drilling of said test well, please sign and return to us the enclosed AUTHORITY FOR EXPENDITURE.

If you do not wish to participate in the drilling of said test well, we offer to acquire an Oil and Gas Lease on your interest in the S/2 of said Section 28, for $100.00 per acre cash bonus, 3/16 Royalty, three (3) year primary term. In this connection, enclosed is such a lease, together with bank draft in the amount of $56.71. If this lease offer is accepted, please sign the lease before a Notary Public and place the signed lease and the attahced bank draft in your bank for collection.

Sincerely,

Danie Lebow

Ms. Danie Lebow
Senior Landman

EBW:jw

enclosures

K & K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

January 12, 1982

Ms. Cynthia Nona McAdoo Wheatland
33 Branch St.
Boston, MA 02108

Re: Your 29/16384 mineral interest (.5670985 net acre) in S/2 of Section 28, Twp. 16 South, Rge. 37 East, Lea County, New Mexico, containing 320 acres, more or less.

Dear Mineral Owner:

It appears the subject mineral interest may be unleased for oil and gas development.

We propose the drilling of an 11,600 feet Strawn formation test well at a legal location in the SE/4 of SE/4 of Section 28, Twp. 16 South, Rge. 37 East, Lea County, New Mexico, upon a well spacing unit comprised of the E/2 of SE/4 of said Section 28 (80 acres, more or less), said well to be commenced on or before April 1, 1982.

As the owner of an unleased mineral interest, you are entitled to participate in the drilling of the proposed test well to the extent of said interest. If you desire to participate in the drilling of said test well, please sign and return to us the enclosed AUTHORITY FOR EXPENDITURE.

If you do not wish to participate in the drilling of said test well, we offer to acquire an Oil and Gas Lease on your interest in the S/2 of said Section 28, for $100.00 per acre cash bonus, 3/16 Royalty, three (3) year primary term. In this connection, enclosed is such a lease, together with bank draft in the amount of $56.71. If this lease offer is accepted, please sign the lease before a Notary Public and place the signed lease and the attached bank draft in your bank for collection.

Sincerely,

Danie Lebow

Ms. Danie Lebow
Senior Landman

EBW:jw

enclosures

C&K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915)683-3311

January 27, 1982

Mr. Michael LaCoste
236 Lichty Blvd.
Waterloo, Iowa 50710

Re: Proposed 11,600 feet Strawn formation test at legal location in SE/4 of SE/4 of Section 28, Twp. 16, South, Rge. 37, East, Lea County, New Mexico

Dear Mineral Owner:

C&K Petroleum, Inc. as Operator, proposes the drilling of the subject test well on a well spacing unit comprised of the E/2 of SE/4 of Section 28, Twp. 16 South, Rge. 37 East, containing 80 acres, more or less. The test well would be commenced on or before April 1, 1982.

As an owner of unleased minerals in the well spacing unit, you are entitled to participate in the drilling of the test well. In this connection, enclosed is an AUTHORITY FOR EXPENDITURE covering the drilling of said test well. If you wish to participate in the drilling of the test well to the extent of your interest, please sign and return the AUTHORITY FOR EXPENDITURE to us.

If you do not wish to participate in the drilling of said test well, we offer to acquire an Oil and Gas Lease on your interest in the well spacing unit, and your interest in the balance of Section 28, for $100.00 per acre bonus, 3/16 royalty, three (3) year primary term.

Sincerely,

Danie Lebow

Ms. Danie Lebow
Senior Landman

DL:jw

enclosure

P.S. It appears you own a 1/4 of 1/6400 mineral interest (.0125 net acre) which you inherited from your father Edwin G. LaCoste.

C&K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

January 27, 1982

Mr. Roger LaCoste
2922 Carlton Drive
Cedar Falls, Iowa 50613

Re: Proposed 11,600 feet Strawn formation test at legal location in SE/4 of SE/4 of Section 28, Twp. 16, South, Rge. 37, East, Lea County, New Mexico

Dear Mineral Owner:

C&K Petroleum, Inc. as Operator, proposes the drilling of the subject test well on a well spacing unit comprised of the E/2 of SE/4 of Section 28, Twp. 16 South, Rge. 37 East, containing 80 acres, more or less. The test well would be commenced on or before April 1, 1982.

As an owner of unleased minerals in the well spacing unit, you are entitled to participate in the drilling of the test well. In this connection, enclosed is an AUTHORITY FOR EXPENDITURE covering the drilling of said test well. If you wish to participate in the drilling of the test well to the extent of your interest, please sign and return the AUTHORITY FOR EXPENDITURE to us.

If you do not wish to participate in the drilling of said test well, we offer to acquire an Oil and Gas Lease on your interest in the well spacing unit, and your interest in the balance of Section 28, for $100.00 per acre bonus, 3/16 royalty, three (3) year primary term.

Sincerely,

Danie Lebow

Ms. Danie Lebow
Senior Landman

DL:jw

enclosure

P.S. It appears you own a 1/4 of 1/6400 mineral interest (.0125 net acre) which you inherited from your father Edwin G. LaCoste.

C & K Petroleum, Inc.

6(C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915) 683-3311

RECEIVED
JAN 18 1982
C & K PETROLEUM, INC.
Midland, Texas

January 6, 1982

Jessie Fay Enfield Le Coste and
Estate of Edwin G. Le Coste
Rudd, IA 50471

1/6400 unleased
mineral interest

Original to W. B. White, Jr 1-26-82

Re: Proposed 11,600 feet Strawn formation test at legal location in SE/4 of SE/4 of Section 28, Twp. 16, South, Rge. 37, East, Lea County, New Mexico

Dear Mineral Owner:

C&K Petroleum, Inc. as Operator, proposes the drilling of the subject test well on a well spacing unit comprised of the E/2 of SE/4 of Section 28, Twp. 16 South, Rge. 37 East, containing 80 acres, more or less. The test well would be commenced on or before April 1, 1982.

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If you do not wish to participate in the drilling of said test well, we offer to acquire an Oil and Gas Lease on your interest in the well spacing unit, and your interest in the balance of Section 28, for $100.00 per acre bonus, 3/16 royalty, three (3) year primary term.

Sincerely,

Danie Lebow

Ms. Danie Lebow
Senior Landman

S/2 Sec. 28

DL:jw

enclosure

Ms. Danie Lebow

I do not wish to participate in the drilling of said test well. I am interested in the lease program. Please send the information and forms for it.

Thank you.

Jessie Fay Enfield LeCoste

C-K Petroleum

Emmons
Mississippi

your letter at hand I'll try and answer it today, as I have not been at home yes I am in favor of your drilling on the East of 28-16-S-R 37 E., as I just got two leases in Sect: 26-16S-17E, am sorry that this headed been taken care of some time ago It was just an over sight of Mine. Would like to hear from real soon if possible with the best of luck to all of us.

Sincerely
G A Lee

RECEIVED
JAN 28 1982
C & K PETROLEUM, INC.
Midland, Texas

From
G.A. Lee
Emmons
Minn 56029

EMMONS, MN
JAN 25
PM
1982
56029

C. & K. Petroleum Inc
600 C. & K. Petroleum Building.
Midland Drawer 3546
Texas 7902

C&K Petroleum, Inc.

600 C & K PETROLEUM BUILDING
POST OFFICE DRAWER 3546
MIDLAND, TEXAS 79702
(915)683-3311

January 26, 1982

Mr. John W. Tiss
Rt. 6, Box 55A
DeRidder, Louisiana 70634

Re: 1/640 unleased mineral interest
S/2 Section 28, T-16-S, R-37-E
Lea County, New Mexico

Dear Mr. Tiss:

Thank you very much for your letter of January 18, 1982, in which you offered to execute an oil and gas lease on the subject interest for $500 per acre per year with 1/6 royalty. We cannot justify these terms, ecomomically speaking, in this area.

Therefore, we again request your consideration of the offer contained in our letter of January 6, 1982, being $100 per acre bonus, 3/16 royalty, 3 year primary term.

Further, your letter advised us that you are the only heir of Adrian H. and Mary Tiss. In the event that you elect to lease this interest to C&K Petroleum, we would require legal verification showing that you are the sole and only he.

Thank you for your attention.

Very truly yours,

Danie Lebow

Ms. Danie Lebow
Senior Landman

DL:jw

cc: E. B. White, Jr.

1/640 = 1/2 ac in S1/2 Sec 28

Jan 18-1982

C+K Petroleum Inc.
600 C+K Petroleum Building
Post Office Drawer 3546.
Midland Texas 79702
(915) 683-3311

John W. Tess
Rt 6 Box 55A
De Ridder La
70634.
318-444-4923

Dear Per Inc.

In Regard to your letter Jan 6 -82
to Adrian H + Mary Tess (Mineral Int.)
I- John W. Tess am only heir.

I will sign a gas + oil lease
for $500.00 per year each year
and 1/6 Royalty.

Yours Sincerely,
John W Tess.

$300.00 per Acre - per Yr.

RECEIVED
JAN 21 1982
C & K PETROLEUM, INC.
Midland, Texas

FORM NO. 102

C & K PETROLEUM, INC.

AUTHORIZATION FOR EXPENDITURE
(DRILLING)

Date Prepared 11/16/81

Well Type: Development _____ Proposed Spud Date 4/1/82

Exploration X Proposed Depth 11,600'

Prospect Name East Lovington Prospect AFE No. 02470

Lease Shipp "28" Well No. 1 Field Casey (Strawn) Property No. _____

Location 660' FS&EL of Section 28, T-16-S, R-37-E, Lea County, New Mexico

REASON FOR REQUEST: To drill an 11,600' Strawn Test

INTANGIBLES	Sub	Drilling 701	Completion 703	Total Cost Producer	Revisions	Total Cost Revised
Location Pits and Roads	091	15,000	1,000	16,000		
Water Supply	093	30,000	5,000	35,000		
Damages and Right-of-Way	095	3,000		3,000		
Rig Expense	097	325,000	12,000	337,000		
Drilling Bits	099	50,000		50,000		
Mud & Chemicals	103	45,000		45,000		
Tool & Equipment Rental	035	12,000	6,000	18,000		
Fuel & Power	105	40,000		40,000		
Cement & Cementing Services	107	17,000	17,000	34,000		
Formation Evaluation	110	45,000	5,000	50,000		
Perforating	117		6,000	6,000		
Stimulation	119		23,000	23,000		
Transportation	041	25,000	5,000	30,000		
Pipe Inspection & Testing	127		3,000	3,000		
Misc. Labor, Services & Supplies	073	10,000	5,000	15,000		
Supervision & Professional	125	18,000	5,000	23,000		
Drilling Overhead	213	5,000	1,000	6,000		
Other & Contingencies	490	60,000	9,000	69,000		
TOTAL INTANGIBLES		700,000	103,000	803,000		
TANGIBLES	Sub	702	704			
Casing	301	101,000	141,000	242,000		
Tubing	302		75,000	75,000		
Wellhead Equipment	307	10,000	10,000	20,000		
Packers & Anchors	309		5,000	5,000		
Auxilliary Casing Equip.	318	5,000	5,000	10,000		
Miscellaneous Equipment	320	11,000	24,000	35,000		
TOTAL TANGIBLES		127,000	260,000	387,000		
TOTAL WELL COST		827,000	363,000	1,190,000		
PLUGGING COST	Sub	708				
Clean-up Location	091	15,000				
Casing Pulling & Plugging	225	20,000				
TOTAL PLUGGING		35,000				
TOTAL DRY HOLE COST		862,000				

APPROVED _____ (Date)

_____

FORM NO. 102

RECEIVED
JAN 25 1982
C & K PETROLEUM, INC.
Midland, Texas

C & K PETROLEUM, INC.
AUTHORIZATION FOR EXPENDITURE
(DRILLING)

Date Prepared 11/16/81

Well Type: Development ____ Proposed Spud Date 4/1/82

Exploration X Proposed Depth 11,600'

Prospect Name East Lovington Prospect AFE No. 02470

Lease Shipp "28" Well No. 1 Field Casey (Strawn) Property No. ____

Location 660' FS&L of Section 28, T-16-S, R-37-E, Lea County, New Mexico

REASON FOR REQUEST: To drill an 11,600' Strawn Test

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TOTAL INTANGIBLES		700,000	103,000	803,000		
TANGIBLES	**Sub**	**702**	**704**			
asing	301	101,000	141,000	242,000		
ubing	302		75,000	75,000		
Wellhead Equipment	307	10,000	10,000	20,000		
ackers & Anchors	309		5,000	5,000		
uxilliary Casing Equip.	318	5,000	5,000	10,000		
Miscellaneous Equipment	320	11,000	24,000	35,000		
TOTAL TANGIBLES		127,000	260,000	387,000		
TOTAL WELL COST		827,000	363,000	1,190,000		
PLUGGING COST	**Sub**	**708**				
lean-up Location	091	15,000				
asing Pulling & Plugging	225	20,000				
TOTAL-PLUGGING		35,000				
TOTAL DRY HOLE COST		862,000				

APPROVED 1/12/82 (Date)

E. Latham, Jr.

FORM NO. 102

C & K PETROLEUM, INC.

AUTHORIZATION FOR EXPENDITURE
(DRILLING)

Date Prepared 11/16/81

Well Type: Development _____ Proposed Spud Date 4/1/82

Exploration X Proposed Depth 11,600'

Prospect Name East Lovington Prospect AFE No. 02470

Lease Shipp "28" Well No. 1 Field Casey (Strawn) Property No. _____

Location 660' FS&EL of Section 28, T-16-S, R-37-E, Lea County, New Mexico

REASON FOR REQUEST: To drill an 11,600' Strawn Test

INTANGIBLES	Sub	Drilling 701	Completion 703	Total Cost Producer	Revisions	Total Cost Revised
Location Pits and Roads	091	15,000	1,000	16,000		
Water Supply	093	30,000	5,000	35,000		
Damages and Right-of-Way	095	3,000		3,000		
Rig Expense	097	325,000	12,000	337,000		
Drilling Bits	099	50,000		50,000		
Mud & Chemicals	103	45,000		45,000		
Tool & Equipment Rental	035	12,000	6,000	18,000		
Fuel & Power	105	40,000		40,000		
Cement & Cementing Services	107	17,000	17,000	34,000		
Formation Evaluation	110	45,000	5,000	50,000		
Perforating	117		6,000	6,000		
Stimulation	119		23,000	23,000		
Transportation	041	25,000	5,000	30,000		
Pipe Inspection & Testing	127		3,000	3,000		
Misc. Labor, Services & Supplies	073	10,000	5,000	15,000		
Supervision & Professional	125	18,000	5,000	23,000		
Drilling Overhead	213	5,000	1,000	6,000		
Other & Contingencies	490	60,000	9,000	69,000		
TOTAL INTANGIBLES		700,000	103,000	803,000		
TANGIBLES	**Sub**	**702**	**704**			
Casing	301	101,000	141,000	242,000		
Tubing	302		75,000	75,000		
Wellhead Equipment	307	10,000	10,000	20,000		
Packers & Anchors	309		5,000	5,000		
Auxilliary Casing Equip.	318	5,000	5,000	10,000		
Miscellaneous Equipment	320	11,000	24,000	35,000		
TOTAL TANGIBLES		127,000	260,000	387,000		
TOTAL WELL COST		827,000	363,000	1,190,000		
PLUGGING COST	**Sub**	**708**				
Clean-up Location	091	15,000				
Casing Pulling & Plugging	225	20,000				
TOTAL-PLUGGING		35,000				
TOTAL DRY HOLE COST		862,000				

APPROVED 1-22-82 (Date)

Tom L. Cone

FORM NO. 102 ET5-60-31-02 A-M

C & K PETROLEUM, INC.

AUTHORIZATION FOR EXPENDITURE (DRILLING)

Date Prepared 11/16/81

Well Type: Development ____ Proposed Spud Date 4/1/82

Exploration X Proposed Depth 11,600'

Prospect Name East Lovington Prospect AFE No. 02470

Lease Shipp "28" Well No. 1 Field Casey (Strawn) Property No. ____

Location 660' FS&EL of Section 28, T-16-S, R-37-E, Lea County, New Mexico

REASON FOR REQUEST: To drill an 11,600' Strawn Test

INTANGIBLES	Sub	Drilling 701	Completion 703	Total Cost Producer	Revisions	Total Cost Revised
Location Pits and Roads	091	15,000	1,000	16,000		
Water Supply	093	30,000	5,000	35,000		
Damages and Right-of-Way	095	3,000		3,000		
Rig Expense	097	325,000	12,000	337,000		
Drilling Bits	099	50,000		50,000		
Mud & Chemicals	103	45,000		45,000		
Tool & Equipment Rental	035	12,000	6,000	18,000		
Fuel & Power	105	40,000		40,000		
Cement & Cementing Services	107	17,000	17,000	34,000		
Formation Evaluation	110	45,000	5,000	50,000		
Perforating	117		6,000	6,000		
Stimulation	119		23,000	23,000		
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Misc. Labor, Services & Supplies	073	10,000	5,000	15,000		
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TOTAL INTANGIBLES		700,000	103,000	803,000		
TANGIBLES	Sub	702	704			
Casing	301	101,000	141,000	242,000		
Tubing	302		75,000	75,000		
Wellhead Equipment	307	10,000	10,000	20,000		
Packers & Anchors	309		5,000	5,000		
Auxilliary Casing Equip.	318	5,000	5,000	10,000		
Miscellaneous Equipment	320	11,000	24,000	35,000	CLIFFORD CONE &	
TOTAL TANGIBLES		127,000	260,000	387,000		
TOTAL WELL COST		827,000	363,000	1,190,000	$3718.75	
PLUGGING COST	Sub	708				
Clean-up Location	091	15,000				
Casing Pulling & Plugging	225	20,000				
TOTAL-PLUGGING		35,000				
TOTAL DRY HOLE COST		862,000			$2693.75	

APPROVED January 20, 1982 (Date)

Clifford Cone

Clifford Cone

FORM NO. 102

C & K PETROLEUM, INC.

AUTHORIZATION FOR EXPENDITURE
(DRILLING)

Date Prepared 11/16/81

Well Type: Development _____ Proposed Spud Date 4/1/82

Exploration X Proposed Depth 11,600'

Prospect Name East Lovington Prospect AFE No. 02470

Lease Shipp "28" Well No. 1 Field Casey (Strawn) Property No. _____

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TOTAL WELL COST		827,000	363,000	1,190,000		
PLUGGING COST	Sub	708				
Clean-up Location	091	15,000				
Casing Pulling & Plugging	225	20,000				
TOTAL-PLUGGING		35,000				
TOTAL DRY HOLE COST		862,000				

APPROVED 1-20-82
(Date)

Cathie Auerochs = 1/320 or .3125%

FORM NO. 102

C & K PETROLEUM, INC.

AUTHORIZATION FOR EXPENDITURE
(DRILLING)

Date Prepared 11/16/81

Well Type: Development _____ Proposed Spud Date 4/1/82

Exploration X Proposed Depth 11,600'

Prospect Name East Lovington Prospect AFE No. 02470

Lease Shipp "28" Well No. 1 Field Casey (Strawn) Property No. _____

Location 660' FS&EL of Section 28, T-16-S, R-37-E, Lea County, New Mexico

REASON FOR REQUEST: To drill an 11,600' Strawn Test

INTANGIBLES	Sub	Drilling 701	Completion 703	Total Cost Producer	Revisions	Total Cost Revised
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Tool & Equipment Rental	035	12,000	6,000	18,000		
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Wellhead Equipment	307	10,000	10,000	20,000		
Packers & Anchors	309		5,000	5,000		
Auxilliary Casing Equip.	318	5,000	5,000	10,000		
Miscellaneous Equipment	320	11,000	24,000	35,000		
TOTAL TANGIBLES		127,000	260,000	387,000		
TOTAL WELL COST		827,000	363,000	1,190,000		
PLUGGING COST	Sub	708				
Clean-up Location	091	15,000				
Casing Pulling & Plugging	225	20,000				
TOTAL PLUGGING		35,000				
TOTAL DRY HOLE COST		862,000				

APPROVED 01/27/82 (Date)

Kenneth H. Pope

FORM NO. 102

C & K PETROLEUM, INC.

AUTHORIZATION FOR EXPENDITURE
(DRILLING)

Date Prepared 11/16/81

Well Type: Development _____ Proposed Spud Date 4/1/82

Exploration X Proposed Depth 11,600'

Prospect Name East Lovington Prospect AFE No. 02470

Lease Shipp "28" Well No. 1 Field Casey (Strawn) Property No. _____

Location 660' FS&EL of Section 28, T-16-S, R-37-E, Lea County, New Mexico

REASON FOR REQUEST: To drill an 11,600' Strawn Test

INTANGIBLES	Sub	Drilling 701	Completion 703	Total Cost Producer	Revisions	Total Cost Revised
Location Pits and Roads	091	15,000	1,000	16,000		
Water Supply	093	30,000	5,000	35,000		
Damages and Right-of-Way	095	3,000		3,000		
Rig Expense	097	325,000	12,000	337,000		
Drilling Bits	099	50,000		50,000		
Mud & Chemicals	103	45,000		45,000		
Tool & Equipment Rental	035	12,000	6,000	18,000		
Fuel & Power	105	40,000		40,000		
Cement & Cementing Services	107	17,000	17,000	34,000		
Formation Evaluation	110	45,000	5,000	50,000		
Perforating	117		6,000	6,000		
Stimulation	119		23,000	23,000		
Transportation	041	25,000	5,000	30,000		
Pipe Inspection & Testing	127		3,000	3,000		
Misc. Labor, Services & Supplies	073	10,000	5,000	15,000		
Supervision & Professional	125	18,000	5,000	23,000		
Drilling Overhead	213	5,000	1,000	6,000		
Other & Contingencies	490	60,000	9,000	69,000		
TOTAL INTANGIBLES		700,000	103,000	803,000		
TANGIBLES	**Sub**	**702**	**704**			
Casing	301	101,000	141,000	242,000		
Tubing	302		75,000	75,000		
Wellhead Equipment	307	10,000	10,000	20,000		
Packers & Anchors	309		5,000	5,000		
Auxilliary Casing Equip.	318	5,000	5,000	10,000		
Miscellaneous Equipment	320	11,000	24,000	35,000		
TOTAL TANGIBLES		127,000	260,000	387,000		
TOTAL WELL COST		827,000	363,000	1,190,000		
PLUGGING COST	**Sub**	**708**				
Clean-up Location	091	15,000				
Casing Pulling & Plugging	225	20,000				
TOTAL-PLUGGING		35,000				
TOTAL DRY HOLE COST		862,000				

APPROVED 11/14/82 (Date)

Douglas L Cone

ACTUAL DRILLING AND COMPLETION COSTS
MESA PETROLEUM CO.
WEST KNOWLES UNIT NO. 8

Invoice Month & Year	Gross Amount
March - 1981	$ 3,798.60
April - 1981	295.02
May - 1981	13,569.64
June - 1981	506.48
July - 1981	71,114.04
August - 1981	762,749.01
September - 1981	93,712.21
October - 1981	94,096.92
November - 1981	6,395.78
December - 1981	107,972.29
TOTAL ACTUAL COSTS TO DATE	$1,154,209.99

Certified to be actual invoice charges as submitted by Operator.

C & K PETROLEUM, INC.

By: G. R. Hall
G. R. Hall

Title: Engineering Manager

Date: January 29, 1981

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

INVOICE NO.

JOINT INTEREST BILLING

PAGE 01

DATE: MO. 12 DAY 31 YR. 81

ID NUMBER	LEASE NAME	AFE
31-05-NM-0843-0010-004-0	WEST KNOWLES #8	81352

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR DIVISION OF INTEREST	AMOUNT
	INTANGIBLE DRILLING COSTS		
12-JA06	12/15/81 PAYROLL BEN.,BUR.	146-310	162.00
12-JA06	12/15/81 PAYROLL BEN.,BUR.	146-310	470.24
	TOTAL LABOR SUPERVISION OH & ENG		632.24 *
	TOTAL INTANGIBLE DRILLING COSTS		632.24 **
	LSE & WELL EQUIP & PLAT		
12-CP01	10001'2 7/8"6.5# N80 EUE-A 2 7/8" 6.50# N-80 EUE	148-342	75,972.01
12-CP01	10001'2 7/8"6.5# N80 EUE-A 2 7/8" 6.50# N-80 EUE	148-342	75,972.01-
12-CP01	10001'2 7/8"6.5# N80 EUE-A 2 7/8" 6.50# N-80 EUE	148-342	75,972.01
	TOTAL TUBULARS		75,972.01 *
12-CP01	2-1000 BBL TANKS W/STAIRS TANK, 1000 BBL STEEL, BOLTED	148-345	16,600.00
	TOTAL SURFACE WELL EQUIP		16,600.00 *
12-3481	BUILT STAND & STEPS	148-349	356.04
12-3481	STAND & STEPS F/WTR TANK	148-349	275.27
12-4038	SANDBLAST & PRIME STAIRS	148-349	530.39
12-4038	SANDBLAST & PRIME HEATER/T	148-349	613.39
12-4038	SANDBLAST & PRIME F/LINES	148-349	521.59
12-4038	SANDBLAST & PRIME TANK BTR	148-349	587.00
12-4038	SANDBLAST & PRIME TANK BTR	148-349	573.80
12-4038	SANDBLAST&PRIME TANK BTRY	148-349	608.99
12-4038	PAINTED F/L-W/H-POST-FENCE	148-349	424.10
12-4600	STOP LEAKS IN BTRY-CLEAN SE	148-349	363.19
12-4734	REPAIR TEXSTEAM CHEM INJ	148-349	197.86
12-4794	CONNECTIONS	148-349	9,606.34
	TOTAL INSTALL MATERIALS & SVCS		14,768.04 *
	TOTAL LSE & WELL EQUIP & PLAT		107,340.05 **
	** TOTAL AMOUNT BILLABLE **		107,972.29 ***

OWNER#	OWNER NAME	DISTRIBUTION	AMOUNT
BR0470	ELIZABETH BROWN	6.07000	6,553.90
BR0490	H L BROWN JR	6.07000	6,553.90
BR0590	JOHN BROWN INC	12.14000	13,107.84
CKP100	C & K PETROLEUM INC	10.28000	11,099.54
COL130	CHARLES H COLL	.12000	129.58
COL140	JAMES N COLL	.12000	129.58
COL150	JON F COLL	.12000	129.58
COL155	MAX W COLL II	.12000	129.58
HER150	HERITAGE RESOURCES	.68000	734.21
PET450	PETROLEUM CORPORATION	.92000	993.34
SUN216	SUN PRODUCTION COMPANY	.91000	982.55
ZZZ999	MESA PETROLEUM CO.	62.45000	67,428.69
		100.00000 %	107,972.29 ***

AFE 01880

0032108-B

WELL West Knowles #8

USED FOR As Shown

DATE 1-28-82 APPD. BY ERH

1-26-82

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

INVOICE NO. 11-1072

JOINT INTEREST BILLING

PAGE 01

DATE: MO. 11 DAY 30 YR. 81

ID NUMBER	LEASE NAME	AFE
01-05-NM-0843-0010-004-0	WEST KNOWLES #8	81352

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR DIVISION OF INTEREST	AMOUNT
	INTANGIBLE DRILLING COSTS		
11-3100	TEMP SURVEY	146-106	327.22
	TOTAL LOGS TESTS MUD UNIT		327.22 *
11-4693	OPINION #8 KNOWLES	146-109	3,517.00
	TOTAL LOC ROADS SURVEY AIRSTRIPS		3,517.00 *
11-JA07	10/81 MILEAGE UNIT 79067	146-310	34.40
	TOTAL LABOR SUPERVISION OH & ENG		34.40 *
11-5177	HAUL 309 JTS 2 7/8" TBG	146-313	731.60
	TOTAL HAULING & FREIGHT		731.60 *
	TOTAL INTANGIBLE DRILLING COSTS		4,610.22 **
	LSE & WELL EQUIP & PLAT		
11-CP01	93' 2 3/8" 4.7# J55 EUE-A 2 3/8" 4.70# J-55 EUE	140-342	344.10-
11-CP01	93' 2 3/8" 4.7# J55 EUE-A 2 3/8" 4.70# J-55 EUE	148-342	344.10
11-CP01	93' 2 3/8" 4.7# J55 EUE-A 2 3/8" 4.70# J-55 EUE	148-342	344.10
	TOTAL TUBULARS		344.10 *
11-4016	CLEAN VLV-REMOVE STWY	148-349	404.27
11-4016	REM PRESSURE VLV F/WH	148-349	44.92
11-4016	REPAIR LEAK IN GAS LINE	148-349	67.38
11-4428	REPAIR LEAK	148-349	224.60
11-4573	COMPANION FLANGE	148-349	78.31
	TOTAL INSTALL MATERIALS & SVCS		819.48 *
	TOTAL LSE & WELL EQUIP & PLAT		1,163.58 **
	** TOTAL AMOUNT BILLABLE **		5,773.80 ***

OWNER#	OWNER NAME	DISTRIBUTION	AMOUNT
BRO470	ELIZABETH BROWN	6.07000	350.47
BRO490	H L BROWN JR	6.07000	350.47
BRO590	TOM BROWN INC	12.14000	700.94
CKP100	C & K PETROLEUM INC	10.28000	593.56
COL130	CHARLES H COLL	.12000	6.92
COL140	JAMES N COLL	.12000	6.92
COL150	JON F COLL	.12000	6.92
COL155	MAX W COLL II	.12000	6.92
HER150	HERITAGE RESOURCES	.68000	39.27
PET450	PETROLEUM CORPORATION	.92000	53.13
SUN216	SUN PRODUCTION COMPANY	.91000	52.53
ZZZ999	MESA PETROLEUM CO.	62.45000	3,605.75
		100.00000 %	5,773.80 ***

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0032108B
W. Knowles #8
AS Shown
12-22-81 By

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79139

INVOICE NO. 11-1073

JOINT INTEREST BILLING

PAGE 01

DATE: MO 11 DAY 30 YR 81

ID NUMBER	LEASE NAME	AFE
01-05-NM-0843-0010-004-0	WEST KNOWLES #8	

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR DIVISION OF INTEREST	AMOUNT
	LEASE & WELL OPERATING EXP		730 - 073
11-3972	PUMPER SUPPLIES	510-150	20.14
11-J408	11-81 PAYROLL TRANS & LOE	510-150	352.08
11-PP21	10-81 CONT INS-CORR TO N	510-150	41.51-
	TOTAL OPERATING EXPENSE		330.71 *
11-JA03	11-81 PROD OH* W KNOWLES 8	510-198	213 291.27
	TOTAL PRODUCTION OVERHEAD		291.27 *
	TOTAL LEASE & WELL OPERATING EXP		621.98 **
	** TOTAL AMOUNT BILLABLE **		621.98 ***

OWNER#	OWNER NAME	DISTRIBUTION	AMOUNT
BRO470	ELIZABETH BROWN	6.07000	37.75
BRO490	H L BROWN JR	6.07000	37.75
BRO590	TOM BROWN INC	12.14000	75.50
CKP100	C & K PETROLEUM INC	10.28000	63.93 by
COL130	CHARLES H COLL	.12000	.74
COL140	JAMES N COLL	.12000	.74
COL150	JON F COLL	.12000	.74
COL155	MAX W COLL II	.12000	.74
HER150	HERITAGE RESOURCES	.68000	4.23
PET450	PETROLEUM CORPORATION	.92000	5.73
SUN216	SUN PRODUCTION COMPANY	.91000	5.65
ZZZ999	MESA PETROLEUM CO.	62.45000	388.48
		100.00000 %	621.98 ***

0032108 B
W. Knowles #8
CHECK NO. A. Shazer
PAID 12-22-81 PD. BY by

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79105

JOINT INTEREST BILLING

PAGE 01

RECEIVED

NOV 23 1981

DATE: MO 10 DAY 31 YR. 81

ID NUMBER	LEASE NAME	AFE
01-05-NM-0843-0010-004-0	WEST KNOWLES #8	

C & K PETROLEUM, INC.
ACCOUNT OF Midland, Texas
DIVISION OF INTEREST

VO. REFERENCE	DESCRIPTION		AMOUNT
	LEASE & WELL OPERATING EXP		
10-JA06	10/15/81 PAYROLL BEN.,BUR.	510-150	730-003 1,486.24
10-JA08	10-81 PAYROLL TRANS & LOE	510-150	490 325.75
10-PP21	10-81 CONTROL INSURANCE	510-150	213 41.51
	TOTAL OPERATING EXPENSE		1,853.50 *
10-JA03	09-81 PROD OH ADJ	510-198	291.27
10-JA03	10-81 PROD OH# W KNOWLES 8	510-198	213 291.27
	TOTAL PRODUCTION OVERHEAD		582.54 *
	TOTAL LEASE & WELL OPERATING EXP		2,436.04 **
	** TOTAL AMOUNT BILLABLE **		2,436.04 ***

OWNER#	OWNER NAME	DISTRIBUTION	AMOUNT
BRO470	ELIZABETH BROWN	6.07000	147.86
BRO490	H L BROWN JR	6.07000	147.86
BRO590	TOM BROWN INC	12.14000	295.74
CKP100	C & K PETROLEUM INC	10.28000	250.43
COL130	CHARLES R COLL	.12000	2.92
COL135	JAMES M COLL	.12000	2.92
COL150	JON P COLL	.12000	2.92
COL155	MAX V COLL II	.12000	2.92
HER150	HERITAGE RESOURCES	.68000	16.57
PET450	PETROLEUM CORPORATION	.92000	22.41
SUN216	SUN PRODUCTION COMPANY	.91000	22.16
ZZZ999	MESA PETROLEUM CO.	62.45000	1,521.33
		100.00000 %	2,436.04 ***

0032108 B

WELL West Knowles 8

USED FOR As shown

DATE 12-8-81 APPD. BY

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

JOINT INTEREST BILLING

PAGE 01

RECEIVED NOV 23 1981

DATE: MO 10 DAY 31 YR 81

10-31-81

ID NUMBER	LEASE NAME	AFE
01-05-NM-0843-0010-004-0	WEST KNOWLES #8	81352

C & K PETROLEUM, INC.

VO. REFERENCE	DESCRIPTION	ACCOUNT NO. Midland, DIVISION OF INTEREST Texas		AMOUNT	
	INTANGIBLE DRILLING COSTS				
10-5636	MUD CHEMICALS	146-105	723-103	3,511.73-	
	TOTAL MUD CHEM SVC & EQUIP			3,511.73-	*
10-CPC1	HAUL 14JTS 95/8" 40# NLTC	146-113		150.08	
	NON-CONTROLLABLE MATERIAL		041		
	TOTAL HAULING & FREIGHT			150.08	*
10-5636	MUD ENG	146-123	126	465.75	
	TOTAL MUD ENGINEER			465.75	*
10-4287	COMPLETION UNIT SVC	146-302	723-09	22,757.97	
	TOTAL DRILL & COMPLETION DAYWORK			22,757.97	*
10-2364	LOG RGND CAT/GAMMA RAY	146-306	110	4,074.42	
10-2364	LOGGING	146-306	114	4,912.32	
	TOTAL LOGS TESTS MUD UNIT			8,986.74	*
10-2364	4 WAY SQUEEZE PERF	146-308		1,676.70	
10-2590	FRAC	146-308		5,643.11	
10-2766	PERF	146-308	723-	1,342.67	
10-3492	PERF	146-308	119	4,301.46	
10-4298	FOAM ACID	146-308		5,130.25	
10-4682	FRAC TANK RENT	146-308		918.04	
10-4682	FRAC TANK RENT	146-308		1,140.57	
	TOTAL PERF & STIMULATION SVCS			20,152.80	*
10-2516	MATHIS EXPENSE SEPT	146-310		6.75	
10-2521	WOOTEN EXPENSE SEPT	146-310		34.05	
10-3164	MCPHERSON EXPENSE SEPT	146-310		28.50	
10-5855	MCPHERSON EXPENSE 10/81	146-310		58.20	
10-JA06	09/30/81 PAYROLL BEN.,BUR.	146-310		133.45	
10-JA06	09/30/81 PAYROLL BEN.,BUR.	146-310		77.20	
10-JA06	09/30/81 PAYROLL BEN.,BUR.	146-310		849.28	
10-JA06	09/30/81 PAYROLL BEN.,BUR.	146-310		402.24	
10-JA06	09/30/81 PAYROLL BEN.,BUR.	146-310		754.32	
10-JA07	09-81 MILEAGE UNIT 78041	146-310	728-181	192.43	
10-JA07	09-81 MILEAGE UNIT 78042	146-310		45.80	
10-JA07	09-81 MILEAGE UNIT 79067	146-310		38.70	
10-JA07	09-81 MILEAGE UNIT 79133	146-310		43.00	
10-JA07	09-81 MILEAGE UNIT 80017	146-310		113.52	
10-JA07	09-81 MILEAGE UNIT 81118	146-310		50.31	
	TOTAL LABOR SUPERVISION OH & ENG			2,827.75	*
10-2345	PUMP	146-311		271.17	
10-2416	REPAIR ON PACKER	146-311		828.26	
10-2420	GRAVEL	146-311	723-	77.63	
10-3317	FIELD MOVE 2 TANKS	146-311		2,308.14	
10-4107	REVERSE UNIT	146-311	035	6,422.05	
10-4300	W/L UNIT W/OPERATION	146-311		3,668.04	
10-5100	RENT PORTABLE WELL TESTER	146-311		921.26	
	TOTAL RENTAL EQUIPMENT & TOOLS			14,496.55	*
10-2309	LOAD & HAUL SEPARATOR	146-313		498.05	
10-5099	UNLOAD-STORAGE	146-313	723-041	164.85	
	TOTAL HAULING & FREIGHT			662.90	*
	TOTAL INTANGIBLE DRILLING COSTS			66,988.81	**
	LSE & WELL EQUIP & PLAT				
10-CPC1	1-5 1/2" X 2 7/8" BAKER PACK PACKER	148-143	724-309	3,088.13	
	TOTAL WELL HEAD & GUIDE STRUCT			3,088.13	*
10-CPC1	1213' 2 7/8" 6.5# N80 EUE	148-342		8,939.81-	
	2 7/8" 6.50# N-80 EUE		724-302		
	TOTAL TUBULARS			8,939.81-	*
10-2279	NSCO GATE VLV	148-343		1,508.85	
10-2279	MISC WH EQUIP	148-343		148.98	
10-CPC1	2-2" 3M FE GATE VALVES-B	148-343		1,094.26	
	VALVE, 2" 3M SCREWED END GATE				
10-CPC1	1-2" 3M FE GATE VALVE-B	148-343		1,122.69	
	VALVE, 2" 3M FLANGED END GATE				

** CONTINUED ON NEXT PAGE **

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

JOINT INTEREST BILLING

PAGE 02

DATE: MO. 10 DAY 31 YR. 81

ID NUMBER	LEASE NAME	AFE
01-05-NM-0843-0010-004-0	WEST KNOWLES #8	81352

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR DIVISION OF INTEREST	AMOUNT
	TOTAL WELL HEAD & GUIDE STRUCT		3,874.78 *
10-CP01	1-6' X 28' VERT, HTR TRTER	148-345	8,250.00
	HEATER TREATER, 6' X 28' VERTICAL 50# WP		
10-CP01	1-24" X 11' SEPERATOR BS&B	148-345	2,250.00
	SEPARATOR, 24" X 11' VERTICAL 50# WP		
	TOTAL SURFACE WELL EQUIP		10,500.00 *
10-3287	CONNECTIONS	148-349	278.81
10-3525	FLANGE UNIONS	148-349	23.99
10-4091	CONNECTIONS	148-349	127.77
10-4105	BUILT TANK PAD	148-349	426.40
10-4105	BUILT PIT	148-349	212.16
10-4105	ROCK FOR TANK PAD	148-349	499.20
10-4499	CONNECTIONS	148-349	105.09
10-4623	SANDBLAST FIBERGLASS TANKS	148-349	6,499.80
10-4927	BALL FLOAT	148-349	86.02
10-5378	VALVES&SIDE GLASSES ON	148-349	760.88
10-5378	POST A/BATTERY	148-349	702.35
10-5378	DRESS UP HEATER	148-349	760.88
10-5378	BUILD BRACE FOR OIL LINE	148-349	115.92
10-5378	HELP WELDER	148-349	347.76
10-5378	LEV PAD-SET UP HEATER-SEP	148-349	760.88
10-5378	CLEAN PLATES LEV TANK	148-349	760.88
10-5378	HOOK UP FLOW LINE	148-349	760.88
10-5378	HOOK UP FLOW LINE	148-349	702.35
10-5378	HOOK UP WALINE	148-349	702.35
10-5378	HOOK UP LOAD LINE	148-349	702.35
10-5378	HOOK UP V-S LINE F/HEATER	148-349	760.88
10-5378	BUILT EQUALIZER	148-349	351.17
	TOTAL INSTALL MATERIALS & SVCS		16,448.77 *
	TOTAL LSE & WELL EQUIP & PLAT		24,971.87 **
	** TOTAL AMOUNT BILLABLE **		91,960.68 ***

OWNER#	OWNER NAME	DISTRIBUTION	AMOUNT
BPO470	ELIZABETH BROWN	6.07000	5,582.08
BPO490	H L BROWN JR	6.07000	5,582.08
BPO590	TOM BROWN INC	12.14000	11,164.02
CKP100	C & K PETROLEUM INC	10.28000	9,453.52
COL130	CHARLES H COLL	.12000	110.32
COL140	JAMES N COLL	.12000	110.32
COL150	JON F COLL	.12000	110.32
COL155	MAX W COLL II	.12000	110.32
HER190	HERITAGE RESOURCES	.68000	625.30
PET450	PETROLEUM CORPORATION	.92000	846.01
SUN216	SUN PRODUCTION COMPANY	.91000	836.82
ZZZ999	MESA PETROLEUM CO.	62.45000	57,429.52
		100.00000 %	91,960.68 ***

0032108 B 01880

WELL West Knowles #8

USED FOR Gas Shows

DATE 12-9-81 APPD. BY BG

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

INVOICE NO. 09-1113

JOINT INTEREST BILLING

DATE: MO 09 DAY 30 YR 81

ID NUMBER	LEASE NAME	AFE
01-05-NR-0843-001C-004-0	WEST KNOWLES #8	81352

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR DIVISION OF INTEREST	AMOUNT
	INTANGIBLE DRILLING COSTS	121 -	121 -
09-0111	F/WATER	093 146-105	093 6,877.37-
09-0134	HAUL FRESH WATER	146-105	1,903.47-
09-2269	HAUL FRESH WATER	146-105	1,903.47
09-2372	PAPER	146-105	073 157.75
09-4003	HAUL F/WATER	146-105	041 633.55
09-4933	F/WATER	146-105	093 373.64
09-5174	MUD CHEMICALS	146-105	103 12,893.38
09-5205	F/WATER	146-105	435.23
09-5205	F/WATER	146-105	093 146.76
	TOTAL MUD CHEM SVC & EQUIP		7,762.94 *
09-0127	TEMP SURVEY	146-106	110 368.64-
09-2002	LOG	146-106	24,144.51
09-2356	TEMP SURVEY	146-106	110 368.64
09-4098	TEMP SURVEY	146-106	110 368.64
	TOTAL LOGS TESTS MUD UNIT		24,513.15 *
09-2458	OPEN HOLE DST #1	146-107	110 4,275.90
	TOTAL TESTING EQUIP SVCS & LAB		4,275.90 *
09-4592	CREDIT ON INV#H-481-25	146-109	041 1,203.70-
	TOTAL LOC ROADS SURVEY AIRSTRIPS		1,203.70- *
09-2568	REESE EXPENSE AUGUST	146-110	41.50
09-2571	WOOTEN EXPENSE AUGUST	146-110	16.70
09-JA06	08/31/81 PAYROLL BEN.;BUR.	146-110	247.60
09-JA06	08/31/81 PAYROLL BEN.;BUR.	146-110	181 371.36
09-JA06	08/31/81 PAYROLL BEN.;BUR.	146-110	154.72
09-JA06	08/31/81 PAYROLL BEN.;BUR.	146-110	124.72
09-JA07	08-81 MILEAGE UNIT 78042	146-110	211.56
09-JA07	08-81 MILEAGE UNIT 81167	146-110	290.90
	TOTAL LABOR SUPERVISION OH & ENG		1,489.06 *
09-4353	RENTAL ON PUMP & LINE	146-111	035 1,207.22
09-4397	RENT MUD CONSOLE	146-111	035 2,092.00
09-4708	SAFETY TEST BOP	146-111	035 1,216.13
09-4846	RENT O/H-FLANGE	146-111	035 1,736.90
	TOTAL RENTAL EQUIPMENT & TOOLS		6,252.25 *
09-3425	HAUL 34*95/8"36#K55 STC	146-113	041 302.35
	TOTAL HAULING & FREIGHT		302.35 *
09-2109	CUT OFF 85/8" PIPE	146-121	103.50
09-2109	CUT OFF 133/8" PIPE	146-121	129.37
09-3811	INSTALL SAFETY SWITCH	146-121	343.35
09-CP01	34 JTS 5/8" 36# K55 STC	146-121	073 328.44
09-CP01	19 JTS 1/2" 17# N80 LTC	146-121	124.26
09-CR02	COLONA 1071# TRD PROT 9/18	146-121	76.45-
	TOTAL MISCELLANEOUS		932.47 *
09-3733	CMT COLLAR-SHOE	146-304	4,980.00
09-5597	CMT	146-304	7,309.64
09-5597	CMT	146-304	107 1,137.57
	TOTAL CEMENT SVC CEMENT & ACCES		13,427.21 *
09-4824	HAUL KCL WATER	146-305	041 1,598.33
	TOTAL MUD CHEM SVC & EQUIP		1,598.33 *
09-2067	FRAC TANK RENT	146-308	035 283.59
	TOTAL PERF & STIMULATION SVCS		283.59 *
09-2067	SAFETY ANCHORS	146-309	091 414.00
09-3933	LAY & EQUIP TO CLEAN LOC	146-309	091 93.15
09-3966	REPAIR ROADS	146-309	093 441.95
09-4214	FILL CELLAR W/GRAVEL	146-309	073 121.28
09-4546	GRAVEL	146-309	073 173.88
	TOTAL LOC ROADS SURVEY AIRSTRIPS		1,244.26 *
09-5903	APPLETON EXPENSE 09/1-9/30	146-310	49.00
09-5908	REESE EXPENSE SEPT	146-310	4.75
09-JA06	09/15/81 PAYROLL BEN.;BUR.	146-310	181 556.96
09-JA06	09/15/81 PAYROLL BEN.;BUR.	146-310	1,509.12
09-JA07	08-81 MILEAGE UNIT 78041	146-310	9.68
09-JA07	08-81 MILEAGE UNIT 80017	146-310	63.21
	TOTAL LABOR SUPERVISION OH & ENG		2,192.72 *

** CONTINUED ON NEXT PAGE **

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

INVOICE NO. 09-1113

JOINT INTEREST BILLING

PAGE 02

DATE: MO 09 DAY 30 YR 81

ID NUMBER	LEASE NAME	AFE
01-05-NM-0843-0010-004-0	WEST KNOWLES 48	81352

RECEIVED
OCT 2 1981

C & K PETROLEUM, INC.
Midland, Texas

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE	AMOUNT
09-3439	NOBILE SVC	146-311	81.24
09-3732	CSG CREW RAN 5 1/2" CSG	146-311	3,636.99
09-4591	STC 8R TEE-BULL PLUG	146-311	102.27
09-4800	CMT RETAINER	146-311	1,110.56
09-4890	LAB & EQUIP SUCK OUT PIT	146-311	49.90
	TOTAL RENTAL EQUIPMENT & TOOLS		4,980.96 *
09-3425	HAUL 9074-5 1/2"17#N80 R3	146-313	2,912.07
09-4159	HAUL 336JTS 2 7/8" TBG	146-313	808.01
09-4159	HAUL 2 7/8" TBG	146-313	230.05
09-5008	CK & TALLY	146-313	45.01
	TOTAL HAULING & FREIGHT		3,095.14 *
09-3873	WELDING	146-321	86.95
	TOTAL MISCELLANEOUS		86.95 *
09-JAC1	08/01-09/81 CORPL OVH 29 D	146-397	2,766.32
	TOTAL DRILLING OVEPHEAD		2,766.32 *
	TOTAL INTANGIBLE DRILLING COSTS		73,959.90 **
	LSE & WELL EQUIP & PLAT		
09-CP01	59' 13 5/8" 36# K55 STC-A	148-142	1,139.88-
	9 5/8" 36.00# K-55 STSC		
09-CP01	34' 9 5/8" 36# K55 STC	148-142	656.88-
	9 5/8" 36.00# K-55 STSC		
09-CP01	382' 5 1/2" 17# N80 LTC-A	148-142	7,612.56-
	5 1/2" 17.00# N-80 LTSC		
09-CP01	14' 5 1/2" 17# N80 LTC	148-142	248.52-
	5 1/2" 17.00# N-80 LTSC		
	TOTAL TUBULARS		9,657.84-*
09-CP01	2024'2 7/8"6.5# N80 ABC-A	148-342	14,916.88
	2 7/8" 6.50# N-80 ABC/MOD		
09-CP01	375' 2 7/8" 6.5# N80 EUE-A	148-342	2,861.25
	2 7/8" 6.50# N-80 EUE		
	TOTAL TUBULARS		17,778.13 *
09-3437	6" 3M 2 1/2"5M4278"BRD BONN	148-343	791.65
09-3437	2 1/2" FE 3M NSCO GATE VLVE	148-343	3,996.14
09-3437	MISC W/H EQUIP	148-343	3,532.62
	TOTAL WELL HEAD & GUIDE STRUCT		8,320.41 *
09-3632	SANDBLAST	148-349	2,704.76
09-4214	HOOKED UP PISERS	148-349	80.85
09-4789	2 1/2" EUE DV CLOSING TOOL	148-349	190.67
09-4841	BROKE OUT CONNECTIONS	148-349	161.71
09-5589	8/1480SWAGE NIPPLE-BULL PLUG	148-349	173.62
	TOTAL INSTALL MATERIALS & SVCS		3,311.61 *
	003210B TOTAL LSE & WELL EQUIP & PLAT		19,752.31 **
	TOTAL AMOUNT BILLABLE **		93,712.21 **

CALL W Knowles #8
SEND FOR Os Shawn
DATE 10-30-81 APPD. BY Reg

OWNER #	OWNER NAME	DISTRIBUTION	AMOUNT
BRO470	ELIZABETH BROWN	6.07000	5,688.35
BRO490	H L BROWN JR	6.07000	5,688.35
BRO500	TOM BROWN INC	12.14000	11,376.69
CKP100	C & K PETROLEUM INC	10.28000	9,633.44
COL130	CHARLES H COLL	.12000	112.47
COL140	JAMES N COLL	.12000	112.47
COL150	JON F COLL	.12000	112.47
COL155	MAX L COLL II	.12000	112.47

** CONTINUED ON NEXT PAGE **

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

INVOICE NO. 09-1113

JOINT INTEREST BILLING

PAGE 03

DATE: MO 09 | DAY 30 | YR 81

ID NUMBER	LEASE NAME	AFE
01-05-NM-0843-0010-004-0	WEST KNOWLES #8	81352

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR DIVISION OF INTEREST	AMOUNT
HER150	HERITAGE RESOURCES	.68000	637.20
PET450	PETROLEUM CORPORATION	.92000	862.15
SUN101	SUN CTL COMPANY	.91000	852.82
222599	MESA PETROLEUM CO.	62.45000	58,523.13
		100.00000 %	93,712.21 **

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

INVOICE NO. 08-1374

JOINT INTEREST BILLING

PAGE 01

DATE: MO 08 DAY 31 YR 81

ID NUMBER	LEASE NAME	AFE
01-05-NM-0843-0010-004-0	WEST KNOWLES #8	81352

RECEIVED
SEP 10 1981
C & K PETROLEUM, INC.
Midland, Texas

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR SUBACCOUNT CODE	AMOUNT
	INTANGIBLE DRILLING COSTS		
08-5216	DAYWORK	146-102	417,057.88
	TOTAL DRILL & COMPLETION DAYWORK		417,057.88 *
08-2430	13 3/8 CSG SHOE-CENT-VALVE	146-104	953.00
08-2583	CMT	146-104	5,066.92
08-3308	9 5/8 SHOE-COLLAR-CENTRALI	146-104	1,565.00
08-5492	CMT	146-104	17,787.46
	TOTAL CEMENT SVC CEMENT & ACCES		25,372.38 *
08-3485	TNT CMT	146-105	20,058.57
08-4208	F/WATER	146-105	6,877.37
08-4221	HAUL FRESH WATER	146-105	1,903.47
08-4980	F/WATER	146-105	6,877.37
08-5153	MUD CHEMICAL	146-105	8,422.62
	TOTAL MUD CHEM SVC & EQUIP		44,139.40 *
08-4896	TESTING	146-106	665.51
08-5064	SAFETY TEST	146-106	1,117.80
	TOTAL LOGS TESTS MUD UNIT		1,783.31 *
08-0404	FRESH WATER USE W KNOWLES8	146-109	500.00
08-3081	SET CATTLEGUARD	146-109	1,128.67
	TOTAL LOC ROADS SURVEY AIRSTRIPS		1,628.67 *
08-3366	MIERTSCHIN EXPENSE JULY	146-110	6.45
08-5532	APPLETON EXPENSE 8/1-8/31	146-110	16.50
08-JA06	07/31/81 PAYROLL BEN.;BUR.	146-110	108.28
08-JA06	07/31/81 PAYROLL BEN.;BUR.	146-110	1,594.40
08-JA06	08/15/81 PAYROLL BEN.;BUR.	146-110	1,732.48
08-JA06	08/15/81 PAYROLL BEN.;BUR.	146-110	742.80
08-JA06	08/15/81 PAYROLL BEN.;BUR.	146-110	1,856.80
08-JA07	07-81 MILEAGE UNIT 78042	146-110	168.13
08-JA07	07-81 MILEAGE UNIT 80017	146-110	10.75
08-JA07	07-81 MILEAGE UNIT 81166	146-110	25.60
	TOTAL LABOR SUPERVISION OH & ENG		6,362.39 *
08-0160	DRILL COLLAR INSPECTION	146-111	211.14-
08-2439	RENT CSG TOOLS	146-111	1,243.04
08-2730	TANK RENT	146-111	500.65
08-3223	DRILL COLLAR INSPECTION	146-111	211.14
	TOTAL RENTAL EQUIPMENT & TOOLS		1,743.69 *
08-2396	HAUL PIPE	146-113	900.28
08-2468	HAUL 95/8 40# K55 STC	146-113	1,442.84
08-2771	LOAD JTS 9 5/8" 40# N80	146-113	60.00
08-3262	13 3/8 CSG	146-113	229.11
08-3262	9 5/8" CSG	146-113	1,660.20
08-3618	FORKLIFT TO MO 8 5/8" CSG	146-113	800.96
08-3618	FORKLIFT TO MO 5 1/2" CSG	146-113	94.04
08-4214	HAUL TREE ASSY	146-113	35.73
08-4486	FORKLIFT	146-113	145.89
	TOTAL HAULING & FREIGHT		5,369.05 *
08-2576	SAMPLE BAG	146-121	111.62
08-CP01	79*13 3/8" 48# H40 STC-A	146-121	131.93-
08-CP01	21*13 3/8" 48# H40 STC	146-121	267.75
08-CP01	21* 13 3/8" 48# H40 STC	146-121	270.06
08-CR02	COLONA 1872# TRD PROT 8/11	146-121	132.69-
	TOTAL MISCELLANEOUS		384.92 *
08-JA01	08-81 DRLG OVH 17 DAYS	146-197	1,540.20
	TOTAL DRILLING OVERHEAD		1,540.20 *
08-5532	APPLETON EXPENSE 8/1-8/31	146-310	6.00
08-5534	BEHNKEN EXPENSE 8/1-8/31	146-310	79.66
	TOTAL LABOR SUPERVISION OH & ENG		85.66 *
08-JA01	08-81 COMPL OVH 14 DAYS	146-397	1,268.48
	TOTAL DRILLING OVERHEAD		1,268.48 *
	TOTAL INTANGIBLE DRILLING COSTS		506,735.93 **
	LSE & WELL EQUIP & PLAT		
08-2668	INSPEC 51/2"OD N-80 1700#	148-142	2,152.98

** CONTINUED ON NEXT PAGE **

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

INVOICE NO. 08-1374

RECEIVED

JOINT INTEREST BILLING

PAGE 02

DATE: MO 08 DAY 31 YR 81

ID NUMBER	LEASE NAME	AFE
01-05-NM-0843-0010-004-0	WEST KNOWLES #8 C & K PETROLEUM, INC. Midland, Texas	81352

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR DIVISION OF INTEREST	AMOUNT
08-2668	INSPEC 5 1/2"OD N-80 1700#	148-142	1,744.89
08-2668	INSPEC JTS 5 1/2"OD S-95 17	148-142	2,327.49
08-2668	INSPEC 5 1/2"OD T-95 1700#	148-142	1,058.43
08-2668	INSPEC JTS 5 1/2" OD L80	148-142	469.64
08-2668	INSPEC JTS 5 1/2" OD L80	148-142	1,983.90
08-CP01	79'13 3/8" 48# H40 STC-A 13 3/8" 48.00# H-40 STEC	148-142	2,015.29-
08-CP01	21'13 3/8" 48# H40 STC 13 3/8" 48.00# H-40 STEC	148-142	535.71-
08-CP01	2937'9 5/8" 36# K55 STC-A 9 5/8" 36.00# K-55 STEC	148-142	56,761.34
08-CP01	1623'9 5/8" 40# K55 STC-A 9 5/8" 40.00# K-55 STEC	148-142	32,881.98
08-CP01	441' 9 5/8" 40# N80 LTC-A 9 5/8" 40.00# N-80 LTEC	148-142	15,576.48
08-CP01	21' 13 3/8" 48# H40 STC 13 3/8" 48.00# H-40 STEC	148-142	535.71-
08-CP01	79' 13 3/8" 48# H40 STC-A 13 3/8" 48.00# H-40 STEC	148-142	2,015.29-
08-CP01	511'13 3/8" 48# H40 STC-A 13 3/8" 48.00# H-40 STEC	148-142	13,035.61-
08-CP01	9074' 5 1/2" 17# N80 LTC 5 1/2" 17.00# N-80 LTEC	148-142	118,687.92
08-CP01	1064' 5 1/2" 17# K55 STC 5 1/2" 17.00# K-55 STEC	148-142	9,437.68
08-CP01	75' 5 1/2" 17# K55 STC 5 1/2" 17.00# K-55 STEC	148-142	498.75
08-CP01	2055' 5 1/2" 17# K55 LTC 5 1/2" 17.00# K-55 LTEC	148-142	19,090.95
	TOTAL TUBULARS		245,034.42 *
08-CP01	1-12"3M X 13 3/8" CSG HD-A CASING FLANGE, 13 3/8" SCW X 12" 3M	148-143	2,180.36
08-CP01	1-12" X 10"3M CSG SPOOL-A CASING SPOOL, 10" 8RD X 12" 3M	148-143	3,720.34
08-CP01	1-12"X 9 5/8"CMBNS SLIP-A SLIPS, 12" X 9 5/8" CMBNS	148-143	801.71
08-CP01	MISC WELLHEAD EQUIPMENT-A NON-CONTROLLABLE MATERIAL	148-143	2,726.94
	TOTAL WELL HEAD & GUIDE STRUCT		9,429.35 *
08-CP01	1-2" 3M FE GATE VALVE-A VALVE, 2" 3M FLANGED END GATE	148-343	1,549.31
	TOTAL WELL HEAD & GUIDE STRUCT		1,549.31 *
	TOTAL LSE & WELL EQUIP & PLAT		256,013.08 **
	0032101 B ** TOTAL AMOUNT BILLABLE ** 01880		762,749.01 **

WELL W. K. Knowles #8

USED FOR Ck Issuance

DATE 9-30-81 APPD. BY BG

OWNER #	OWNER NAME	DISTRIBUTION	AMOUNT
BRO470	ELIZABETH BROWN	6.07000	46,298.88
BRO490	H L BROWN JR	6.07000	46,298.88
BRO590	TOM BROWN INC	12.14000	92,597.70
CKR100	C & K PETROLEUM INC	10.28000	78,410.60
COL130	CHARLES P COLL	.12000	915.25
COL140	JAMES N COLL	.12000	915.25
COL150	JON F COLL	.12000	915.25
COL155	MAX W COLL II	.12000	915.25
HER150	HERITAGE RESOURCES	.68000	5,186.32

** CONTINUED ON NEXT PAGE **

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

INVOICE NO. 08-1374

JOINT INTEREST BILLING

PAGE 03

DATE: MO. 08 DAY 31 YR. 81

ID NUMBER	LEASE NAME	AFE
01-05-NM-0943-0010-004-0	WEST KNOWLES #8	81352

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR DIVISION OF INTEREST	AMOUNT
PET450	PETROLEUM CORPORATION	.92000	7,017.28
SUN101	SUN OIL COMPANY	.91000	6,941.07
ZZZ999	MESA PETROLEUM CO.	62.45000	476,336.88
		100.00000 %	762,749.01 ***

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

INVOICE NO. 07-1297
W. Knowles #8

JOINT INTEREST BILLING

PAGE 01

DATE: MO 07 DAY YR. 31 → 07-31-81

RECEIVED
AUG 24 1981
C & K PETROLEUM, INC.
Midland, Texas

ID NUMBER	LEASE NAME	AFE
01-05-NM-0843-001C-004-0	WEST KNOWLES #8	81352

VO. REFERENCE	DESCRIPTION		AMOUNT	
	INTANGIBLE DRILLING COSTS			
07-4607	F/WATER	146-105	1,240.76	
07-4834	LABEMAT TO LINE R/PIT	146-105	2,566.80	
07-5023	HAULED DRILLING OIL F/MUD	146-105	4,706.39	
	TOTAL MUD CHEM SVC & EQUIP		8,513.95	*
07-PP99	TO CORR WIZ	146-109	17,247.82	
	TOTAL LOC ROADS SURVEY AIRSTRIPS		17,247.82	*
07-5281	BEHNKEN EXPENSE JULY	146-110	10.24	
07-5566	REESE EXPENSE JULY	146-110	68.92	
07-JA06	07/15/81 PAYROLL BEN.,BUR.	146-110	108.28	
07-JA06	07/15/81 PAYROLL BEN.,BUR.	146-110	247.60	
07-JA06	07/15/81 PAYROLL BEN.,BUR.	146-110	371.36	
07-PP99	TO CORR WIZ	146-110	415.44	
	TOTAL LABOR SUPERVISION OH & ENG		1,221.84	*
07-4687	INSPECTION	146-111	7,191.93	
07-4687	INSPECTION	146-111	2,795.79	
07-4687	INSPECTION	146-111	6,159.68	
	TOTAL RENTAL EQUIPMENT & TOOLS		16,147.40	*
07-4325	HAUL CSG HEAD ASSY	146-113	113.70	
07-5058	LOAD JTS 13 3/8"	146-113	57.00	
07-5058	HAUL JTS 13 3/8"	146-113	291.51	
	TOTAL HAULING & FREIGHT		462.21	*
07-JA01	07-81 DRLG OVH 16 DAYS	146-197	1,449.60	
	TOTAL DRILLING OVERHEAD		1,449.60	*
	TOTAL INTANGIBLE DRILLING COSTS		45,042.82	**
	LSE & WELL EQUIP & PLAT			
07-CP01	511' 13 3/8" 48# H40 STC-A 13 3/8" 48.00# H-40 ST&C	148-142	13,035.61	
07-CP01	511' 13 3/8" 48# H40 STC-A 13 3/8" 48.00# H-40 ST&C	148-142	13,035.61-	
07-CP01	511'13 3/8" 48# H40 STC-A 13 3/8" 48.00# H-40 ST&C	148-142	13,035.61	
07-CP01	511'13 3/8" 48# H40 STC-A 13 3/8" 48.00# H-40 ST&C	148-142	13,035.61	
	TOTAL TUBULARS		26,071.22	*
	TOTAL LSE & WELL EQUIP & PLAT		26,071.22	**
	** TOTAL AMOUNT BILLABLE **		71,114.04	***

OWNER#	OWNER NAME	DISTRIBUTION	AMOUNT
BRC470	ELIZABETH BROWN	6.07000	4,316.59
BRC490	H L BROWN JR	6.07000	4,316.59
BPC590	TOP BROWN INC	12.14000	8,633.25
CKP100	C & K PETROLEUM INC	10.28000	7,310.54
COL130	CHARLES H COLL	.12000	85.34
COL140	JAMES N COLL	.12000	85.34
COL150	JON F COLL	.12000	85.34
COL155	MAX W COLL II	.12000	85.34
HER150	HERITAGE RESOURCES	.68000	483.58
PET450	PETROLEUM CORPORATION	.92000	654.25
SUN101	SUN OIL COMPANY	.91000	647.13
ZZZ999	MESA PETROLEUM CO.	62.45000	44,410.75

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MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

W Knowles #8 E

INVOICE NO. 06-1190

JOINT INTEREST BILLING

PAGE 01

DATE: MO 06 DAY YR. 06-30-81

ID NUMBER	LEASE NAME	AFE
01-05-NM-0843-0010-004-0	WEST KNOWLES #8	81352

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR DIVISION OF INTEREST	AMOUNT
	INTANGIBLE DRILLING COSTS		
06-5294	ABSTRACT #8 WEST KNOWLES	146-109	506.48
	TOTAL LOC ROADS SURVEY AIRSTRIPS		506.48 *
	TOTAL INTANGIBLE DRILLING COSTS		506.48 **
	** TOTAL AMOUNT BILLABLE **		506.48 **

OWNER#	OWNER NAME	DISTRIBUTION	AMOUNT
BRC470	ELIZABETH BROWN	6.07000	30.74
BRC490	H L BROWN JR	6.07000	30.74
BRC590	TOM BROWN INC	12.14000	61.49
CKP100	C & K PETROLEUM INC	10.28000	52.07
COL130	CHARLES H COLL	.12000	.61
COL140	JAMES N COLL	.12000	.61
COL150	JON F COLL	.12000	.61
COL155	MAX W COLL II	.12000	.61
HER150	HERITAGE RESOURCES	.68000	3.44
PET450	PETROLEUM CORPORATION	.92000	4.66
SUN101	SUN OIL COMPANY	.91000	4.61
ZZZ999	MESA PETROLEUM CO.	62.45000	316.29
		100.00000 %	506.48 **

WELL West Knowles #8

USED FOR I D C

DATE 7-20-81 APPD. BY L. C

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

INVOICE NO. 05-1096

JOINT INTEREST BILLING

PAGE 01

DATE: MO 05 DAY 31 YR 81

ID NUMBER	LEASE NAME	AFE
01-05-NM-0343-0010-004-0	WEST KNOWLES #8	81352

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR DIVISION OF INTEREST	AMOUNT
	INTANGIBLE DRILLING COSTS		
05-0207	DAMAGE RELEASE	146-109	1,130.92
05-2364	SET CATTLEGUARD	146-109	289.12
05-2364	BLD ROAD DRLG MAT & CELLAR	146-109	11,994.00
	TOTAL LOC ROADS SURVEY AIRSTRIPS		13,414.04 *
05-2289	WOOTEN TVL EXP 04-81	146-110	12.25
05-JA06	4/30/81 PAYROLL, BEN., BUR	146-110	123.78
05-JA07	05-81 MILEAGE UNIT 78057	146-110	19.57
	TOTAL LABOR SUPERVISION CH & ENG		155.60 *
	TOTAL INTANGIBLE DRILLING COSTS		13,569.64 **
	** TOTAL AMOUNT BILLABLE **		13,569.64 **

RECEIVED
JUN 22 1981
C & K PETROLEUM, INC.
Midland, Texas

OWNER#	OWNER NAME	DISTRIBUTION	AMOUNT
BRO470	ELIZABETH BROWN	6.16000	835.88
BRO490	H L BROWN JR	6.16000	835.88
BRO590	TOM BROWN INC	12.32000	1,671.78
CKP100	C & K PETROLEUM INC	10.28000	1,394.95
COL130	CHARLES H COLL	.12000	16.28
COL140	JAMES N COLL	.12000	16.28
COL150	JON F COLL	.12000	16.28
COL155	MAX W COLL II	.12000	16.28
HER150	HERITAGE RESOURCES	.68000	92.27
PET450	PETROLEUM CORPORATION	.92000	124.83
ZZZ999	MESA PETROLEUM CO.	63.00000	8,548.93
		100.00000 %	13,569.64 **

WELL W. Knowles #8
USED FOR Open e/g
DATE 6-22-81 APPD. BY

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

W Knowles #8

INVOICE NO. 04-1248

JOINT INTEREST BILLING

PAGE 01

DATE: MO 04 DAY 30 YR 81

ID NUMBER	LEASE NAME	AFE
21-05-NM-0843-0010-004-0	WEST KNOWLES #8	01352

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR DIVISION OF INTEREST	AMOUNT
	INTANGIBLE DRILLING COSTS		
04-3358	FRAMES-WELL SIGNS	146-109	35.18
	TOTAL LOC ROADS SURVEY AIRSTRIPS		35.18 *
04-JA06	3/31/81 PAYROLL BEN., BUR.	146-110	124.44
04-JA06	4/15/81 PAYROLL, BEN., BUR	146-110	124.43
04-JA07	04-81 MILEAGE UNIT 78057	146-110	10.97
	TOTAL LABOR SUPERVISION CH & ENG		259.84 *
	TOTAL INTANGIBLE DRILLING COSTS		295.02 **
	** TOTAL AMOUNT BILLABLE **		295.02 ***

RECEIVED
MAY 26 1981
C & K PETROLEUM, INC.

OWNER#	OWNER NAME	DISTRIBUTIONS	AMOUNT
BRC470	ELIZABETH BROWN	6.16000 %	18.18
BRC490	H L BROWN JR	6.16000	18.18
BRC590	TOM BROWN INC	12.32000	36.34
CKP1C0	C & K PETROLEUM INC	10.28000	30.33 by
COL130	CHARLES H COLL	.12000	.35
COL140	JAMES N COLL	.12000	.35
COL150	JON F COLL	.12000	.35
COL155	MAX W COLL II	.12000	.35
HER150	HERITAGE RESOURCES	.68000	2.01
PET450	PETROLEUM CORPORATION	.92000	2.70
ZZ2999	MESA PETROLEUM CO.	63.00000	185.88
		100.00000 %	295.02 ***

WELL W. Knowles #8
USED FOR IDC
DATE 5-26-81 APPD. BY by

MESA PETROLEUM CO. P. O. BOX 2009 / AMARILLO, TEXAS 79189

W. Knowles C-4 #8

INVOICE NO. 03-1246

JOINT INTEREST BILLING

PAGE 01

DATE: MO. 03 DAY 31 YR. 81

ID NUMBER	LEASE NAME	AFE
21-05-NM-0843-0010-004-0	WEST KNOWLES #8	81352

VO. REFERENCE	DESCRIPTION	ACCOUNT CODE OR DIVISION OF INTEREST	AMOUNT
	INTANGIBLE DRILLING COSTS		
03-4704	STAKE LOCATION	146-109	174.20
03-4848	ABSTRACT-#8 WEST KNOWLES	146-109	3,624.40
	TOTAL LOC ROADS SURVEY AIRSTRIPS		3,798.60 *
	TOTAL INTANGIBLE DRILLING COSTS		3,798.60 **
	** TOTAL AMOUNT BILLABLE **		3,798.60 ***

RECEIVED
APR 20 1981
C & K PETROLEUM, INC.
Midland, Texas

OWNER #	OWNER NAME	DISTRIBUTION	AMOUNT
BR0470	ELIZABETH BROWN	6.16000 %	233.99
BR0490	H L BROWN JR	6.16000	233.99
BR0590	TOM BROWN INC	12.32000	467.99
CKP100	C & K PETROLEUM INC	10.28000	390.50 by
COL130	CHARLES H COLL	.12000	4.56
COL140	JAMES N COLL	.12000	4.56
COL190	JON F COLL	.12000	4.56
COL155	MAX W COLL II	.12000	4.56
HER150	HERITAGE RESOURCES	.68000	25.83
PET450	PETROLEUM COPPORATION	.92000	34.94
ZZZ999	MESA PETROLEUM CO.	63.00000	2,393.12
		100.00000 %	3,798.60 ***

WELL W. Knowles #8
USED FOR D & C
DATE 4-20-81 APPD. BY by

AFE/COST ESTIMATE

01 05 Operations — Co./Div./Subsid./Dept.

AFE 81-352

ID # 01-05-NM-0843-0010-004-0

Code General Account #

Exploratory ____ Development X

C&K AFE NO. 01880

LEASE, WELL NAME, AND LOCATION West Knowles #8

660' FNL & 660' FEL, Sec 34, T16S, R37E Lea County, New Mexico

DESCRIPTION Cost estimate to drill and complete 11,700' Strawn flowing oil well. Intermediate casing is of sufficient size that 7" production casing could be run for dual.

Sub Acct. Codes	ITEM DESCRIPTION	Dry Hole Cost	Completion Cost	Producer/ Other
X01	DRILLING—FOOTAGE Ft. At $ /Ft.	$	$	$
X02	DRILLING or COMPLETION RIG MI-RU, RD-MO—DAY WORK	25,000		25,000
	(A) DAY WORK 40/8 DAYS At $ 5300/1200 /DAY	212,000	9,600	221,600
X03	DRILLING or COMPLETION RIG			
	(A) BOILER DAYS At $ /DAY			
	(B) CAMP & CATERING DAYS At $ /DAY			
	(C) OTHER DAYS At $ /DAY			
X04	CEMENTING SERVICES, CEMENT & ACCESSORIES	15,000	15,000	30,000
X05	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL	40,000		40,000
	(B) WATER	7,000	4,000	11,000
X06	LOGS, TESTING & MUD LOGGING UNIT	25,000	5,000	30,000
X07	DRILL STEM TEST & RELATED TESTING EQUIPMENT Coring	10,000		10,000
X08	PERFORATING, WELL STIMULATION SERVICES		25,000	25,000
X09	LOCATION, ROADS, SURVEYS, AIRSTRIPS	5,000		5,000
X10	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	10,000	5,000	15,000
X11	RENTAL EQUIPMENT & TOOLS	10,000	5,000	15,000
X12	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	30,000		30,000
X13	HAULING & FREIGHT	5,000	4,000	9,000
X14	MOBILIZATION - INSTALLATION			
X15	DEMOBILIZATION - DISMANTLING & SALVAGE			
X16	SUPPLYBOATS, CREWBOATS, BARGES, TUGS			
X17	FUEL, LUBES, POWER			
X18	SHOREBASE, OFFICE, DOCK FEE & CRANES	15,000		15,000
X19	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING			
X20	DIVERS AND RELATED EQUIPMENT			
X21	MISCELLANEOUS	35,000	8,000	43,000
X22	COST to ABANDON (NOT INCLUDED IN PRODUCER TOTAL)	*10,000		
X23	MUD ENGINEER 15 DAYS At $ 200 /DAY	3,000		3,000
X24	CONSULTING ENGINEER			
	(A) DRILLING DAYS At $ /DAY			
	(B) COMPLETION DAYS At $ /DAY			
X25	GEOLOGICAL CONSULTANT 2 DAYS At $ 500 /DAY	1,000		1,000
	Total Intangible & Non-Controllable Costs	$ 458,000	$ 82,600	$ 530,600 *
X41	BUOYS AND MARKERS	$	$	$
X42	CASING/TUBULARS			
	(A) 400 FT. OF 13 3/8" OD $ 22 /FT.	8,800		8,800
	(B) 4500 FT. OF 9 5/8" OD $ 16 /FT.	72,000		72,000
	(C) 11700 FT. OF 5 1/2" OD $ 8 /FT.		93,600	93,600
	(D) 11700 FT. OF 2 3/8" OD $ 4.35 /FT.		51,000	51,000
	(E) FT. OF " OD $ /FT.			
X43	WELL HEAD & GUIDE STRUCTURE	10,000	10,000	20,000
X44	SUB-SURFACE WELL EQUIPMENT		3,400	3,400
X45	SURFACE WELL EQUIPMENT			
X46	OTHER MAJOR EQUIPMENT			
	(A) 2 - 500 bbl Stock Tanks		18,000	18,000
	(B) Separator/Heater		8,000	8,000
	(C)			
X47	BUILDINGS			
X48	ELECTRICAL & INSTRUMENTATION EQUIPMENT			
X49	INSTALLATION, MATERIALS, & SERVICES		5,000	5,000
	Total Tangible Controllable & Non-Controllable Costs	$ 90,800	$ 193,000	$ 283,800
	Total Costs	$ 548,800	$ 275,600	$ 814,400 *

GEOLOGICAL REVIEW
Approved ☑
Disapproved ☐
Comment

C.C. Wiecker Title Div. Engr. Date 1-12-81

Robert P. Houston Title Op. Mgr. Date 1-12-81

Title Date

Title Date

Mesa WI
Others WI

APPROVED FOR 63.00
C & K PETROLEUM, INC.

BY JC Tompson

DATE 2/25/81

OVERHEAD CHARGES

Mesa Petroleum Co.
West Knowles Unit No. 8

Drilling Well Rate	$2755
Producing Well Rate	$291.27

C&K Petroleum, Inc.
Shipp "28" No. 1

Drilling Well Rate	$3750
Producing Well Rate	$ 375

C&K Petroleum, Inc.
Shipp "27" No. 1
(SE/4 Section 27)

Producing Well Rate	$374.47

KENNEDY 601, BOX 800 TULSA OK 74101

COPAS — 1974
Recommended by the Council of Petroleum Accountants Societies of North America

COPAS

EXHIBIT "C"

Attached to and made a part of Operating Agreement dated , by and between C & K Petroleum, Inc., as Operator, and the other parties signatory hereto as Non-Operators, covering

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. **Definitions**

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. **Statement and Billings**

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. **Advances and Payments by Non-Operators**

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. **Adjustments**

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. **Audits**

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. **Approval by Non-Operators**

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**

   Lease rentals and royalties paid by Operator for the Joint Operations.

2. **Labor**

   A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

   (2) Salaries of First Level Supervisors in the field.

   (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

   B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

   C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

   D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. **Employee Benefits**

   Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. **Material**

   Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. **Transportation**

   Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

   A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

   B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

   C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. **Services**

   The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. **Equipment and Facilities Furnished by Operator**

   A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

   B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. **Damages and Losses to Joint Property**

   All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. **Legal Expense**

   Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff ~~or fees or expense of outside attorneys~~ shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (X) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 3750
Producing Well Rate $ 375

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:
For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall ~~either~~ negotiate a rate prior to the beginning of construction, ~~or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $_____:~~

A. _____% of total costs if such costs are more than $_____ but less than $_____; plus

B. _____% of total costs in excess of $_____ but less than $1,000,000; plus

C. _____% of total costs in excess of $1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, ~~the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.~~

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 4th day of January, 19 82.

OPERATOR

C & K PETROLEUM, INC.

By G C Tompson
Regional Vice-President

NON-OPERATORS

Wainoco Oil & Gas Company

By _____

Harry J. Schafer, Jr., Trustee
of The Mary E. Grisso Trust No. 1

Hanesco, Inc.

By _____

Dorothy Jeanne Van Zant Sanders

J H. Van Zant, II

Hugh Corrigan, III

J. Patrick Corrigan

Heritage Resources, a General P/S

By _____

Use of this standing work is prohibited except when authorized in writing by the American Association of Petroleum Landmen

ATTEST:

By_____

Petroleum Corporation of Texas

By_____

ATTEST:

By_____

Felmont Oil Corporation

By_____

_____

Helen Ogden Bachman

_____

J. R. McGinley, Jr.

ATTEST:

By_____

Cleroy, Inc.

By_____

ATTEST:

By_____

Lanroy, Inc.

By_____

ATTEST:

By_____

Rebel Oil Company

By_____

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Roy G. Barton, Jr.

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Norma Barton

E. L. Latham, Jr.

E. L. Latham, Jr.

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Douglas L. Cone

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Tom R. Cone

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Clifford Cone

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Kenneth G. Cone

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Cathie Cone Auvenshine

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Rebel Oil Company

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Norma Barton

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E. L. Latham, Jr.

_____

Douglas L. Cone

Attest:
Sue Ray

Tom R. Cone
Tom R. Cone

_____

Clifford Cone

_____

Kenneth G. Cone

_____

Cathie Cone Auvenshine

Petroleum Corporation of Texas

ATTEST:

By_____ By_____

Felmont Oil Corporation

ATTEST:

By_____ By_____

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ATTEST:

By_____ By_____

Lanroy, Inc.

ATTEST:

By_____ By_____

Rebel Oil Company

ATTEST:

By_____ By_____

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Norma Barton

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Clifford Cone

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Kenneth G. Cone

Cathie Cone Auvenshine
Cathie Cone Auvenshine

STRAWN TEST OR PENETRATION

DRY HOLE

PROPOSED LOCATION

STRAWN COMPLETION

DRINKARD COMPLETION

SAN ANDRES COMPLETION

Docket No. 4-82

Dockets Nos. 6-82 and 7-82 are tentatively set for February 17 and March 3, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - FEBRUARY 2, 1982

OIL CONSERVATION COMMISSION - 9 A.M.
ROOM 205, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

The following cases were continued from the January 11, 1982, Commission hearing:

CASE 7393: (DE NOVO)

Application of Uriah Exploration Incorporated for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cisco, Canyon and Morrow formations underlying the W/2 of Section 13, Township 22 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

Upon application of Supron Energy Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7394: (DE NOVO)

Application of Supron Energy Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian well to be drilled 467 feet from the North line and 1650 feet from the West line of Section 13, Township 22 South, Range 24 East, the N/2 of said Section 13 to be dedicated to the well.

Upon application of Supron Energy Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

****

Docket No. 5-82

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 3, 1982

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE
ROOM, STATE LAND OFFICE BUILDING, SANTA FE,
NEW MEXICO.

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 7469: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit H. M. Bailey & Associates, Commercial Union Insurance Company, and all other interested parties to appear and show cause why the following wells on the H. M. Bailey Lease, Township 21 South, Range 1 West, Dona Ana County, should not be plugged and abandoned in accordance with a Division-approved plugging program: In Section 10: Nos. 9 in Unit A, 9, 11,12, and 13 in Unit B, 10 and 14 in Unit C; and No. 15 in Unit C of Section 9.

CASE 7470: Application of Wayne Moore for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Delaware River Unit Area, comprising 2,560 acres more or less, of State and fee lands in Township 26 South, Range 28 East.

CASE 7471: Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the South Lynch State Unit Area, comprising 1920 acres, more or less, of State lands in Township 21 South, Range 33 East.

CASE 7472: Application of Grace Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Buffalo-Deep East Unit Area, comprising 2543 acres, more or less, of Federal and State lands in Townships 18 and 19 South, Range 33 East.

CASE 7462: (Continued from January 20, 1982, Examiner Hearing)

Application of Marathon Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Drinkard and Blinebry production in the wellbore of its C. J. Saunders Well No. 3, located in Unit C of Section 1, Township 22 South, Range 36 East.

CASE 7473: Application of Inexco Oil Company for pool creation, special pool rules and discovery allowable Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for its Lottie York Well No. 1 located in Unit P of Section 14, Township 17 South, Range 37 East, with special rules therefor, including provisions for 160-acre spacing. Applicant further seeks the assignment of 57,150 barrels of discovery allowable to said well.

CASE 7453: (Continued and Readvertised)

Application of T. D. Skelton for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian and Mississippian formations underlying the NE/4 NW/4 of Section 7, Township 12 South, Range 38 East, to be dedicated to the re-entry of an old well at a standard location thereon or to a new well to be drilled at a standard location if such re-entry is unsuccessful. Also to be considered will be the cost of re-entering and completing said well and the drilling of the new well, if necessary, and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in re-entry and/or drilling said wells.

CASE 7451: (Continued from January 20, 1982, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Abo formation underlying the SE/4 of Section 11, Township 6 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7474: Application of Union Oil Company of California for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Strawn, Atoka and Morrow formations underlying the E/2 of Section 25, Township 19 South, Range 33 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7475: Application of C & K Petroleum, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Casey-Strawn Pool underlying the E/2 SE/4 of Section 28, Township 16 South, Range 37 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7476: Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 7477: Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying the NE/4 of Section 30, Township 6 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7448: (Continued and Readvertised)

Application of Energy Reserves Group, Inc. for creation of a new associated pool and special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new associated pool to be designated the South Peterson Penn Associated Pool, comprising the NW/4 of Section 30, Township 5 South, Range 33 East, the S/2 of Section 11, the S/2 of Section 12, and the N/2 of Section 13, Township 6 South, Range 33 East. Applicant further seeks the establishment of special pool rules including 40-acre spacing units for oil wells and 320-acre spacing units for gas wells and a 4000 to one gas-oil ratio limitation.

CASE 7478: Application of Julian Ard for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 23, Township 20 South, Range 33 East, to be dedicated to a well to be drilled at an unorthodox location 1980 feet from the North line and 2310 feet from the East line of said Section 23. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

Telephone 982-4285
Area Code 505

RECEIVED
JAN 29 1982
CONSERVATION DIVISION
SANTA FE

January 11, 1982 — Post Mark: Jan 18 1982

Received Jan 23 1982

Case 7475

Mr. Joe D. Ramey
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

RE: C & K Petroleum

Dear Mr. Ramey:

Please set the enclosed application for compulsory pooling for hearing on February 3, 1982.

Very truly yours,

W. Thomas Kellahin

WTK:jm
Enclosure
cc: C & K Petroleum Inc.

Mr. Joe D Ramey.
Oil conservation Div
PO Box 2088.
Santa Fe N M. 87501.

Rt 6 Box 55A
De Ridder La
70634.

Jan 25. 1982

Topic. Sec 28 twp 16 South Range 37E
Lea County N Mexico

Dear Sir:

There has been no settlement to me John W. Tiss. - only here to Adrian H + Mary Tiss and therefor object to my part being compulsory pooled on Feb 3 1982

Sincerely
John W. Tiss

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

Telephone 982-4285
Area Code 505

RECEIVED
JAN 29 1982
OIL CONSERVATION DIVISION
SANTA FE

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Case 7475

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Oil Conservation Division
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80 Box 2088.
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Sincerely
John W. Tiss.

KELLAHIN and KELLAHIN
Attorneys at Law
500 Don Gaspar Avenue
Post Office Box 1769
Santa Fe, New Mexico 87501

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

Telephone 982-4285
Area Code 505

January 11, 1982

RECEIVED
JAN 12 1982
OIL CONSERVATION DIVISION
SANTA FE

Mr. Joe D. Ramey
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

RE: C & K Petroleum

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Dear Mr. Ramey:

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Very truly yours,

W. Thomas Kellahin

WTK:jm
Enclosure
cc: C & K Petroleum Inc.

STATE OF NEW MEXICO

DEPARTMENT OF ENERGY AND MINERALS

OIL CONSERVATION DIVISION

RECEIVED
JAN 19 1982
OIL CONSERVATION DIVISION
SANTA FE

IN THE MATTER OF THE APPLICATION OF C & K PETROLEUM INC., FOR COMPULSORY POOLING, LEA COUNTY NEW MEXICO.

Case 2425

A P P L I C A T I O N

COMES NOW C & K PETROLEUM INC., by and through its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an order pooling the Strawn formation in the Casey Strawn Pool underlying the E/2SE/4 of Section 28, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico and in support thereof would show:

1. Applicant is an oil and gas operator and has acquired the right to drill certain tracts in the E/2SE/4 of said Section 28.

2. Applicant proposes to drill a well at a standard location to test the Strawn formation in the Casey Strawn Pool underlying the E/2SE/4 of said Section and to dedicate the E/2 SE/4 of said Section as the spacing and proration unit for this well.

3. Applicant has sought the cooperation of all interested parties involved in the proposed unit and has been unable to obtain the necessary approvals or committments to form a voluntary unit for this well.

4. Those interested parties who have not joined in the drilling of the well for this unit are attached hereto as Exhibit A, and incorporated by reference herein.

5. Copies of this application have been mailed to the parties shown on Exhibit "A".

6. Applicant desires to be designated operator of the pooled unit.

7. To avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil in said unit, all mineral interest, whatever they may be, underlying the subject unit, should be pooled.

8. That any non-consenting working interest owner that does not pay its share of estimated well costs should have withheld from production its share of reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

9. Applicant should be authorized to withhold from production, the proportionate share of reasonable supervision charge for drilling and producing well attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing, the Division enter its order granting the application as requested.

C. And for such other relief as may be just in the premises.

KELLAHIN & KELLAHIN

By: W. Thomas Kellahin

W. Thomas Kellahin
P.O. Box 1769
Santa Fe, New Mexico 87501
(505) 982-4285

ATTORNEY FOR APPLICANT

UNCOMMITTED INTERESTS: E½ of SE¼ of Section 28, Twp. 16 South, Rge. 37 East

	OWNER- LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
1	Ethel Armentrout Peterson Banning, CA 92220	1/6400 unleased mineral interest	
2	Florence M. Balkam Mason City, IA 50401	"	
3	Helen M Brewer Mason City, IA 50401	1/3200 unleased mineral interest	
4	Arthur Briston Roland, IA 50236	1/6400 unleased mineral interest	
5	Louis E. Brooker Mason City, IA 50401	"	
6	R. W. Brown Mason City, IA 50401	"	
7	Jennie Anderson Buck Klamath Falls, OR 97601	"	
8	W. C. Caldwell Mason City, IA 50401	"	
9	Evan Christainsen Lake Mills, IA 50450	"	
10	Ellen A. Crepaw and the Estate of L. C. Crepaw Mason City, IA 50401	"	
11	Lillian M. Drew, widow of W. A. Drew No address	"	
12	Mae Duncan Bauman 2530 S. Owasso St. Tulsa, OK 74101	"	
13	Henry R. and Effie M. Elvidge Callender, IA 50523	"	
14	Hazel Bruggman, Wilbur C. Enfield, Jessie Faye La Coste Rudd, IA 50471	"	
15	J. D. and Myrtle Evans Madison, WI 53703	"	
16	Clifford K and Hazel Ferguson; John W. and Mary Ferguson Callender, IA 50523	"	
17	Henrietta L. McDermott Fischer 3440 Grand Ave. Des Moines, IA 50318	"	
18	Frederick M. and Alta Grace Mason City, IA 50401	"	
19	Clifford and Clara Gray Mason City, IA 50401	"	
20	Ada L. and W. R. Grew Moville, IA 51039	1/3200 unleased mineral interest	
21	C. A. and Lillian W. Hanson Mason City, IA 50401	1/6400 unleased mineral interest	

	OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
22	Earl L. and Kathryn Hansen Swea City, IA 50590	1/3200 unleased mineral interest	
23	C. R. Hemphill Mason City, IA 50401	1/12,800 unleased mineral interest	
24	Mildred L. Hitchcock Mason City, IA 50401	1/6400 unleased mineral interest	
25	F. C. Holmes and the Estate of Eva Holmes Hampton, IA 50441	"	
26	W. A. Horn 630 33rd Ave. San Francisco, CA 94101	"	
27	Annie L. Brown and W. Frank Porowski No address	1/3200 unleased mineral interest	
28	Mrs. Lillian Kennedy 1303 N. Federal Mason City, IA 50401	1/6400 unleased mineral interest	
29	Cynthia E. Larson and Charles R. Larson, Joint Tenants Paola, KS 66071	"	
30	Cora I. and Geo. L. Lohr Mason City, IA 50401	"	
31	Jessie Faye Enfield Le Coste and Estate of Edwin G. Le Coste Rudd, IA 50471	"	
32	G. A. Lee Emmons, MN 56029	"	
33	Estella Maple Banning, CA 92220	"	
34	Floy Mae Mawhinney Dennies 8840 Crawford Ave. Sun Valley, CA 91352	1/3200 unleased mineral interest	
35	Leonard Arthur Miller; Lois Miller Mayall 411 N. 4th Street Humboldt, IA 50548	1/6400 unleased mineral interest	
36	Dale R. and Leota F. Morgan Des Moines, IA 50318	"	
37	O. G. Morgan, Kenneth E. Morgan, and Don A. Morgan Wauneta, NB 69045	"	
38	Andrew E. and Bessie R. Nelson Mason City, IA 50401	"	
39	W. J. and Muriel J. Parrott Mason City, IA 50401	1/12,800 unleased mineral interest	
40	Frank O. and Ella M. Peterson Callender, IA 50523	1/6400 unleased mineral interest	
41	Blanche L. Probert; and Shirley F. Probert Porter 6233 40th Ave., NE Seattle, WA 98101	1/3200 unleased mineral interest	

	OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
42	Laura C. Schrader Rudd, IA 50471	1/6400 unleased mineral interest	
43	W. J. and Martha H. Slepicka Mason City, IA 50401	"	
44	Chas. E. and Madge L. Snipps Mason City, IA 50401	"	
45	J. F. and Verona Sofranko Lovilia, IA 50150	"	
46	Gertrude J. Scullins 500 W. Ocean Ave. Long Beach, CA 90801	1/3200 unleased mineral interest	
47	Mae Shifflett 516 Wildwood Rd., Apt. 3 Waterloo, IA 50502	1/6400 unleased mineral interest	
48	John Satoka Box 522 Bartlesville, OK 74003	"	
49	Adrian H. and Mary Tiss De Ridder, LA 70634	1/640 unleased mineral interest	
50	C. E. and Cora M. Werthenback Mason City, IA 50401	1/6400 unleased mineral interest	
51	G. L. and Christena B. Whitman and Estate of Blanche M. Whitman Box 2202 Waterloo, IA 50701	"	
52	Elizabeth H. Woodburn and Estate of Robert H. Woodburn 1194 Colledge Drive San Bernardino, CA 92403	"	
53	Ann C. Gossman Box 1051 SS Springfield, MO 65805	1/12,800 unleased mineral interest	
54	Maxine Wendle 713 Los Zafiros Green Valley, AZ 85614	1/640 unleased mineral interest	
55	James Roland Woods Box 1417 Socorro, NM 87801	54/19,200 unleased mineral interest	
56	Ronald J. Byers 209 Westgate Building 1122 Colorado Austin, TX 78701	1/128 unleased mineral interest	
57	Harry J. Schafer, Jr., Trustee of The Mary E. Grisso Trust No. 1 Box 14667 Tulsa, OK 73113	unleased 1/400 mineral interest	
58	Hanesco, Inc. Box 182 Roswell, NM 88201	57/2048 unleased mineral interest	
59	Dorothy Jeanne Van Zant Sanders 6737 Brants Lane Fort Worth, TX 76116	3/320 unleased mineral interest	

	OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
60	J. H. Van Zant, II 1722 Commerce Building Fort Worth, TX 76101	3/320 unleased mineral interest	
61	Hugh Corrigan, III Box 3388 Vero Beach, FL 32960	1/32 unleased mineral interest	
62	J. Patrick Corrigan Box 20410 Vero Beach, FL 32961	1/32 unleased mineral interest	
63	Heritage Resources Box 777 Davis, OK 73030	1/80 unleased mineral interest	
64	Petroleum Corporation of Texas Box 911 Breckenridge, TX 76024	1/60 unleased mineral interest	
65	Felmont Oil Corporation Box 2266 Midland, TX 79702	22/800 unleased mineral interest	
66	Helen Ogden Bachman 7238 West Cedar Circle Denver, CO 80226	1/6400 unleased mineral interest	
67	J. R. McGinley, Jr. 530 Beacon Building Tulsa, OK 74103	1/48 unleased mineral interest	
68	Cleroy, Inc. 530 Beacon Building Tulsa, OK 74103	1/48 unleased mineral interest	
69	Lanroy, Inc. 530 Beacon Building Tulsa, OK 74103	1/48 unleased mineral interest	
70	Rebel Oil Company 603 Seco Hobbs, NM 88201	2.947979% leasehold interest	
71	Roy G. Barton, Jr., and Norma Barton Box 978 Hobbs, NM 88240	1/64 unleased mineral interest	
72	E. L. Latham, Jr. Box 1392 Hobbs, NM	1/64 unleased mineral interest	
73	Douglas L. Cone Box 6217 Lubbock, TX 79413	1/320 unleased mineral interest	
74	Tom R. Cone Box 126 Southwest City, MO 64863	"	
75	Clifford Cone Box 6010 Lubbock, TX 79413	"	
76	Kenneth G. Cone Box 5838 Austin, TX 78763	"	
77	Cathie Cone Auvenshine Route 6, Box 79N Austin, TX 78737	"	

	OWNER - LAST KNOWN ADDRESS	TYPE INTEREST	COMMENTS
78	Harvey E. Yates Company Box 1933 Roswell, NM 88201	1.759684% leasehold interest	
79	Sohio Petroleum Company 50 Penn Place Oklahoma City, OK 73118	1/16 unleased mineral interest	

HERBIE ORDERS

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7475
Order No. R-6901

APPLICATION OF C & K PETROLEUM, INC.
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on February 3, 1982, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of February, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, C & K Petroleum, Inc., seeks an order pooling all mineral interests in the Casey-Strawn Pool underlying the E/2 SW/4 of Section 28, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

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

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

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

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

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

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

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

(11)) That $ 3700.00 per month while drilling and $ 375.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before May 1, 1982, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Casey-Strawn Pool underlying the E/2 SE/4 of Section 28, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico,

are hereby pooled to form a standard 80-acre oil ~~gas~~ spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of May, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Strawn formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of May, 1982, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That C & K Petroleum, Inc. is hereby designated the operator of the subject well and unit.

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

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

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

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as

provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

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

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

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

(9) That $ 3700.00 per month while drilling and $ 375.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that

the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

S E A L

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 7475
Order No. R-6901-A

APPLICATION OF C & K PETROLEUM, INC. FOR COMPULSORY POOLING, LEA COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-6901, dated February 15, 1982, does not correctly state the intended order of the Division,

IT IS THEREFORE ORDERED:

(1) That Finding No. (2) on page 1 of Order No. R-6901 be and the same is hereby corrected to read in its entirety as follows:

"(2) That the applicant, C & K Petroleum, Inc., seeks an order pooling all mineral interests in the Casey-Strawn Pool underlying the E/2 SE/4 of Section 28, Township 16 South, Range 37 East, NMPM, Lea County, New Mexico."

(2) That the corrections set forth in this order be entered nunc pro tunc as of February 15, 1982.

DONE at Santa Fe, New Mexico, on this _____ day of March, 1982.

Dan Nutter

Florence —
Nunc pro tunc
Order No R-6901
W/ R-6901-A

Correcting Finding
No 2 to read

E/2 SE/4 of Section 28

per agreement
calls for
3700/mo daily
375/mo prod
Weeks 200/0 penalty

DOCKET MAILED
Date 11/25/62

CASE 7476: JACK J. GRYNBERG FOR COMPULSORY POOLING, CHAVES COUNTY, NEW MEXICO

need addresses for parties as shown on Ex 13 attached to appl:

MTS 25%
Corona 25%
Plains 12.5%
Mercury 4.875%
Tex-Mex .760%
Rock .500%
Cargill .500%
Mid-Continent .850%
Peat Duty 5.625%

DOCKET MAILED
Date 1/25/82
2/19/82
3/5/82

CASE NO.

7476

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

April 6, 1982

Mr. Francis J. Mathew
Jones, Gallegos, Snead & Wertheim
Attorneys at Law
P. O. Box 2228
Santa Fe, New Mexico 87501

Re: CASE NO. 7476
ORDER NO. R-6925

Applicant:

Viking Petroleum, Inc.

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other Scott Hall

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7476
Order No. R-6925

APPLICATION OF JACK J. GRYNBERG FOR COMPULSORY POOLING, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 16, 1982, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 5th day of April, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That on December 31, 1981, the applicant, Jack J. Grynberg, filed applications seeking an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico.

(3) That the applicant's subsequent request for dismissal of his request to pool the mineral interests under the NE/4 of said Section 12 should be approved.

(4) That on February 22, 1982, Mesa Petroleum Company filed an application seeking an order pooling all mineral interests down through and including the Abo formation also underlying the SE/4 of said Section 12.

(5) That the Mesa Petroleum Company application was set as Case No. 7513 and was consolidated for purposes of testimony with the subject case.

(6) That the applicant has the right to drill and proposes to drill a well at standard locations on each unit.

(7) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(8) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(9) That the applicant is the owner of the single greatest interest in the proposed proration unit.

(10) That the applicant should be designated the operator of the subject well and unit.

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

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

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

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

(15) That $2500.00 per month while drilling and $250.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate

share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(17) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before July 1, 1982, the order pooling said unit should become null and void and of no effect whatsoever.

(18) That the application of Mesa Petroleum Company in Case No. 7513 should be denied.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Abo formation underlying a 160-acre gas spacing unit, being the SE/4 of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, are hereby pooled and are to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said wells on or before the 1st day of July, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of July, 1982, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said wells not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Jack J. Grynberg is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall

furnish the Division and each known working interest owner in the unit an itemized schedule of estimated well costs.

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

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

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

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

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

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

(9) That $2500.00 per month while drilling and $250.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

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

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

(13) That that portion of this application which seeks the pooling of mineral interests underlying the NE/4 of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, is hereby dismissed.

(14) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

S E A L

JACK GRYNBERG AND ASSOCIATES
PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS
1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303-572-1455
TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

OIL CONSERVATION DIVISION
SANTA FE

April 7, 1982

Rec'd OCD 4/9/82

Mr. Dan Nutter
Department of Energy and Minerals
Oil Conservation Division
Post Office Box 2088
Santa Fe, NM 87501

RE: Compulsory Pooling Order No. 6925
T5S-R24E, Sec. 12: SE/4
Chaves County, New Mexico

Dear Mr. Nutter:

Deborah Hill has asked me to forward you a copy of the Authority for Expenditure for the above captioned well and copies of the accompanying cover letters to Mesa Petroleum Company and Corona Oil Company.

I hope these are satisfactory and meet the requirements of the Oil Conservation Division. Should you have any questions, please feel free to call me.

Very truly yours,

Stephen G. Smith
Petroleum Landman

SGS/
encls. 3

JACK GRYNBERG AND ASSOCIATES
PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS
1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 -- 572-1455
TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

April 7, 1982

Mr. Mark Hannifin
Mesa Petroleum Company
1000 Vaughn Building
Midland, TX 79701

RE: Authority for Expenditure
T5S-R24E, Sec. 12: SE/4
Chaves County, New Mexico

Dear Mr. Hannifin:

Enclosed are two copies of the Authority for Expenditure for the above captioned well. As you know, the New Mexico Oil Conservation Division, per Compulsory Pooling Order 6925, has named Jack Grynberg and Associates as Operator of this well. Under the terms of the Order, unless timely appeal is filed by Mesa or Corona, a copy of this AFE must be signed and returned within thirty days or you will be considered a non-consenting party, subject to the penalties appurtenant thereto.

Your cooperation in this matter will be greatly appreciated. Should you have any questions, please feel free to call me.

Very truly yours,

Stephen G, Smith
Petroleum Landman

SGS/
encls. 2

JACK GRYNBERG AND ASSOCIATES
PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS
1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 — 572-1455
TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

April 7, 1982

Mr. Don Williams
Corona Oil Company
4835 LBJ Freeway, Suite 635
Dallas, TX 75234

RE: Authority for Expenditure
T5S-R24E, Sec. 12: SE/4
Chaves County, New Mexico

Dear Mr. Williams:

Enclosed are two copies of the Authority for Expenditure for the above captioned well. As you know, the New Mexico Oil Conservation Division, per Compulsory Pooling Order 6925, has named Jack Grynberg and Associates as Operator of this well. Under the terms of the Order, unless timely appeal is filed by Mesa or Corona, a copy of this AFE must be signed and returned within thirty days or you will be considered a non-consenting party, subject to the penalties appurtenant thereto.

Your cooperation in this matter will be greatly appreciated. Should you have any questions, please feel free to call me.

Very truly yours,

Stephen G. Smith
Petroleum Landman

SGS/
encls. 2

AUTHORITY FOR EXPENDITURES

AFE# _____
REVISION # _____
DATE 4/7/82

LEASE NAME Grynberg 12 State COM #1 LOCATION T5S - R24E, Sec. 12 &660' fel 1980' fsl

COUNTY Chaves STATE New Mexico FIELD _____

HORIZON Abo EXT. T.D. 4000' EST. SPUD DATE _____

EST. COMPLETION DATE _____ DRILLING CONTRACTOR _____

PRIMARY OBJECTIVE: _____ OIL ___x___ GAS _____ OIL and/or GAS

PURPOSE: ___x___ DRILLING - NEW _____ RECOMPLETION _____ OTHER (SUPPLEMENT, AFE, ETC.)

TYPE WELL: ___x___ DEVELOPMENT _____ EXPLORATORY

INTANGIBLE COSTS:	DRY HOLE	COMPLETION
Staking Permit & Legal Fees	$ 1000	$ 1000
Location, Right-of-Way	7100	7100
Drilling, Footage	-	-
Drilling, Daywork 10 Days @ $ 5500 /Day	55000	55000
Moving In, Rigging Up, Rigging Down	23000	23000
Bits, Tools & Supplies	10000	10000
Drilling Water	8000	8000
Drilling Mud & Additives	5000	5000
Mud Logging Unit	-	-
Cement, Tools & Services, Temp. Surveys	9000	15000
Drill Stem Testing	-	-
Electric Logs & Perforating	20000	30000
Tool & Equip. Rental, Trucking, Welding	5500	8000
Supervision & Overhead	2300	3000
Coring, Tools & Services	-	-
Completion Unit 5 Days @ $ 1150 /Day	-	5800
Stimulation	-	35000
Contingency	7400	10700
TOTAL INTANGIBLES:	153300	287700

WELL EQUIPMENT COSTS:		
Christmas Tree and Well Head	1200	12000
Casing:	12000	-
	-	-
	-	19000
Tubing:	-	16200
Packer & Special Equipment	-	4000
Contingency - Intermediate Casing String 8-5/8" @ 1500'	20400	21200
TOTAL WELL EQUIPMENT:	33600	50800

LEASE & BATTERY EQUIPMENT COSTS:		
Pumping Equipment	-	-
Storage	-	7900
Separation Eq., Flowlines, Valves & Fittings	-	19800
Trucking & Construction Costs	-	4300
TOTAL LEASE & BATTERY EQUIP:		32000
TOTALS:	$ 186900	$ 338500

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND.

JACK J. GRYNBERG

BY: _____ DATE 4/7/82

SHARE 50.00%

NON-OPERATORS	SHARE
MESA PETROLEUM COMPANY	25.00%
BY: _____	
CORONA OIL COMPANY	25.00%
BY: _____	

S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC.-TREAS.

YATES PETROLEUM CORPORATION
207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1331

March 11, 1982

MAR 15 1982
SANTA FE

New Mexico Oil Conservation Division
P. O. Box 871
Santa Fe, New Mexico 87501

Attention: Richard L. Stamets

Re: Case Number 7476
Township 5 South, Range 24 East NMPM
Section 29: SE¼
Section 35: NE¼

Gentlemen:

Case Number 7476 is regarding a well which was erroneously drilled at an unorthodox location on a lease owned by Yates Petroleum et al. This is to advise you that Yates Petroleum Corporation and Grynberg and Associates have agreed to trade the NE¼ of Section 35 which he owns for the SE¼ of Section 29 which Yates Petroleum Corporation et al owns.

By copy of this letter, we are transmitting record title assignment to the SE¼ of Section 29 to the offices of Jack J. Grynberg in Denver.

This is also to advise that we have no objection to the unorthodox location.

Thank you.

Very truly yours,

Randy G. Patterson
Land Department

RGP/mg

cc: Jack J. Grynberg

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
3 March 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. CASE 7476

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

MR. NUTTER: We'll call next Case Number 7476.

MR. PEARCE: Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico.

Mr. Examiner, we have received a request from the applicant in this matter that it be continued to the hearing scheduled for March 16th, 1982.

MR. NUTTER: Case Number 7476 will be continued to the Examiner Hearing scheduled to be held at this same place at 9:00 o'clock a. m. March 16th, 1982.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7478. heard by me on 3/3 1982.

, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
3 February 1982

EXAMINER HEARING

IN THE MATTER OF:

Application of Jack J. Grynberg for compuslory pooling, Chaves County, New Mexico. CASE 7476

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

MR. NUTTER: Call Case Number 7476.

MR. PEARCE: Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico.

Mr. Examiner, we've received a request that this matter be continued until the hearing scheduled for March the 3rd, 1982.

MR. NUTTER: Case Number 7476 will be continued to the Examiner Hearing scheduled to be held at this same place at 9:00 o'clock a. m. March 3, 1982.

(Hearing Concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7476 heard by me on 2/3 1982.

Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

JACK GRYNBERG AND ASSOCIATES
PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS
1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455
TELEX 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

February 26, 1982

RECEIVED
MAR 01 1982
OIL CONSERVATION DIVISION
SANTA FE

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Attn: Mr. Dan Nutter, Examiner

RE: Case 7496 Viking Petroleum Inc. Unorthodox Location
Case 7476 Jack J. Grynberg Compulsory Pooling

7476 (3-3)

Gentlemen:

This letter is to confirm my telephone conversation with Mr. Dan Nutter in which we agreed that the captioned cases will be heard on March 16, 1982 instead of March 3, 1982.

Thank you for your assistance in this matter.

Yours truly,

Nancy Stoizle
Land Manager

NS/ggd

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
Grynberg EXHIBIT NO. 1
CASE NO. 7476
Submitted by Grynberg
Hearing Date 3/16/82

OPERATING AGREEMENT

DATED

2500 ac
250 ac
6 days stud date

January 12th, 1982,

OPERATOR JACK J. GRYNBERG

CONTRACT AREA TOWNSHIP 5 SOUTH - RANGE 24 EAST, Section 12:

SE/4 N.M.P.M.

COUNTY OR PARISH OF Chaves STATE OF New Mexico

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AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA, OK 74101

GUIDANCE IN THE PREPARATION OF THIS AGREEMENT:

1. Title Page - Fill in blank as applicable.

2. Preamble, Page 1 - Name of Operator.

3. Article II - Exhibits:
   (a) Indicate Exhibits to be attached.
   (b) If it is desired that no reference be made to Non-discrimination, the reference to Exhibit "F" should be deleted.

4. Article IV.A - Title Examination - Select option as agreed to by the parties.

5. Article IV.B - Loss of Title - If "Joint Loss" of Title is desired, the following changes should be made:
   (a) Delete Articles IV.B.1 and IV.B.2.
   (b) Article IV.B.3 - Delete phrase "other than those set forth in Articles IV.B.1 and IV.B.2 above."
   (c) Article VII.F. - Change reference at end of the first grammatical paragraph from "Article IV.B.2" to "Article IV.B.3."

6. Article V - Operator - Enter name of Operator.

7. Article VI.A - Initial Well:
   (a) Date of commencement of drilling.
   (b) Location of well.
   (c) Obligation depth.

8. Article VI.B.2.(b) - Subsequent Operations - Enter penalty percentage as agreed to by parties.

9. Article VII.D.1. - Limitation of Expenditures - Select option as agreed to by parties.

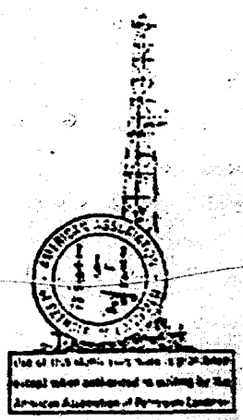
10. Article VII.D.3. - Limitation of Expenditures - Enter limitation of expenditure of Operator for single project and amount above which Operator may furnish information AFE.

11. Article VII.E. - Royalties, Overriding Royalties and Other Payments - Enter royalty fraction as agreed to by parties.

12. Article X. - Claims and Lawsuits - Enter claim limit as agreed to by parties.

13. Article XIII. - Term of Agreement:
   (a) Select Option as agreed to by parties.
   (b) If Option No. 2 is selected, enter agreed number of days in two (2) blanks.

14. Signature Page - Enter effective date.



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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between JACK J. GRYNBERG _____, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators".

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

☒ A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

☐ B. Exhibit "B", Form of Lease.

☒ C. Exhibit "C", Accounting Procedure.

☒ D. Exhibit "D", Insurance.

☒ E. Exhibit "E", Gas Balancing Agreement.

☒ F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

B. Interest of Parties in Costs and Production:

Exhibit "A" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~as provided in the oil and gas lease~~, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

~~[ ] Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C" and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.~~

[X] Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost; and

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties in the same proportions in which they shared in such prior production; and

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

JACK J. GRYNBERG, 1050 17th St., Ste. 1950, Denver, CO. 80265 shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 1st day of May, 1982*, Operator shall commence the drilling of a well for oil and gas at the following location:

TOWNSHIP 5 SOUTH - RANGE 24 EAST
Section 12: SE/4

and shall thereafter continue the drilling of the well with due diligence to

The Abo formation.

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

*or within 30 days from the date, the New Mexico Oil and Gas Division declares JACK GRYNBERG Operator of the spacing unit encompassing this location, whichever date is later.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and

(b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, or plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

300 % of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non-Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non-Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non-Consenting Party's relinquished interest. If such Non-Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the recoupment period.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

Each party electing to take in kind or separately dispose of its proportionate share of production from the Contract Area shall keep accurate records of the volume, selling price, royalty and taxes relative to its share of production. Non-operators shall, upon request, furnish Operator with true and complete copies of the records required to be kept hereunder whenever, under the terms of this agreement or any agreement executed in connection herewith, it is necessary for Operator to obtain said information. Any information furnished to Operator hereunder shall be used by Operator only to the extent necessary to carry out its duties as Operator and shall otherwise be kept confidential.

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of the production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of production shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale.

In the event any party hereto is not at any time taking or marketing its share of gas production and Operator is either (i) unwilling to purchase or sell or (ii) unable to obtain the prior written consent to purchase or sell such party's share of gas production, or in the event any party has contracted to sell its share of gas produced from the Contract Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, then in any such event the terms and conditions of theGas Balancing Agreement attached hereto as Exhibit "E" and incorporated herein shall automatically become effective.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one year and so long thereafter as oil and/or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments of leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners. It is not the intention of the parties that this contract is made of intended for the benefit of any third person.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and or gas until the amount owed by such Non-Operator, plus interest has been paid. including reasonable attorneys fees in the event of a suit to collect any delinquency. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

~~Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.~~

X Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of TWENTY FIVE THOUSAND Dollars ($ 25000) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of FIFTEEN THOUSAND Dollars ($ 15,000).

E. Royalties, Overriding Royalties and Other Payments:

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of 12.5% of 8/8 due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof.
No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

It is recognized by the parties hereto that in addition to each party's share of working interest production as shown in Exhibit "A", such party shall have the right, subject to existing contracts, to market the royalty gas attributable to each lease which it contributes to the Contract Area and to receive payments due for such royalty gas produced from or allocated to such lease or leases. It is agreed that, regardless of whether each party markets or contracts for its share of gas, including the royalty gas under the leases which it contributed to the Contract Area, such party agrees to pay or cause to be paid to the royalty owners under its lease or leases the proceeds attributable to their respective royalty interest and to hold all other parties hereto harmless for its failure to do so.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this Agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment without warranty of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases. The provisions of this Article VIII-B shall only apply to leases, or portions of leases, located within the Unit Area.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C. This paragraph shall not be applicable the contribution of acreage by the Contributing Parties toward the Initial or any Substitute Test Well.

D. Subsequently Created Interest:

Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement, and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI E. hereof, or (3) elects to surrender a lease under provisions of Article VIII A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~G. Preferential Right to Purchase:~~

Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of the parent company, or to any company in which any one party owns a majority of the stock.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Fifteen Thousand and NO/100 Dollars ($ 15,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest, contributed by any other party beyond the term of this agreement.

~~Option No. 1: So long as any of the oil and gas leases subject to this agreement remain in force and effect, or any part of the Contract Area, whether by production, drilling, rework, or otherwise, or as to oil and gas produced from any lease or oil and gas interest~~

X Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 180 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 120 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

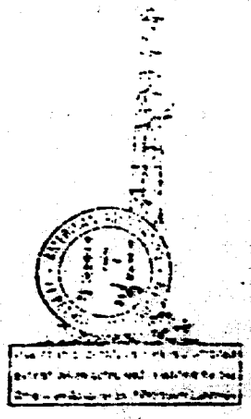
This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

Non-Operator(s) agree(s) to indemnify and hold Operator harmless from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of any statute, law, resolution or similar mandate, or any rules, rulings, regulations or orders of any regulatory agency having any jurisdiction over the Contract Area to the extent Operator's interpretation or application was made in good faith. Non-Operator(s) further agree to reimburse Operator for theNon-Operators' proportionate part of any amounts Operator may be required to refund, rebate or pay as a result of an incorrect interpretation, or rulings, regulations or orders, together with the Non-Operators' proportionate part of interest and penalties owing by Operator as a result of such incorrect interpretation or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders.



ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 12 day of January, 19 82.

OPERATOR

JACK J. GRYNBERG

NON-OPERATORS

MTS, LIMITED PARTNERSHIP

BY: _____

ATTEST: _____

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

BEFORE ME, the undersigned authority, on this day personally appeared JACK J. GRYNBERG, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purpose and consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office, this _____ day of JAN 7 1982, 1982.

My Commission Expires:

5/20/85

Janet D. Kerby
NOTARY PUBLIC in and for the County of Denver, State of Colorado
JANET D. KERBY NOTARY PUBLIC
1098 GARFIELD STREET
DENVER, COLORADO 80206

* * * * * * * * * * * * * *

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

BEFORE ME, the undersigned authority, on this day personally appeared _____ _____ as Attorney-in-Fact, of MTS, LIMITED PARTNERSHIP, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (s)he executed the same for the purpose and consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office, this _____ day of _____, 1982.

My Commission Expires:

_____

NOTARY PUBLIC in and for the County of Midland, State of Texas

Attached to and made part of Operating Agreement dated January 12, 1982, between JACK J. GRYNBERG, OPERATOR, and MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators.

Attached to and made part of Operating Agreement dated January 12, 1982, between JACK J. GRYNBERG, OPERATOR, and MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators.

NON-OPERATORS

ATTEST:

CORONA OIL COMPANY

_____

_____
ATTORNEY-IN-FACT

* * * * * * * * * * * * * * *

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared _____ _____ as Attorney-in-Fact, of CORONA OIL COMPANY, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (s)he executed the same for the purpose and the consideration therein expressed and in the capacity therein stated.

GIVEN under my hand and seal of office, this _____ day of _____,

My Commission Expires:

_____ _____

_____
NOTARY PUBLIC in and for the County of Dallas, State of Texas

EXHIBIT "A"

Attached to and made part of Operating Agreement dated January 12, 1982, between JACK J. GRYNBERG as Operator, and MTS, LIMITED and CORONA OIL COMPANY, Non-Operators, and covering Section 12 - 5S - 24E; SE/4, Chaves County, New Mexico.

I. 1. Land Subject to Agreement:

TOWNSHIP 5 SOUTH - RANGE 24 EAST, N.M.P.M.
Section 12: SE/4
Containing 160 Acres, more or less
Chaves County, New Mexico

2. Depth Restriction:
Abo formation

3. Drilling Unit for the First Well:

Proration Unit established by the New Mexico OCC.

II. Percentage Interest of Parties Under Agreement:

NAME	ACRES	WORKING INTEREST
JACK J. GRYNBERG	80 acres	50%
MTS, LIMITED PARTNERSHIP	40 acres	25%
CORONA OIL COMPANY	40 acres	25%

III. Leasehold Interest of Parties of Operating Agreement:

1. Lessor: State of New Mexico
Lessee: JACK J. GRYNBERG
Serial Number: STA-NM-LG-0565
Description: E/2SE/4 of Section 12 - 5S - 24E
(Limited to portion included in Contract Areas)

2. Lessor: United States
Lessee: a. MTS, LIMITED PARTNERSHIP
b. CORONA OIL COMPANY
Serial Number: USA-NM-22615
Description: W/2SE/4
(Limited to portion included in Contract Areas)

IV. Addresses of Parties:

JACK J. GRYNBERG
1050 17th Street, Suite 1950
Denver, Colorado 80265

CORONA OIL COMPANY
ATTN: Mr. Don Williams
4835 LBJ Freeway, Suite 635
Richardson, Texas 75234

MTS, LIMITED PARTNERSHIP
c/o MESA PETROLEUM COMPANY
ATTN: Mr. Mark Hannifin
1000 Vaugh Bldg.
Midland, Texas 79701

EXHIBIT "C"

Attached to and made a part of Operating Agreement dated January 12th, 1982, between JACK J. GRYNBERG as Operator, and MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators, and covering Section 12 - 5# - 24E; SE/4, Chaves County, New Mexico.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of * (below) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

* 2% above the prime rate (posted by the Bank of America, San Francisco) on the date any such default occurs

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**

   Lease rentals and royalties paid by Operator for the Joint Operations.

2. **Labor**

   A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

   (2) Salaries of First Level Supervisors in the field.

   (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

   B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

   C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

   D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. **Employee Benefits**

   Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%) or the percentage most recently recommended by COPAS.

4. **Material**

   Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. **Transportation**

   Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

   A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

   B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

   C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. **Services**

   The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. **Equipment and Facilities Furnished by Operator**

   A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

   B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. **Damages and Losses to Joint Property**

   All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. **Legal Expense**

   Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(XX) Fixed Rate Basis, Paragraph 1A, or
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (XX) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 2500.00
Producing Well Rate $ 250.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:
For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

**2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $_____:

A. _____% of total costs if such costs are more than $_____ but less than $_____; plus

B. _____% of total costs in excess of $_____ but less than $1,000,000; plus

C. _____% of total costs in excess of $1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

** To be negotiated at a later date.

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. **Premium Prices**

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. **Warranty of Material Furnished by Operator**

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. **Periodic Inventories, Notice and Representation**

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. **Reconciliation and Adjustment of Inventories**

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. **Special Inventories**

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. **Expense of Conducting Periodic Inventories**

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "D"

ATTACHED TO AND MADE A PART OF
OPERATING AGREEMENT
DATED JANUARY 12TH, 1982, BETWEEN
JACK J. GRYNBERG AS OPERATOR, AND
MTS, LIMITED PARTNERSHIP AND CORONA
OIL COMPANY, NON-OPERATORS, AND
COVERING SECTION 12 - 5S - 24E; SE/4,
CHAVES COUNTY, NEW MEXICO.

ADDITIONAL INSURANCE PROVISIONS

Operator, during the term of this agreement, shall carry insurance for the benefit and at the expense of the parties hereto, as follows:

(A) Workmens Compensation Insurance as contemplated by the state in which operations will be conducted, and Employers' Liability Insurance with limits of not less than $100,000.00 per employee

(B) Public Liability Insurance:
Bodily injury - $500,000.00 each occurrence

(C) Automobile Public Liability Insurance:
Bodily injury - $250,000.00 each person
$500,000.00 each person
$500,000.00 each occurrence

Property Damage - $100,000.00 each occurrence

Except as authorized by this Exhibit "D", Operator shall not make any charge to the joint account for insurance premiums. Losses not covered by Operator's insurance (or by insurance required by this agreement to be carried for the benefit and at the expense of the parties hereto) shall be charged to the joint account.

EXHIBIT "E"

Attached to and made a part of Operating Agreement dated January 12th, 1982, between JACK J. GRYNBERG as Operator, and MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators, and covering Section 12 - 5S - 24E; SE/4, Chaves County, New Mexico.

GAS BALANCING AGREEMENT

The parties to the Operating Agreement to which this agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

In accordance with the terms of the Operating Agreement, each party thereto has the right to take its share of gas produced from the Unit Area and market the same. In the event any of the parties hereto is not at any time taking or marketing its share of gas or has contracted to sell its share of gas produced from the Unit Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, the terms of this agreement shall automatically become effective.

During the period or periods when any party hereto has no market for its share of gas produced from any proration unit within the Unit Area, or its purchaser does not take its full share of gas produced from such proration unit, the other parties shall be entitled to produce each month one hundred per cent (100%) of the allowable gas production assigned to such proration unit by the State regulatory body having jurisdiction and shall be entitled to take and deliver to its or their purchaser all of such gas production; however, no party shall be entitled to take or deliver to a purchaser gas production in excess of 300% of its current share of the volumes capable of being delivered or its current share of allowable gas production if regulated thereto by State regulatory body having jurisdiction, unless that party has gas in place. All parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests and subject to the Operating Agreement to which this agreement is attached, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser.

On a cumulative basis, each party not taking or marketing its full share of the gas produced shall be credited with gas in place equal to its full share of the gas produced under this agreement, less its share of gas used in lease operations, vented or lost, and less that portion such party took or delivered to its purchaser. The Operator will maintain a current account of gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas produced, the amount used in lease operations, vented or lost, the total quantity of liquid hydrocarbons recovered therefrom, and the monthly and cumulative over and under account of each party.

At all times while gas is produced from the Unit Area, each party hereto will make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to a purchaser its share, and its share only. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and similar interests.

After notice to the Operator, any party at any time may begin taking or delivering to its purchaser its full share of the gas produced from a proration unit under which it has gas in place less such party's share of gas used in operations, vented or lost. In addition to such share, each party, including the Operator, until it has recovered its gas in place and balanced the gas account as to its interest, shall be entitled to take or deliver to its purchaser a share of gas determined by multiplying fifty percent (50%) of the interest in the current gas production of the party or parties without gas in place by a fraction, the numerator of which is the interest in the proration unit of such party with gas in place and the denominator of which is the total percentage interest in such proration unit of all parties with gas in place currently taking or delivering to a purchaser.

Each party producing and taking or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

Nothing herein shall be construed to deny any party the right, from time to time , to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability tests required by its purchaser, provided that said test should be resonable length, normally not to exceed 72 hours.

Should production of gas from a proration unit be permanently discontinued before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid a sum of money by the overproduced party or parties attributable to the overproduction which said overproduced party received, less applicable taxes theretofore paid, at the applicable price defined below for the delivery of a volume of gas equal to that for which settlement is made. For gas, the price of which is not regulated by Federal, State or other Governmental Agencies, the price basis shall be the price received for the sale of the gas. For gas, the price of which is subject to regulation by Federal, State or other Governmental authorities, the price basis shall be the rate collected, from time to time, which is not subject to possible refund, as provided by the Federal Energy Regulatory Commission or any other Governmental authority, pursuant to final order or settlement applicable to the gas sold from such well, plus any additional collected amount which is not ultimately required to be refunded by such authority. Such additional collected amount to be accounted for at such time as final determination is made with respect hereto.

Notwithstanding the provisions of the last preceding paragraph, it is expressly agreed that any underproduced party hereunder shall have the optional right, with respect to each proration unit separately, to receive a cash settlement bringing such underproduced party's gas account into balance at any time prior to the permanent discontinuance of gas production, by first giving each overporduced party ninety (90) days written notice of demand for cash settlement. If such option is so exercised, settlement shall be made (as of 7:00 O'clock A.M. on the 1st day of the calendar month following the date of such written demands) within ninety (90) days following the actual receipt of such written demands by the overproduced parties, in the same manner provided in the last preceding paragraph hereof. The optional right provided for in this paragraph can only be exercised one (1) time by any particular underproduced party on the same proration unit; and each underproduced party agrees that it will not exercise such option unless it is of the opinion that the remaining underproduced recoverable gas reserves are inadequate for its gas account to be brought into balance by actual production prior to permanent discontinuance of gas production from such proration unit.

Nothing herein shall change or affect each party's obligation to pay its proportionate share of all costs and liabilities incurred, as its share thereof is set forth in the Operating Agreement.

This agreement shall constitute a separate agreement as to each proration unit within the Unit Area and shall become effective in accordance with its terms and shall remain in force and effect so long as the Operating Agreement to which it is attached remains in effect, and shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED January 12th, 1982, BETWEEN JACK J. GRYNBERG "OPERATOR" AND MTS, LIMITED PARTNERSHIP and CORONA OIL COMPANY, Non-Operators, and Covering Section 12 - 5S - 24E; SE/4.

EXHIBIT "F"

EQUAL EMPLOYMENT OPPORTUNITY PROVISION

During the performance of this contract, the Operator agrees as follows:

(1) The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, national origin or sex. The Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, national origin or sex. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment notices to be provided for the contracting officer setting forth the provisions of this non-discrimination clause.

(2) The Operator will, in all solicitations or advertisements for employees placed by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin or sex.

(3) The Operator will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representative of the Operator's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The Operator will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevent orders of the Secretary of Labor.

(5) The Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the Operator's non-compliance with the non-discrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the Operator may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The Operator will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Operator will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for non-compliance: Provided, however, that in the event the Operator becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Operator may request the United States to enter into such litigation to protect the interests of the United States.

Operator acknowledges that it may be required to file Standard Form 100 (EEO-1) promulgated jointly by the Office of Federal Contract Compliance, the Equal Employment Opportunity Commission and Plans for Progress with Joint Reporting Committee, Federal Depot, Jeffersonville, Indiana, within thirty (30) days of the date of contract award if such report has not been filed for the current year and otherwise comply with or file such other compliance reports as may be required under Executive Order 11246, as amended and Rules and Regulations adopted thereunder.

Operator further acknowledges that he may be required to develop a written affirmative action compliance program as required by the Rules and Regulations approved by the Secretary of Labor under authority of Executive Order 11246 and supply Non-Operators with a copy of such program if they so request.

CERTIFICATION OF NON-SEGREGATED FACILITIES

Operator assures Non-Operators that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. For this purpose, it is understood that the phrase "segregated facilities" includes facilities which are in fact segregated on a basis of race, color, religion, or national origin, because of habit; local custom or otherwise. It is further understood and agreed that maintaining or providing segregated facilities for its employees or permitting its employees to perform their services at any location under its control where segregated facilities are maintained is a violation of the equal opportunity clause required by Executive Order 11246 or September 24, 1965.

Operator further understands and agrees that a breach of the assurance herein contained subjects it to the provisions of the Order at 41 CFR Chapter 60 of the Secretary of Labor dated May 21, 1968, and the provisions of the equal opportunity clause enumerated in contracts between the United States of America and Non-Operators.

Whoever knowingly and willfully makes any false, fictitious or fraudulent representation may be liable to criminal prosecution under 18 U.S.C. S 1001.

BEFORE EXAMINER
OIL CONSERVATION
Grynberg
CASE NO. 7476
Grynberg
Hearing Date 3/14/82

AUTHORITY FOR EXPENDITURE

AFE# 81-NM-5
REVISION #
DATE December 17, 1981

LEASE NAME #1 Grynberg 12 State "COM" LOCATION Sec. 12, 5S-24E, 660'S, 1980'E

COUNTY Chaves STATE New Mexico FIELD

HORIZON Abo EXT. T.D. 4300' EST. SPUD DATE

EST. COMPLETION DATE DRILLING CONTRACTOR

PRIMARY OBJECTIVE: ___ OIL • X GAS ___ OIL and/or GAS

PURPOSE : X DRILLING-NEW ___ RECOMPLETION ___ OTHER (SUPPLEMENT AFE, Etc.)

TYPE WELL : X DEVELOPMENT ___ EXPLORATORY

INTANGIBLE COSTS:	DRY HOLE	COMPLETION
Staking Permit & Legal Fees	$ 1000	$ 1000
Location, Right-of-Way	11300	12000
Drilling, Footage ___ @ ___	—	—
Drilling, Daywork 12 Days @ 15500 /Day	66000	66000
Bits, Tools & Supplies	10000	10000
Drilling Water	16500	16500
Drilling Mud & Additives	10000	10000
Mud Logging Unit	—	—
Cement, Tools & Services, Temp. Surveys	12000	17000
Drill Stem Testing	—	—
Electric Logs & Perforating	14700	20700
Tool & Equip. Rental, Trucking, Welding	5500	8000
Supervision & Overhead	2500	3200
Coring, Tools & Services	—	—
Completion Unit 5 Days @ $1150 / Day	—	5800
Stimulation	—	35000
Contingency	8400	11200
Moving In, Rigging Up, Rigging Down	20000	20000
TOTAL INTANGIBLES	177900	236400

WELL EQUIPMENT COSTS:		
Christmas Tree and Well Head	1200	12000
Casing: 10-3/4" 40.5 #K-55 @ 900'	20400	20400
4-1/2" 9.5 #K-55 @ 4200'	—	25200
Tubing: 2-3/8" 4.7 #J-55 @ 4000'	—	16200
Packer & Special Equipment	—	4000
Contingency - Intermediate casing string: 8-5/8" @ 1500'	20400	21200
TOTAL WELL EQUIPMENT	42000	99000

LEASE & BATTERY EQUIPMENT COSTS:		
Pumping Equipment	—	—
Storage	—	7300
Separation Eq., Flowlines, Valves & Fittings	—	19800
Trucking & Construction Costs	—	4300
TOTAL LEASE & BATTERY EQUIP	—	32000

TOTALS	$ 219,900	$ 367,400

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF THE OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND.

SHARE - 50.0%

JACK J. GRYNBERG

BY _____ DATE DEC 18 1981

	SHARE
MTS, LIMITED PARTNERSHIP	
BY: _____ DATE _____	25.000%
CORONA OIL COMPANY	
BY: _____ DATE _____	25.000%

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
Grynberg EXHIBIT NO. 3
CASE NO. 7476
Submitted by Grynberg
Hearing Date 3/16/82

A.A.P.L. FORM 610-1977

MODEL FORM OPERATING AGREEMENT

Mesa Petroleum Co., as Operator, Corona Oil Company
and Jack Grynberg as Non-Operators

#1 Pat State Com.

OPERATING AGREEMENT

#3700.00
370.00

DATED

December 5, 1981,

OPERATOR MESA PETROLEUM CO.

CONTRACT AREA SE/4 Section 12, Township 5 South, Range 24 East,
N.M.P.M.

COUNTY OR ~~PARISH~~ OF Chaves STATE OF New Mexico

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AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS. BOX 800, TULSA, OK 74101

GUIDANCE IN THE PREPARATION OF THIS AGREEMENT:

1. Title Page - Fill in blank as applicable.

2. Preamble, Page 1 - Name of Operator.

3. Article II - Exhibits:
   (a) Indicate Exhibits to be attached.
   (b) If it is desired that no reference be made to Non-discrimination, the reference to Exhibit "F" should be deleted.

4. Article IV.A - Title Examination - Select option as agreed to by the parties.

5. Article IV.B - Loss of Title - If "Joint Loss" of Title is desired, the following changes should be made:
   (a) Delete Articles IV.B.1 and IV.B.2.
   (b) Article IV.B.3 - Delete phrase "other than those set forth in Articles IV.B.1 and IV.B.2 above."
   (c) Article VII.F. - Change reference at end of the first grammatical paragraph from "Article IV.B.2" to "Article IV.B.3."

6. Article V - Operator - Enter name of Operator.

7. Article VI.A - Initial Well:
   (a) Date of commencement of drilling.
   (b) Location of well.
   (c) Obligation depth.

8. Article VI.B.2.(b) - Subsequent Operations - Enter penalty percentage as agreed to by parties.

9. Article VII.D.1. - Limitation of Expenditures - Select option as agreed to by parties.

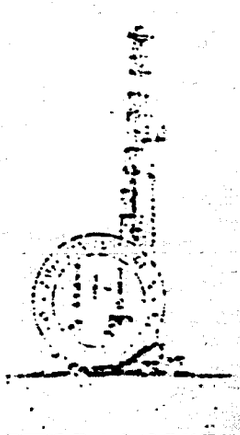
10. Article VII.D.3. - Limitation of Expenditures - Enter limitation of expenditure of Operator for single project and amount above which Operator may furnish information AFE.

11. Article VII.E. - Royalties, Overriding Royalties and Other Payments - Enter royalty fraction as agreed to by parties.

12. Article X. - Claims and Lawsuits - Enter claim limit as agreed to by parties.

13. Article XIII. - Term of Agreement:
   (a) Select Option as agreed to by parties.
   (b) If Option No. 2 is selected, enter agreed number of days in two (2) blanks.

14. Signature Page - Enter effective date.



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ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

B. Interest of Parties in Costs and Production:

Exhibit "A" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the Joint Account~~, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost; and

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties in the same proportions in which they shared in such prior production; and

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

Mesa Petroleum Co. shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 31 day of December, 1981, Operator shall commence the drilling of a well for oil and gas at the following location:

660' FSL & 660' FEL Section 12, Township 5 South, Range 24 East

and shall thereafter continue the drilling of the well with due diligence to 4,100 feet or a depth sufficient to test the Abo Formation, whichever is lesser

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and

(b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, or plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

300% of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non-Consenting Party's relinquished interest shall be sold, at the election of the Consenting Party, either to the Consenting Party's purchaser or to the Non-Consenting Party's purchaser. If any sale is made to the Non-Consenting Party's purchaser, such Non-Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non-Consenting Party's relinquished interest.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale.

In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with any Gas Balancing Agreement between the parties hereto, whether such Agreement is attached as Exhibit "E", or is a separate Agreement.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall ~~have the right to~~ take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one year and so long thereafter as oil and/or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners. It is not the intention of the parties that this contract is made or intended for the benefit of any third person.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

☐ Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

☒ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement; it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Twenty-five Thousand Dollars ($25,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Fifteen Thousand Dollars ($15,000.00).

E. Royalties, Overriding Royalties and Other Payments:

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of ~~80% of 8/8~~ 18.75 of 8/8 due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to ~~taking such action~~, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this Agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Subsequently Created Interest:

Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement, and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

G. Preferential Right to Purchase:

Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Seven Thousand Five Hundred Dollars ($ 7,500.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest contributed by any other party beyond the term of this agreement.

☐ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 90 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

Non-Operator(s) agree(s) to indemnify and hold Operator harmless from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of any statute, law, resolution or similar mandate, or any rules, rulings, regulations or orders of any regulatory agency having any jurisdiction over the Contract Area to the extent Operator's interpretation or application was made in good faith. Non-Operator(s) further agree to reimburse Operator for the Non-Operators' proportionate part of any amounts Operator may be required to refund, rebate or pay as a result of an incorrect interpretation, or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders, together with the Non-Operators' proportionate part of interest and penalties owing by Operator as a result of such incorrect interpretation or application of such statutes, laws, resolutions or similar mandates, rules, rulings, regulations or orders.

* Jack Grynberg and Associates hereby agrees to pay its share of approved expenditures for initial or subsequent operations hereunder prior to the commencement of each such operation.

~~In order to consent to the initial or subsequent operations contemplated hereunder, Jack Grynberg and Associates will, in advance, furnish payment bonds as security for the prompt and faithful payment of its additional obligations for each such operation. Such bonds shall be for an amount at least equal to Jack Grynberg and Associates' share of expenditures approved in advance of any particular initial or subsequent operation and shall be in such form and with such sureties as are acceptable to the Operator. Jack Grynberg and Associates shall also furnish such new payment bonds as Operator may from time to time require in order to further secure payment of Jack Grynberg and Associates' obligations hereunder.~~

* See letter by Randy Keough to Mesa dated 12-14-81

~~Upon default of any of Jack Grynberg and Associates' obligations hereunder, and without further notice from Operator, Jack Grynberg and Associates shall forthwith proportionately assign to the other parties hereto all of its right, title and interest, as of the date of this Operating Agreement, in and to the Contract Area hereunder, all wells and equipment thereon, and all subsequent production therefrom, free and clear of all liens and encumbrances and Jack Grynberg and Associates shall no longer be a party to this Operating Agreement. This remedy shall be in addition to and not exclusive of Jack Grynberg and Associates payment obligations hereunder, which obligations shall be continuing despite Jack Grynberg and Associates no longer being a party to this Operating Agreement.~~

The terms and conditions of the hereinabove special provisions shall be binding upon Jack Grynberg and Associates, its successors and assigns.

Without otherwise affecting the responsibilities and liabilities of Jack Grynberg and Associates, its successors or assigns, for its obligations hereunder, Jack Grynberg hereby agrees to be individually responsible and liable for each and every obligation hereunder of Jack Grynberg and Associates, its successors or assigns. Upon default by Jack Grynberg and Associates, its successors or assigns, of any of its obligations hereunder, Operator shall have the right, in accordance herewith and without prejudice to Operator's other rights or remedies, to enforce such obligations against Jack Grynberg, individually, or Jack Grynberg and Associates, its successors or assigns, or both.

ARTICLE XVI
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____, 19____.

OPERATOR

MESA PETROLEUM CO.

_____ BY: _____

NON-OPERATORS

JACK GRYNBERG AND ASSOCIATES

_____ BY: _____

Jack Grynberg Individually and as

as _____

of Jack Grynberg and Associates

CORONA OIL COMPANY

_____ BY: _____

Signature Page for Operating Agreement dated December 5, 1981 between Mesa Petroleum Co., as Operator and Jack Grynberg and Associates and Corona Oil Company as Non-Operators.

EXHIBIT " "

Attached to and made a part of Operating Agreement dated December 5, 1981, between Mesa Petroleum Co., as Operator, and Jack Grynberg and Associates, et al, as Non-Operators.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at a rate equal to the higher of 120% of the prime rate of interest of the Continental Illinois Bank & Trust Company or 18% per annum; provided, however, in no event shall the Non-Operator Parties be required to pay interest in excess of the federal or state statutory ceiling applicable in the jurisdiction in which the joint property is located. Non-Operators shall also be liable for attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty-six percent (26%) or percent most recently recommended by the Council of Petroleum Accountants Societies of North America.

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Costs and expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, and the costs and expenses incurred in connection with hearings and other matter before governmental bodies and agencies and costs and expenses incurred in examining and curing title, except that no charge for services of Operator's legal staff shall be made.

10. **Taxes**

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. **Insurance**

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. **Other Expenditures**

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or (See Schedule I attached.)
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not ( ) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 3,700.00
Producing Well Rate $ 370.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date the contractual rig charges begin ~~xxxx

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:
For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000 :

A. 5 % of total costs if such costs are more than $ 25,000* but less than $ 100,000 ; plus

B. 3 % of total costs in excess of $ 100,000 but less than $1,000,000; plus

C. 2 % of total costs in excess of $1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

*When design and engineering is furnished by third party contractors and charged to the Joint Account, the construction overhead

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "D" ONSHORE

Attached to and made a part of Operating Agreement dated December 4, 1981, between Mesa Petroleum Co., as Operator, and Jack Grynberg and Associates, et al, as Non-Operators.

INSURANCE

The Operator shall carry for the benefit of the joint account insurance to cover drilling operations and producing operations on the jointly owned acreage as follows:

I. Workmen's Compensation and Employer's Liability covering the employees of Operator engaged in operations hereunder in compliance with all applicable Federal Laws and the laws of the State of New Mexico, with Employers Liability limit of not less than $100,000 per person and $100,000 per occurrence.

II. Operator shall carry of its interest and for the interest of any non-operator so electing to participate in writing, within 60 days of the date of the Operating Agreement, the following types and limits of insurance:

(A) Comprehensive General Liability covering operations conducted hereunder by Operator for the Parties with limits of:

Combined Bodily Injury & Property Damage	$1,000,000 per occurrence $1,000,000 Aggregate

(B) Automobile Liability covering all vehicles owned, non-owned, or hired and used in connection with operations conducted hereunder by Operator for the joint account with limits of:

Combined Bodily Injury & Property Damage	$1,000,000 per occurrence $1,000,000 Aggregate

The premiums for all such insurance so carried in paragraph II shall be paid by Operator and may be charged directly to such non-operators as elect to participate to the extent that their interest is insured.

EXHIBIT "E"

GAS BALANCING AGREEMENT

Attached to and made a part of Operating Agreement dated December 5, 1981, between Mesa Petroleum Co., as "Operator", and Jack Grynberg and Associates, et al, as "Non-Operator"

The parties to the Operating Agreement to which this Agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such Agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

Each Party shall have the right to take in kind its share of the gas produced from the Unit Area. However, there may be periods when one or more of the Parties have no market for, or its purchaser is unable to take, or for any other reason, it may not dispose of its interest, or a portion thereof, in the gas production. Therefore, to permit each Party to produce and dispose of its interest in the gas production from the Unit Area with as much flexibility as possible, the Parties hereto agree to this Gas Balancing Agreement as hereinafter set forth:

1. DEFINITIONS:

For the purposes of this Agreement, the following terms shall be defined as hereafter set out:

(a) "Operating Agreement" shall mean the Operating Agreement to which this Gas Balancing Agreement is attached.

(b) "Gas" shall mean natural gas or oil well gas obtained from primary field separation.

(c) "Liquid Hydrocarbons" are those liquids obtained from primary field separation.

(d) "Percentage Ownership" is the percentage interest of each party as set forth in the Operating Agreement.

(e) "Over-produced Party" is a party who has utilized or sold a greater volume of gas at any given time (individually or through its gas purchaser) than a volume determined by multiplying the total cumulative volume of gas produced and utilized or sold from a proration unit within the Unit Area by such Party's Percentage Ownership.

(f) "Under-produced Party" is a party who has utilized or sold a lesser volume of gas at any given time (individually or through its gas purchaser) than a volume determined by multiplying the total cumulative volume of gas produced and utilized or sold from a proration unit within the Unit Area by such Party's Percentage Ownership.

(g) "MER" is the total daily maximum efficient rate of hydrocarbon withdrawal from each separately produced proration unit, which, if exceeded for a sustained period of time, would lead to underground waste in the form of reduced ultimate recovery from the proration unit, after deducting the gas used in operations on the Unit Area or vented or lost.

2. OWNERSHIP OF PRODUCTION:

(a) SALE BY LESS THAN ALL OWNERS: All gas produced from the Unit Area shall be produced and utilized or sold by those parties having a use or market for such gas. If fewer than all the parties are producing gas, the parties so producing shall have the right and option, but not the obligation, to produce and dispose of all or any part of such gas that may be produced up to the MER. The parties hereto shall share in and own the liquid hydrocarbons, as produced, in accordance with their respective interests, as set forth in and subject to the terms of the Operating Agreement. It is agreed that the gas attributable to the interest of each non-producing party shall remain in the reservoir for production at a later date.

(b) SALE BY UNDER-PRODUCED OWNERS: Each Under-produced Party shall, upon commencing the sale of gas, have the right to take a greater percentage of the current gas production than such Under-produced Party's Percentage Ownership, subject to the following limitations:

(1) For the purposes of balancing gas production accounts, as soon as practical, any Over-produced Party or Parties will make available to any Under-produced Party or

Parties a portion of the Over-produced Party's or Parties' share of gas production at the current MER, but Over-produced Parties shall not be liable to Under-produced Parties under this paragraph except as provided in Section 4 hereof. In no event will any Over-produced Party be required to reduce the volume of gas which it is entitled to take from a proration unit during any calendar month to less than 50% of such Over-produced Party's Percentage Ownership in the gas produced. If at any time more than one Under-produced Party is taking in excess of its gas production account, then each such Under-produced Party shall be entitled to a share of the gas production made available by the Over-produced Parties in the ratio that the under-production of each Under-produced Party bears to the total under-production of all Under-produced Parties currently taking gas.

(2) For the purpose of balancing in the event of price increases as provided in Section 3 hereof and for the purpose of balancing production accounts as provided in Section 4 hereof, the Under-produced Party, to the extent it is taking gas in excess of that attributable to its Percentage Ownership, shall be deemed to be recovering volumes of gas offsetting prior over-production by the Over-produced Party on a last in, first out basis.

(3) Each party's gas production account is in balance when such party has utilized or sold the same percentage of the total cumulative production from a proration unit as such party's Percentage Ownership.

(4) It is contemplated that some of the parties may arrange to have their gas processed in a gas processing plant for the recovery of liquefiable hydrocarbons. This

Balancing Agreement shall not provide a basis for balancing any liquefiable hydrocarbons recovered from a gas processing plant.

(5) Only produced gas actually utilized or sold by a party shall be owned by it and charged against its share of the total recoverable reserves.

3. BALANCING IN THE EVENT OF PRICE INCREASES:

In the event the price received by the Under-produced Party for gas otherwise attributable to the Over-produced Party's interest in gas production which is being delivered for the Under-produced Party's account is greater than the price received by the Over-produced Party for the equivalent volume of gas, then the Under-produced Party shall pay to the Over-produced Party in cash, on a monthly basis, the product of the volume of gas otherwise attributable to the Over-produced Party's interest in gas production which is being delivered for the Under-produced Party's account and the difference between the lawful price which the Under-produced Party currently is collecting for the gas described above (but in no event higher than the price received by the Over-produced Party at the time such production is sold by the Under-produced Party) and the lawful price which the Over-produced Party actually collected for the volume of gas described above.

4. BALANCING OF PRODUCTION ACCOUNTS:

When production from a proration unit permanently ceases, there shall be an accounting between the parties hereto so that any Under-produced Party shall receive a sum of money equal to the amount actually received, less applicable taxes, royalty, and the cost of dehydration and compression if not participated in by the Under-produced Party, by any Over-produced Party from the sale of that part of the total cumulative volume of gas produced from the proration unit to which any Under-produced Party was entitled, but which was utilized or sold by the Over-produced Parties. For the purposes of this paragraph, the "amount actually received" shall be the dollar amount

received for the quantity of gas remaining after subtracting the quantity of any periodic under-production by an Over-produced Party from the unbalanced over-production of such party. If a portion of a party's gas is taken for its own use and a portion thereof is sold, the gas value will be based on the price received simultaneously by such party for gas being sold from the proration unit. During periods in which a party is taking all of its gas for its own use, any gas so taken will be valued at the maximum price which such party could have received for such gas if actually delivered under such party's contract, or if none, the weighted average price received simultaneously by all parties for gas sold from the proration unit. If gas is processed for the recovery of liquefiable hydrocarbons, the gas value will be based on the amount which would have been received for the sale of such gas without processing.

5. STATEMENTS:

During the term hereof, each party selling gas from a proration unit in any month will furnish or cause to be furnished to each of the other parties a statement showing the volume and value of gas utilized and the volume and proceeds if sold. The Operator under the Operating Agreement shall furnish monthly to each party a statement showing the status of the over and short accounts of all parties.

6. PRODUCTION TAXES:

Each Party taking gas shall pay any and all production taxes due on such gas.

7. PAYMENT OF ROYALTY:

At all times while gas is produced from the Unit Area, each party hereto shall make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to its purchaser its share, and its share only, of the total gas production exclusive of gas used in lease operations, vented or lost. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by

royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and similar interests.

8. OPERATING EXPENSES:

The operating expenses are to be borne as provided in the Operating Agreement, regardless of whether all parties are selling or using gas or whether the sales and use of each are in proportion to Percentage Ownership.

9. SCOPE AND TERM:

This Agreement shall constitute a separate agreement as to each well and as to each separately metered reservoir produced from each well within the Unit Area and shall become effective in accordance with its terms and shall remain in force and effect as long as the Operating Agreement to which it is attached remains in effect, and shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives and assigns.

10. INDEMNITY:

Each party hereby indemnifies the other parties hereto against all liability for and agrees to defend the parties hereto against all claims which may be asserted by third parties who now or hereafter stand in a contractual relationship with such indemnifying party whenever such claims are based upon said contractual relationship and arise out of the operation of this Agreement or activities of any party under its provisions, and further agrees to save the other parties hereto harmless from all judgments or damages sustained and costs incurred in connection therewith.

11. OPERATOR'S LIABILITY:

The Operator under the Operating Agreement is authorized to carry out the provisions of this Agreement, but shall not be liable for its failure to do so as long as it acts in good faith and as would a reasonably prudent operator in the same or similar circumstances.

Attached to and made a part of Operating Agreement
dated December 5, 1981, between Mesa Petroleum Co., as
Operator, and Jack Grynberg and Associates, et al, as Non-Operators.

EXHIBIT "F"

CONTRACTOR'S CERTIFICATION FOR

MESA PETROLEUM CO.

A. EQUAL EMPLOYMENT OPPORTUNITY

It is hereby agreed that the following provisions, which are also set forth in Section 202 of Executive Order 11246, are made a part of each agreement and purchase order presently existing or which may be entered into hereafter, between Contractor and Mesa Petroleum Co.

1. Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for the training, including apprenticeship. Contractor agrees to post in conspicuous places, available to employees and applicants of employment, notices to be provided by the contracting officer, setting forth the provisions of this nondiscrimination clause.

2. Contractor will, in all solicitations or advertisements for employees placed by or on behalf of Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

3. Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided by the agency contracting officer, advising the labor union or workers' representatives of the Operator's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

4. Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

5. Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

6. In the event of Contractor's non-compliance with the nondiscrimination clauses of this contract or with any of such rules, regulations or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order No. 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

7. Contractor will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event Contractor becomes involved in, or is threatened with litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interest of the United States.

B. EQUAL EMPLOYMENT OPPORTUNITY REPORTING

Contractor agrees to file with the appropriate federal agency a complete and accurate report on Standard Form 100 (EEO-1) within 30 days after the signing of this agreement or the award of any such purchase order, as the case may be, (unless such a report has been filed in the last 12 months), and agrees to continue to file such reports annually, on or before March 31. (41 CFR 60-1.7(a))

C. AFFIRMATIVE ACTION COMPLIANCE PROGRAM

Contractor agrees to develop and maintain a current written affirmative action compliance program for each of its establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order No. 11246, as amended. (41 CFR 60-1.40)

D. CERTIFICATION OF NONSEGREGATED FACILITIES

Contractor, by entering into this contract, certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. It certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained.

Contractor agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, restrooms and washrooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom, or otherwise. It further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods), it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding $10,000 which are not exempt from the provisions of the Equal Opportunity clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

NOTICE TO PROSPECTIVE SUBCONTRACTORS
OF REQUIREMENT FOR CERTIFICATIONS
OF NONSEGREGATED FACILITIES

A Certification of Nonsegregated Facilities, as required by the May 9, 1967 Order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a subcontract exceeding $10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each subcontractor or for all subcontracts during a period (i.e. quarterly, semi-annually, or annually).

E. EMPLOYMENT OF VETERANS

1. The Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era Clause set forth at Section 60-250.4 of Title 41 Code of Federal Regulations is hereby incorporated herein by reference. (This clause is applicable to all contracts or purchase orders for $10,000 or more.)

2. Contractor agrees further to place the above provisions in any subcontract nonexempt under the rules and regulations promulgated by the Secretary under the Vietnam Era Veterans Readjustment Assistance Act of 1974.

F. EMPLOYMENT OF HANDICAPPED PERSONS

1. The Affirmative Action for Handicapped Workers Clause set forth in Section 60-741.41 of Title 41 Code of Federal Regulations is hereby incorporated herein by reference. (This clause is applicable to all contracts or purchase orders for $2,500 or more.)

2. Contractor agrees further to place the above provision in any subcontract nonexempt under the rules and regulations promulgated by the Secretary under the Rehabilitation Act of 1973.

SCHEDULE I

Attached to and made a part of Operating Agreement
dated December 5, 1981, between Mesa Petroleum Co., as
Operator, and Jack Grynberg and Associates, et al as Non-Operators.

The Combined Fixed Rates, as heretofore provided under Section III, Paragraph A. of the COPAS-1974 Accounting Procedure to which this schedule is attached, shall be in lieu of all charges to the Joint Account for the indirect costs and expenses incurred by Operator in providing the joint operations with the producing and development functions and services hereinafter identified as Compensation for Administrative, Supervision, Office Services and Warehousing costs.

The following reflects a representative abridged listing of the functions and/or services which shall be considered as included in the Operator's District Expense and Warehousing, and should serve as a guide for similar functions intended to be covered by the Combined Fixed Rates even though some of the functions may be contract services performed by third parties.

Salaries, Benefits and Related Costs of Field, Area and/or District:
- Managers and/or Superintendents
- Foreman - Superintendent
  - Drilling - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
  - Production - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
  - Construction - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- Production Engineers - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- Production Geologists - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- Other Technical Employees - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- Office Stenographers
- Office Clerks
  - Time Keeping
  - Preparation of Boat, Automotive and Other Vehicle Reports
  - Local Purchasing (Field Orders)
  - Preparation and coding of invoices
  - Preparation of Material Requisitions
  - Preparation of Field Transfers
  - Preparation of Field Receiving Reports
  - Posting of Production Reports
  - Preparation of Over and Short Reports
  - Reading and Integration of Charts
  - Preparation of Field Gas Production and Consumption Report
  - Preparation of Field Office Reports to State and Federal Regulatory Bodies
  - Miscellaneous Routine Field Office Clerical Duties
  - Field Office Inventory Men
    - Conducting Physical Inventories
    - Preparation of Field Inventory Records
  - Warehousemen and/or Clerks

Office Equipment, Supplies, Stationery and Forms

Maps, Photostats and Blueprints, when required for general District Use.

Rentals
- Rentals paid for buildings, office and storage space used by District employees.
- Rentals paid in connection with sites for District production offices, camps, warehouses and other facilities used specifically for District purposes.

Ad Valorem Taxes
Taxes paid on buildings and equipment charged to Operator's Field, Area, and/or District investment accounts.

Insurance
Net cost of all types of insurance, including workmen's compensation and public liability insurance; when such insurance is applicable to the District.

The following reflects a representative abridged listing of the functions and/or services which shall be considered as included in the Operator's Administrative Overhead, and should serve as a guide for similar functions intended to be covered by the combined Fixed Rates even though some of the functions may be contract services performed by third parties.

General Management

General Operating Administration
Drilling Managers and/or Superintendents and Office Staffs
Production Managers and/or Superintendents and Office Staffs
Civil Engineers - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
Reservoir Analysis and Engineering
Petroleum Engineers - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
Negotiation of Production and Residue Gas Sales
Negotiation of Major Gas Sales
Preparation and Negotiation of Joint Operation Agreements
Preparation of General Production Records
Traveling and Transportation Expense of Home, Division, Area, Region, or similar Administrative Office Employees

General Accounting and Services
Checking of invoices
Preparation of Paychecks
Responsibility of Account Distribution or Coding
Payment of Vendor's Invoices
Maintaining Property Investment Records
Maintaining Joint Interest Cost Records
Preparation of Joint Interest Billing
Preparation of Royalty Checks
Machine Accounting and Data Processing Functions
Photostat and Other Reproduction Service
Ad Valorem Tax Service and/or Counsel
Systems and Procedures
Internal Auditing

Communications Expense - Telephone, telegraph and teletype service rendered to the district; also operating expenses of radio communication systems which serve the district and which are not chargeable to any particular lease or facility operation. The costs applicable to communication service and/or equipment directly employed on and serving the joint property shall be a direct charge to the joint property.

Area and/or District Office Utility Services

Local Field, Area and/or District Recreational Facilities

Safety Meetings and/or Dinners

Area and/or District Office Safety Equipment

First Aid Supplies

Physical and Medical Examinations - Cost of pre-employment and medical examinations of personnel to be employed in the district, including costs of annual or periodic examinations and immunizations.

Transportation, including freight and express costs when such costs are incurred directly in the operation and/or maintenance of district offices, buildings, and facilities.

Traveling Expense of district employees when such expense is for the sole benefit of the district. Traveling and personal expenses of district employees attending oil shows, API meetings, and company training schools, etc., which are for the primary benefit of the Operator shall be borne solely by the Operator.

Moving Expenses - Costs of moving and transfer of district employees including relocation expenses such as real estate fees, closing costs, compensation for loss on sale of home, carpeting and draperies, etc., when transferred within or into the district. Costs incurred for the primary benefit of the Operator, such as transfer of trainees, shall be borne solely by the Operator.

Memberships, dues and Subscriptions for Field, Area and/or District Personnel.

Depreciation on Operator's wholly-owned Field, Area, and/or District Production offices, equipment, buildings, camps, roads, fences, canals, docks, marine terminals, and slips, etc., used for District purposes.

Repair and Maintenance on Operator's wholly-owned Field, Area, and/or District production offices, equipment, buildings, camps, roads fences, canals, docks, marine terminals, and slips, etc. including the cost of small tools and supplies used specifically for District purposes.

Warehouse - wholly-owned
- Depreciation
- Operating and Maintenance Expense
- Cost of Storing and Handling Material

Title Record and Division Order Administration
- Landmen and Titlemen
- Maintenance of Division of Interest Records
- Obtaining Royalty Signatures

Exploration Administration
- Geologists - (Except when permitted as a direct charge under Para. 1.ii, Sec. III)
- General Research
- Geophysicists

General Purchasing Administration

Industrial and Public Relation Administration
- Employee Relation Counselor
- Safety Engineer
- Industrial Nurse and/or Doctor
- Dinners, Parties, etc.
- Safety Awards
- Incentive Awards
- Thanksgiving Turkeys or Christmas Baskets
- Contributions to Charity and/or Civic Organizations
- Special Investigators
- Administration of Benefit Plans

General Oil and Gas Well Proration and Pricing Administration
- Preparation of Reports to and Representation before Governmental Agencies

General Legal Counsel
- Preparation of Contracts
- Claims and Litigation
- Title and Other Opinions

Transportation and Traffic Administration

Insurance Administration

MESA PETROLEUM CO.

Co./Div./Subsid./Dept.

ID # 01-05-NM-0136-0075-001-0

Code General Account #

Exploratory _____ Development X

ASE, WELL NAME, AND LOCATION PAT STATE COM #1
660' FSL & 660' FEL, SEC 12, T5S, R24E, CHAVES COUNTY, NEW MEXICO

ESCRIPTION Cost estimate to drill and complete a 4,100' flowing Abo gas well, i
including production equipment.

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 11
CASE NO. 7811

Job Acct. Codes	ITEM DESCRIPTION	Dry Hole Cost	Completion Cost	Producer Other
201	DRILLING—FOOTAGE Ft. At $ /Ft.	$ Submitted by	$ Gruntz	$
202	DRILLING or COMPLETION RIG MI-RU, RD-MO	20,000 Hearing Date	3/11/82	20,000
	(A) DAY WORK 9/6 DAYS At $ 6000/1250 /DAY	54,000	7,500	61,500
203	DRILLING or COMPLETION RIG			
	(A) BOILER DAYS At $ /DAY			
	(B) CAMP & CATERING DAYS At $ /DAY			
	(C) OTHER DAYS At $ /DAY			
204	CEMENTING SERVICES, CEMENT & ACCESSORIES	27,000	10,000	37,000
205	MUD, CHEMICALS, SERVICES & EQUIP. (A) MUD, CHEM., OIL	8,000		8,000
	(B) WATER	10,000	3,000	13,000
206	LOGS, TESTING & MUD LOGGING UNIT	8,000	3,000	11,000
207	DRILL STEM TEST & RELATED TESTING EQUIPMENT			
208	PERFORATING, WELL STIMULATION SERVICES		50,000	50,000
209	LOCATION, ROADS, SURVEYS, AIRSTRIPS	15,000	1,000	16,000
210	COMPANY LABOR, SUPERVISION, ENGINEERING & OVERHEAD	3,000	2,000	5,000
211	RENTAL EQUIPMENT & TOOLS	18,000	3,000	21,000
212	ROCK BITS, HOLE OPENERS, REAMERS, STABILIZERS	8,000		8,000
213	HAULING & FREIGHT	7,000	4,000	11,000
214	MOBILIZATION - INSTALLATION			
215	DEMOBILIZATION - DISMANTLING & SALVAGE			
216	SUPPLYBOATS, CREWBOATS, BARGES, TUGS			
217	FUEL, LUBES, POWER	5,000		5,000
218	SHOREBASE, OFFICE, DOCK FEE & CRANES			
219	AIRCRAFT RENTALS—HELICOPTERS, FIXED WING			
220	DIVERS AND RELATED EQUIPMENT			
221	MISCELLANEOUS	7,000	3,000	10,000
222	COST to ABANDON (NOT INCLUDED IN PRODUCER TOTAL)*	*8,000		
223	MUD ENGINEER DAYS At $ /DAY			
224	CONSULTING ENGINEER			
	(A) DRILLING DAYS At $ /DAY			
	(B) COMPLETION DAYS At $ /DAY			
225	GEOLOGICAL CONSULTANT2 DAYS At $ 250 /DAY	500		500
	Total Intangible & Non-Controllable Costs	$ 198,500	$ 86,500	$ 277,000*
231	BUOYS AND MARKERS	$	$	$
232	CASING/TUBULARS			
	(A) 900 FT. OF 13 3/8 " OD $ 27.00 /FT.	24,300		24,300
	(B) 1750 FT. OF 8 5/8 " OD $ 13.50 /FT.	23,600		23,600
	(C) 4100 FT. OF 4 1/2 " OD $ 6.50 /FT.		26,700	26,700
	(D) 3550 FT. OF 2 3/8 " OD $ 4.00 /FT.		14,200	14,200
	(E) FT. OF " OD $ /FT.			
233	WELL HEAD & GUIDE STRUCTURE	3,600	4,100	7,700
234	SUB-SURFACE WELL EQUIPMENT			
235	SURFACE WELL EQUIPMENT			
236	OTHER MAJOR EQUIPMENT			
	(A) SEPARATOR		8,000	8,000
	(B) 210-BBL FIBERGLASS TANK		3,000	3,000
	(C)			
	BUILDINGS			
	ELECTRICAL & INSTRUMENTATION EQUIPMENT			
	INSTALLATION, MATERIALS, & SERVICES		3,500	3,500
	Total Tangible Controllable & Non-Controllable Costs	$ 51,500	$ 59,500	$ 111,000
	Total Costs	$ 250,000	$ 146,000	$ 388,000*

Prepared By: William R. Mitchell Title: DIV DRLG SPVR Date: 11-10-81

Approved: Michael P. Hunter Title: OPS MGR Date: 11-10-81

Approved _____ Title _____ Date _____

Approved _____ Title _____ Date _____

Approved Company: Jack Grynberg & Assoc. By _____ Title _____ Date _____

Mesa WI _____ %

Others WI

_____ _____ %

_____ _____ %

Jack Grynberg & Assoc. 50 %

_____ _____ %

Schlumberger

SIMULTANEOUS
COMPENSATED NEUTRON-FORMATION DENSITY

COMPANY J.J. Grynberg & Assoc.

WELL McDermott 30 Comm No.1

FIELD Wildcat

COUNTY Chaves STATE New Mexico

LOCATION: 660' FNL & 1980' FEL

SEC. 30 TWP. 6 S RANGE 25 E

AIR SERIAL NO.

COUNTY

FIELD

LOCATION

WELL

COMPANY

Other Services: DLL CYBERLOOK

Elev.: K.B. 3795
D.F. —
G.L. 3780

Permanent Datum: Ground Level Elev.: 3780
Log Measured From: K.B. 15 Ft. Above Perm. Datum
Drilling Measured From: Kelly Bushing

Date	11/13/82
Run No.	ONE
Depth - Driller	1904
Depth - Logger	3960
Btm. Log Interval	3957
Top Log Interval	Surf
Casing - Driller	7 5/8 @ 1871
Casing - Logger	1910
Bit Size	6 3/4
Type Fluid in Hole	Fresh Water Gel
Dens.	9.2
Visc.	51
pH	
Fluid Loss	
Source of Sample	Mud Pit
Rm @ Meas. Temp.	.108 @ 66 °F
Rmf @ Meas. Temp.	.062 @ 66 °F
Rmc @ Meas. Temp.	.232 @ 66 °F
Source: Rmf / Rmc	Calc / Calc
Rm @ BHT	.057 @ 96 °F
Time Circulation Stopped	1600
Time Logger on Bottom	1900
Max. Rec. Temp.	96 °F
Equip. / Location	8391 Roswell
Recorded By	Hysse
Witnessed By	David Boswell

FOLD HERE

The well name, location and borehole reference data were furnished by the customer.

RUN NO.	ONE			
Service Order No.	227490			
Fluid Level	278'			
Salinity, PPM Cl.	140 K			
Speed - F.P.M.	30			

Type Log	Depth		

EQUIPMENT DATA

Dens. Panel	1336
Dens. Cart.	8391
Dens. Skid.	1042
Dens. Sonde	307
Dens. Source	2719
Dens. Calibrator	184
Neut. Panel	1336
Neut. Cart.	2280
Neut. Source	8391
Neut. Calibrator	2382
GR Cart.	4046
Memorizer Panel	3076
Tape Recorder (TTR)	5806
Depth Encoder (DRE)	1DIW
Pressure Wheel (CPW)	—
Centralizers: Enter Spring, Standoffs, In-line, or None — Type	None
Centralizers: Enter Spring, Standoffs, In-line, or None — No.	—
Centralizers: Enter Spring, Standoffs, In-line, or None — S. O. — Inches	—

REMARKS:

CREW: L. FRANCO

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
GRYNBERG
CASE NO. 7476
EXHIBIT NO. 7
Date 3/24/83

CALIBRATION DATA

GR	BKG. CPS	SEE CALIBRATION SUMMARY
	Source CPS	
	Sens. - Cal	
	T. C. - Cal	
CNL	Short Spacing - Before Log	
	Long Spacing - Before Log	
	Short Spacing - After Log	
	Long Spacing - After Log	
FDC	P¹ — Before Log	
	P² — Before Log	
	P¹ — After Log	
	P² — After Log	

LOGGING DATA

DEPTH Top	DEPTH Bottom	CNP Porosity Scale	CNP Matrix	CNP Auto Corr. or Hole Size Setting	FDC Porosity Scale	FDC Grain Density	FDC Liquid Density	FDC Hole Fluid	GR Sens. Logged	GR p.c.	GR Zero Div. Left	GR Scale per 100 Div.
TD: 1910	1910	20/TR	LS	AUTO	20/TR	2.71	1.1	Water	165	1	0	100
1910	Surf	"	LS (cased)	BS	—	—	—	—	"	"	"	"

AFTER SURVEY TOOL CHECK SUMMARY

PERFORMED: 82/03/13
PROGRAM FILE: ISN (VERSION 20.2 81/ 1/30)

CNTA TOOL CHECK

	JIG BEFORE	AFTER
NRAT	2.198	2.190

POROSITY CHANGE (LIME): -0.000

PGTE TOOL CHECK

	JIG BEFORE	AFTER	UNITS
FFDC	337	335	CPS
NFDC	496	525	CPS

FILE

2

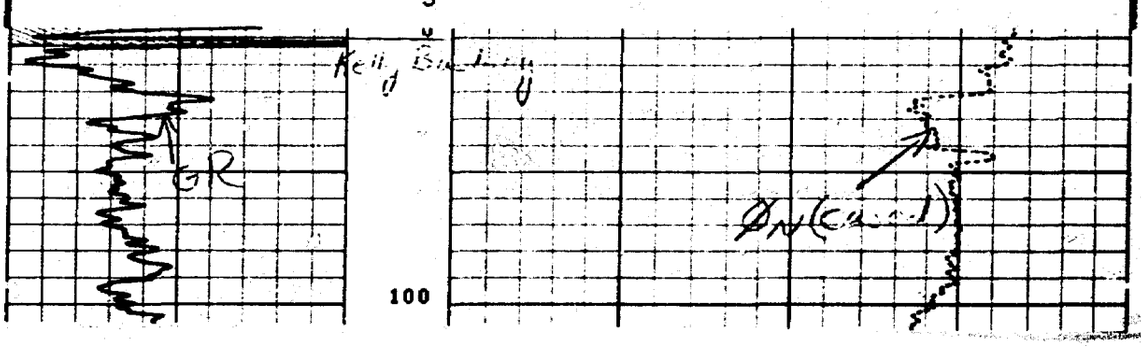
CHANGED PARAMETERS

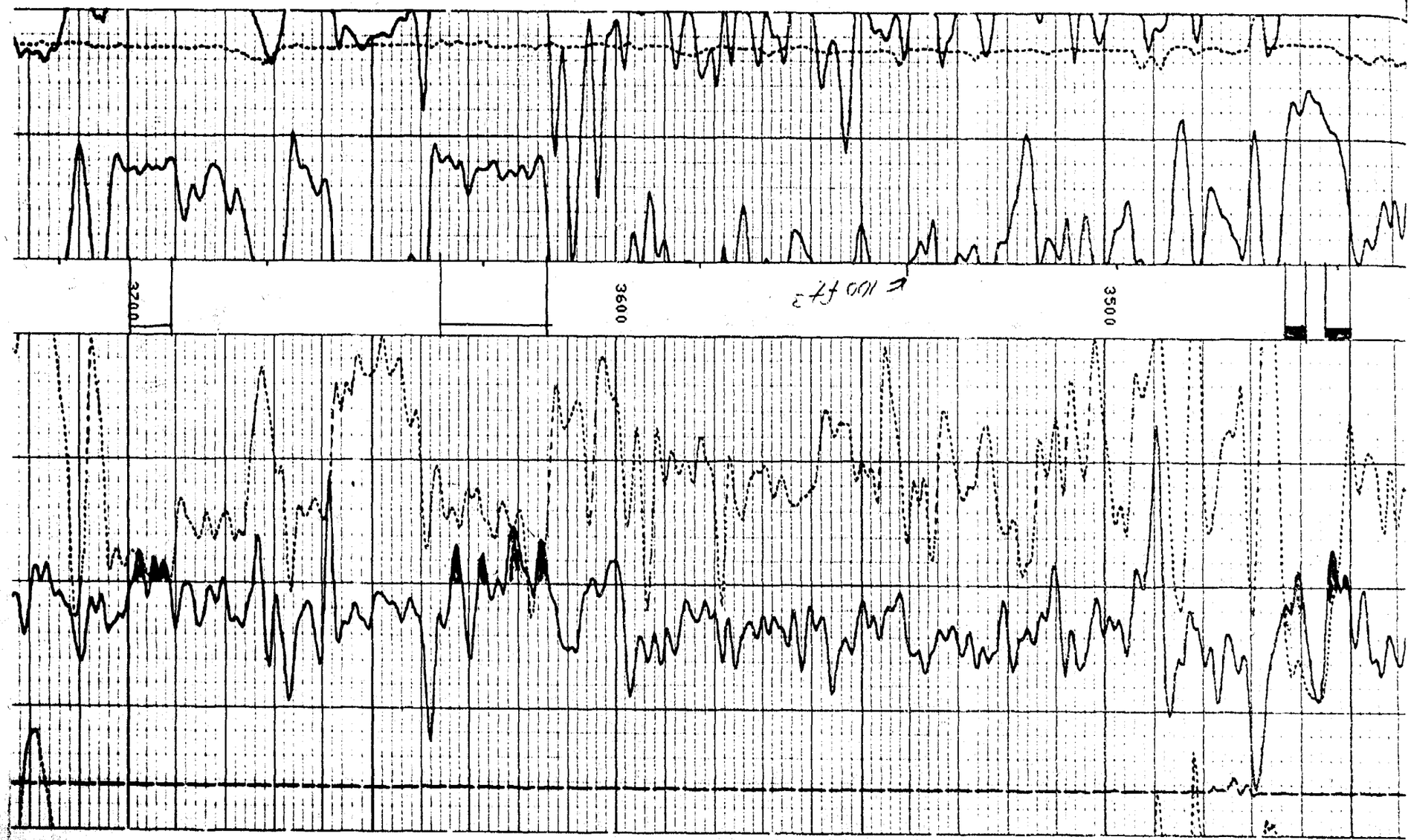
NAME	VALUE	UNIT	NAME	VALUE	UNIT
BHS	CASE		HC	BS	

GR (GAPI)		DRHO(G/C3)	
100.0 200.0		-0.050 0.4500	
CALI(IN)		RHOB(G/C3)	
5.000 15.00		2.000 3.000	
GR (GAPI)		NPHI(LIME	
0.0 100.0		0.3000 -0.100	

FILE

5




3200
3600
100 ft
3500

Schlumberger

SIMULTANEOUS
DUAL LATEROLOG MICRO-SFL

COMPANY T.J. Grynberg & Associates

WELL McDermott 30 Comm No. 1

FIELD Wildcat

COUNTY Chaves STATE New Mexico

LOCATION 660' FNL & 1980' FEL

API SERIAL NO. | SEC 30 | TWP 6 S | RANGE 25 E

Other Services: FDC/CNL CYBERLOOK

COUNTY
FIELD
LOCATION
WELL
COMPANY

Permanent Datum: Ground Level Elev.: 3280
Log Measured From: K.B. 11.5 Ft. Above Perm. Datum
Drilling Measured From: Kelly Bushing

Elev.: K.B. 3291.5
D.F. —
G.L. 3280

Date	3/12/82							
Run No.	ONE							
Depth—Driller	4004							
Depth—Logger (Schl.)	3958							
Btm. Log Interval	3949							
Top Log Interval	2595							
Casing—Driller	754 @ 1871	@	@	@				
Casing—Logger	910			@				
Bit Size	7 7/8 in 2861 & 6 1/4 in TD							
Type Fluid in Hole	Salt Base/Gel							
Dens. / Visc.	9.7 51							
pH / Fluid Loss	10.0 7.2 ml							
Source of Sample	Mud Pit							
Rm @ Meas. Temp.	.08 @ °F	@ °F	@ °F	@ °F				
Rmf @ Meas. Temp.	.062 @ 66 °F	@ °F	@ °F	@ °F				
Rmc @ Meas. Temp.	.112 @ 66 °F	@ °F	@ °F	@ °F				
Source: Rmf / Rmc	Calc Calc							
Rm @ BHT	.057 @ 96 °F	@ °F	@ °F	@ °F				
TIME Circulation Stopped	1600							
TIME Logger on Bottom	2330							
Max. Rec. Temp.	96 °F	°F	°F	°F				
Equip. Location	8341 ROSWELL							
Recorded By	HYDE							
Witnessed By	DAVIS RISWELL							

FOLD HERE

The well name, location and borehole reference data were furnished by the customer.

Run No.	ONE				
Service Order No.	22749D				
Fluid Level	278'				
Salinity, PPM Cl.	130,000				
EQUIPMENT DATA					
Panel (DLP)	2713				
Panel (SRP)	2708				
Cartridge (DLC)					
Cartridge (SRE)					
Sonde (DLS)					
Sonde (SRS)					
Lower Electrode (DLE)	—				
Memorizer Panel	3076				
Tape Recorder (TTR)	5806				
Depth Encoder (DRE)	IDW				
Pressure Wheel (CPW)	—				
Centralizers: Enter Spring, Standoffs, In-line, or None — Type	None				
Centralizers: Enter Spring, Standoffs, In-line, or None — No.	—				
Centralizers: Enter Spring, Standoffs, In-line, or None — S. O. Inches	—				
CALIBRATION DATA					
GR — BKG. CPS	25				
GR — Source CPS	190				
LOGGING DATA					
GR — Sensitivity	165				
GR — Scale -100 Div.	100				
GR — T.C. - sec	1				
Speed FPM	60				
BOTTOM HOLE TEMPERATURE					
Time Entering Hole	2260				
Time Bottom Reached	2330				
Time Last Off Bottom	2245				
Time Out of Hole	2330				
Distance TD to Therm.	39'				
Thermometer #1	96 °F	°F	°F	°F	
Thermometer #2	°F	°F	°F	°F	
Thermometer #3	°F	°F	°F	°F	
Rw FROM DRILL STEM TEST					
DST #1 - Rw @ 100 °F	Ω M	Ω M	Ω M	Ω M	
DST #2 - Rw @ 100 °F	Ω M	Ω M	Ω M	Ω M	

Gary Harvey
3/16/82

SCALE CHANGES			
Type Log	Depth	Scale Up Hole	Scale Down Hol

CREW: L. Franco
A. Morrow

Main log section not taken to TD at customer request due to bad hole.

MSFL valid below 3390'
Caliper valid below 2595'

All interpretations are opinions based on inferences from electrical or other measurements and we cannot, and do not guarantee the accuracy or correctness of any interpretations, and we shall not, except in the case of gross or willful negligence on our part, be liable or responsible for any loss, cost, damages or expenses incurred or sustained by anyone resulting from any interpretation made by any of our officers, agents or employees. These interpretations are also subject to our General Terms and Conditions as set out in our current Price Schedule.

DST #1 - Rw @ 100 °F	ΩM	ΩM	ΩM	ΩM
DST #2 - Rw @ 100 °F	ΩM	ΩM	ΩM	ΩM

All interpretations are opinions based on inferences from electrical or other measurements and we cannot, and do not guarantee the accuracy or correctness of any interpretations, and we shall not, except in the case of gross or wilful negligence on our part, be liable or responsible for any loss, costs, damages or expenses incurred or sustained by anyone resulting from any interpretation made by any of our officers, agents or employees. These interpretations are also subject to our General Terms and Conditions as set out in our current Price Schedule

AFTER SURVEY TOOL CHECK SUMMARY

PERFORMED: 82/03/13
PROGRAM FILE: MILL (VERSION 20.2 81/ 1/30)

DSTB TOOL CHECK

	PLUS		
	BEFORE	AFTER	UNITS
LLS	31.60	31.58	OHM
LLD	31.60	31.55	OHM

DST TOOL CHECK

	ZERO		PLUS		
	BEFORE	AFTER	BEFORE	AFTER	UNITS
CMSF	-*	-0.7	1000.	1006.	MMHO
I1	-0.0	2.4	200.0	160.3	MMHO

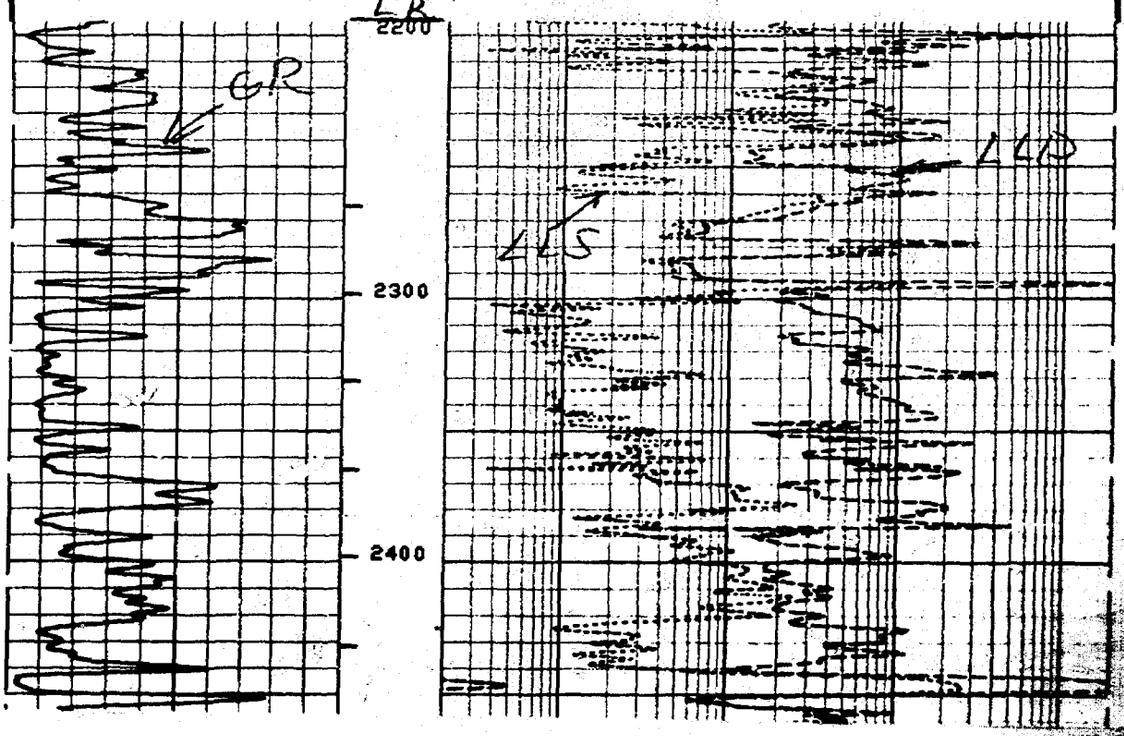
FILE

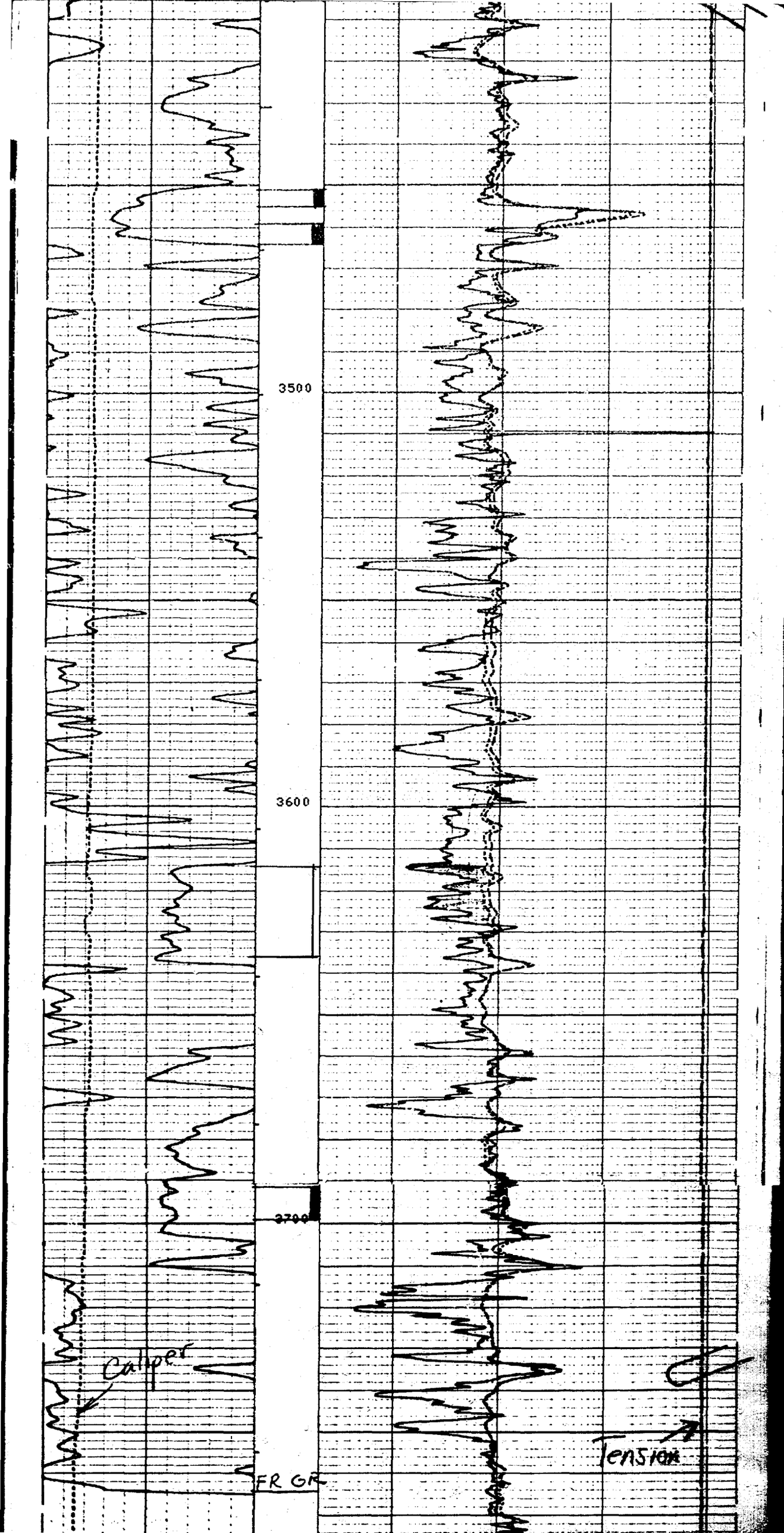
101

		LLD (OHMM) 2000. 200000
GR (GAPI) 100.0 200.0		LLS (OHMM) 0.2000 2000.
GR (GAPI) 0.0 100.0		LLD (OHMM) 0.2000 2000.

FILE

101




3500
3600
3700
Caliper
FR GR
Tension

JACK GRYNBERG AND ASSOCIATES

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455

TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

December 18, 1981

Corona Oil Company
4835 LBJ Freeway, Suite 635
Richardson, TX 75234

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
Grynberg EXHIBIT NO. 5
CASE NO. 7476
Submitted by Grynberg
Hearing Date 3/16/82

ATTN: Helen Orgian

RE: Proposed Wells:
T6S-R25E, Section 17: SESW
T5S-R24E, Section 12: SENE
T5S-R24E, Section 12: SWSE
Chaves County, New Mexico

Dear: Ms. Orgian :

Enclosed are three (3) sets of AFE's covering the proposed wells captioned above. Operating Agreements covering each proposed well will follow in a few days.

If you find these AFE's acceptable please sign both copies of each set and return one copy for our files.

Thank you for your attention to this matter.

Sincerely,

JACK GRYNBERG AND ASSOCIATES

Randy Keough

Randy Keough
Petroleum Landman

RK:GH
Encl.
CC: Mts, Limited Partnership

JACK GRYNBERG AND ASSOCIATES

PETROLEUM, GEOLOGICAL, GEOPHYSICAL AND MINING ENGINEERS

1050 17th STREET • SUITE 1950 • DENVER, COLORADO 80265 • PHONE 303 – 572-1455

TELEX: 45-4497 ENERGY DVR
TELECOPIER: 303-623-5224

December 15, 1981

Mesa Petroleum Company
1000 Vaughn Bldg.
Midland, TX 79701

ATTN: Mr. Mark Hannifin

RE: Joint Operation Agreements for
Pat State Com#1 and #6 Camack Fed. Com
covering the NE/4 and SE/4, respectively,
5S-24E, Section 12, Chaves County, NM

Dear Mr. Hannifin:

We are returning two (2) sets of signature pages for each of the captioned Operating Agreements. Pursuant to our phone conversation of December 11, 1981, our execution of said agreements is expressly conditioned on the following:

1. That the following language be stricken from said agreements:

   a. Delete the language on page 14, lines 57 through 66 regarding payment bonds;

   b. Delete the first paragraph on page 15 regarding forfeiture of interest upon default.

2. That Jack Grynberg's obligation to pay for operations prior to their commencement as set out in Article XV, lines 53 through 55 of the subject agreements shall be enforceable if, and only if, Mesa Petroleum Company and Corona Oil Company hereby agree to the inclusion of an identical provision in joint Operating Agreements between the parties wherein Jack J. Grynberg, or his assigns, are designated as Operator.

3. That Article VII.E, line 43 be amended to read "18.75% of 88."

Also included herewith are copies of our "Schedule 1" setting forth our geological requirements and persons to whom to relay drilling reports.

MESA
PETROLEUM CO.

DEC 24 1981

December 17, 1981

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
Grynberg EXHIBIT 12
CASE NO. 7476
Submitted by: Grynberg
Hearing Date 3/4/82

Jack Grynberg and Associates
1050 17th Street, Suite 1950
Denver CO 80265

Attention Randy Keough

Gentlemen:

Subject: Conditional Letter Of Acceptance
Operating Agreements dated December 4, 1981
and December 5, 1981
Pecos Slope Prospect
Chaves County, New Mexico
Mesa OP 05-NM-0138-149 and 168

This is to acknowledge receipt of your conditional letter of acceptance dated December 15, 1981 along with exeucted signature pages for the captioned Operating Agreements.

With reference to our subsequent telephone conversations, please find below the language to be inserted in lieu of that language beginning on page 14, line 53-55 of the captioned Operating Agreements.

> In order to consent to the initial or subsequent operations contemplated hereunder, Jack Grynberg and Associates will, in advance, either pay its share of approved expenditures therefore prior to the commencement of each such operation or furnish an irrevocable letter of credit in favor of Operator to secure the prompt and faithful payment of its obligations for each such operation. Said letter of credit shall be for an amount at least equal to Jack Grynberg and Associates' share of expenditures approved in advance of any particular initial or subsequent operation and shall be in such form and with such issuers as are acceptable to the Operator. Jack Grynberg and Associates shall also so furnish such new letters of credit as Operator may from time to time require with reference to further payment of Jack Grynberg and Associates obligations hereunder. This special provision shall be binding upon Jack Grynberg and Associates, its successors and assigns.

Conditioned upon this modification, Mesa Petroleum Co., accepts the remaining changes set out in the above said December 15, 1981 letter.

If the foregoing meets with your approval, please have two copies of this letter executed on behalf of Jack Grynberg and Associates, retaining one for your files and

returning one to this office for further handling.

Yours very truly,

Mark Hannifin

ACCEPTED AND AGREED TO THIS the _____ day of _____, 1981.

JACK GRYNBERG AND ASSOCIATES

BY: _____

CONDITIONAL LETTER OF ACCEPTANCE REGARDING
OPERATING AGREEMENTS DATED DECEMBER 4, 1981
AND DECEMBER 5, 1981
MESA OP 05-NM-0138-149 and 168

Docket No. 8-82

Dockets Nos. 9-82 and 10-82 are tentatively set for March 31, and April 14, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - TUESDAY - MARCH 16, 1982

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for April, 1982, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for April, 1982, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7502: Application of Sun Oil Company for an unorthodox gas well location and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 760 feet from the South line and 960 feet from the East line of Section 6, Township 24 South, Range 37 East, Jalmat Gas Pool, and a 160-acre non-standard proration unit comprising the SE/4 of said Section 6.

CASE 7503: Application of Sun Oil Company for an unorthodox gas well location and non-standard gas proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1980 feet from the North line and 1400 feet from the East line of Section 22, Township 22 South, Range 36 East, Jalmat Gas Pool, and a 120-acre non-standard proration unit comprising the W/2 NE/4 and SE/4 NE/4 of said Section 22.

CASE 7504: Application of Cities Service Company for the extension of vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to a subsurface depth of 3416 feet underlying the NW/4 of Section 19, Township 24 South, Range 37 East.

CASE 7505: Application of BCO, Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Lybrook-Gallup and Basin-Dakota production in the wellbores of wells drilled and to be drilled in Section 2, 3, 4, 9 and 10, Township 23 North, Range 7 West.

CASE 7506: Application of Getty Oil Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of salt water into the Abo formation in the perforated interval from 8900 feet to 9300 feet in its State "P" Well No. 1, located in Unit P, Section 32, Township 16 South, Range 37 East, Lovington-Abo Pool.

CASE 7507: Application of Sonny's Oilfield Service, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the NW/4 NE/4 of Section 29, Township 18 South, Range 38 East.

CASE 7508: Application of P & O Oilfield Services, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SW/4 NE/4 of Section 10, Township 25 South, Range 36 East.

CASE 7459: (Continued from February 17, 1982, Examiner Hearing)

Application of Red Mountain Associates for the Amendment of Order No. R-6538, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6538, which authorized applicant to conduct waterflood operations in the Chaco Wash-Mesa Verde Oil Pool. Applicant seeks approval for the injection of water through various other wells than those originally approved, seeks deletion of the requirement for packers in injection wells, and seeks an increase in the previously authorized 68-pound limitation on injection pressure.

CASE 7457: (Continued from February 17, 1982, Examiner Hearing)
(This Case will be continued to April 28, 1982)

Application of E. T. Ross for nine non-standard gas proration units, Harding County, New Mexico. Applicant, in the above-styled cause, seeks approval for nine 40-acre non-standard gas proration units in the Bravo Dome Carbon Dioxide Area. In Township 19 North, Range 30 East: Section 12, the NW/4 NW/4 and NE/4 NW/4; Section 14, the NW/4 NE/4, SW/4 NE/4, and SE/4 NE/4. In Township 20 North, Range 30 East: Section 11, the NE/4 SW/4, SW/4 SE/4, SE/4 SW/4, and NW/4 SE/4.

CASE 7509: Application of Supron Energy Corporation for a non-standard proration unit or compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard proration unit for the Dakota and Mesaverde formations comprising the SW/4 of Section 2, Township 21 North, Range 8 West, or in the alternative, an order pooling all mineral interests from the surface down through the Dakota formation underlying the S/2 of said Section 2, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7510: Application of Union Oil Company of California for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Penn formations underlying the N/2 of Section 10, Township 22 South, Range 32 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7511: (This Case will be continued to March 31, 1982)
Application of Buffton Oil & Gas Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Devonian formations underlying the W/2 of Section 35, Township 16 South, Range 35 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7496: (Continued from March 3, 1982, Examiner Hearing)

Application of Viking Petroleum, Inc. for an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Abo gas well to be drilled 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, the SE/4 of said Section to be dedicated to the well.

CASE 7512: Application of Viking Petroleum, Inc. for an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well located in Unit H of Section 31, Township 13 South, Range 34 East, Nonombre-Penn Pool, said well being a recompleted Morrow test and located in the SE/4 of the quarter section whereas the pool rules require wells to be located in the NE/4 or SW/4 of the quarter section.

CASE 7476: (Continued from March 3, 1982, Examiner Hearing)

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 7513: Application of Mesa Petroleum Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying the SE/4 of Section 12, Township 5 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7514: Application of Santa Fe Exploration Co. for compulsory pooling, or in the alternative a non-standard proration unit, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Permo-Penn, Strawn, Atoka and Morrow formations underlying the W/2 of Section 2, Township 20 South, Range 25 East to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200 percent charge for risk involved in drilling said well. In the event said 200 percent risk factor is not approved, applicant seeks a non-standard unit excluding the lands of owners not participating in the well.

CASE 7515: Application of Four Corners Gas Producers Association for designation of a tight formation, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Dakota formation underlying all or portions of Townships 26 and 27 North, Ranges 12, and 13 West, Township 29 North, Ranges 13 through 15 West, and Township 30 North, Ranges 14 and 15 West, containing 164,120 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

CASE 7445: (Continued from February 17, 1982, Examiner Hearing)
(This Case will be continued to April 28, 1982)

Application of Harvey E. Yates Company for an NGPA determination, Eddy County, New Mexico. Applicant, in theabove-styled cause, seeks a new onshore reservoir determination in the San Andres formation for its Fulton Collier Well No. 1 in Unit G of Section 1, Township 18 South, Range 28 East.

CASE 7492: (Continued and Readvertised)

Application of Harvey E. Yates Company for a tight formation, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Atoka-Morrow formation underlying all or portions of Townships 7, 8, and 9 South, Ranges 28, 29, 30 and 31 East, containing 161,280 acres, more or less, as a tight formation pursuant to Section 107 of the Natural Gas Policy Act and 18 CFR Section 271. 701-705.

CASE 7500: (Continued from March 3, 1982, Examiner Hearing)

Application of Read & Stevens, Inc. for an exception to the maximum allowable base price provisions of the New Mexico Natural Gas Pricing Act, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order of the Division prescribing the price allowed for production enhancement gas under Section 107 of the Natural Gas Policy Act as the maximum allowable base price if production enhancement work which qualifies under the NGPA is performed on its Hackberry Hills Unit Well No. 4 located in Section 22, Township 22 South, Range 26 East, Eddy County, New Mexico.

Docket No. 7-82

Dockets Nos. 8-82 and 9-82 are tentatively set for March 16 and March 31, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - MARCH 3, 1982

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 7469: (Continued from February 3, 1982, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit H. M. Bailey & Associates, Commercial Union Insurance Company, and all other interested parties to appear and show cause why the following wells on the H. M. Bailey Lease, Township 21 South, Range 1 West, Dona Ana County, should not be plugged and abandoned in accordance with a Division-approved plugging program: In Section 10: Nos. 9 in Unit A; 9, 11, 12, and 13 in Unit B, 10 and 14 in Unit C; and No. 15 in Unit C of Section 9.

CASE 7494: Application of Bass Enterprises Production Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Humble City Unit Area, comprising 800 acres, more or less, of State lands in Township 17 South, Range 37 East.

CASE 7495: Application of Gulf Oil Corporation for simultaneous dedication and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a previously approved 320-acre non-standard Eumont proration unit comprising the E/2 of Section 25, Township 19 South, Range 36 East, to its Graham State Wells Nos. 8 in Unit J and 9 at an unorthodox location 990 feet from the North line and 1980 feet from the East line of said Section 25.

CASE 7496: Application of Viking Petroleum, Inc. for an unorthodox location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Abo gas well to be drilled 62 feet from the South line and 1984 feet from the East line of Section 29, Township 5 South, Range 24 East, the SE/4 of said Section to be dedicated to the well.

CASE 7476: (Continued from February 3, 1982, Examiner Hearing)

Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 7497: Application of Parabo, Inc. for an oil treatment plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at its salt water disposal site in the SE/4 of Section 29, Township 21 South, Range 38 East.

CASE 7458: (Continued from January 6, 1982, Examiner Hearing)

Application of Marks & Garner Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of salt water into the Bough C formation in the perforated interval from 9596 feet to 9616 feet in its Betenbough Well No. 2, located in Unit M of Section 12, Township 9 South, Range 35 East.

CASE 7498: Application of Dwayne E. Hamilton for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Devonian formations underlying the S/2 of Section 5, Township 16 South, Range 35 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7499: Application of Amoco Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp through Devonian formations underlying the S/2 of Section 3, Township 23 South, Range 34 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7073: (Continued from February 17, 1982, Examiner Hearing)

In the matter of Case 7073 being reopened pursuant to the provisions of Order No. R-6558, which order promulgated special rules for the South Elkins-Fusselman Pool in Chaves County, including provisions for 80-acre spacing units and a limiting gas-oil ratio of 3000 to one. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units with a limiting gas-oil ratio of 2000 to one.

CASE 7074: (Continued from February 17, 1982, Examiner Hearing)

In the matter of Case 7074 being reopened pursuant to the provisions of Orders Nos. R-6565 and R-6565-B, which created the South Elkins-Fusselman Gas Pool in Chaves County. All interested parties may appear and present evidence as to the exact nature of the reservoir, and more particularly, as to the proper rate of withdrawal from the reservoir if it is determined that said pool is producing from a retrograde gas condensate reservoir.

CASE 7500: Application of Read & Stevens, Inc. for an exception to the maximum allowable base price provisions of the New Mexico Natural Gas Pricing Act, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order of the Division prescribing the price allowed for production enhancement gas under Section 107 of the Natural Gas Policy Act as the maximum allowable base price if production enhancement work which qualifies under the NGPA is performed on its Hackberry Hills Unit Well No. 4 located in Section 22, Township 22 South, Range 26 East, Eddy County, New Mexico.

CASE 7485: (Continued from February 17, 1982, Examiner Hearing)

Application of Berge Exploration for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Abo formation underlying two 160-acre proration units, the first being the NW/4 and the second being the SW/4 of Section 27, Township 7 South, Range 26 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

CASE 7501: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating and extending certain pools in Chaves, Eddy and Lea Counties, New Mexico.

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the North Caprock-Wolfcamp Pool. The discovery well is The Petroleum Corporation Landlady Well No. 1 located in Unit J of Section 8, Township 12 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM
Section 8: SE/4

(b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Morrow production and designated as the Feather-Morrow Pool. The discovery well is the Santa Fe Energy Company State UTP Well No. 1 located in Unit J of Section 21, Township 15 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM
Section 21: SE/4

(c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Abo Reef production and designated as the Garrett-Abo Reef Pool. The discovery well is the Marathon Oil Company Delmont L. Hatfield Well No. 1 located in Unit J of Section 23, Township 16 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 38 EAST, NMPM
Section 23: SE/4

(d) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Strawn and Atoka production and designated as the Pronghorn Strawn-Atoka Gas Pool. The discovery well is the Yates Petroleum Corporation Pronghorn Unit Well No. 1 located in Unit G of Section 6, Township 23 South, Range 33 East, NMPM. Said Pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM
Section 6: N/2

(e) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Paddock production and designated as the Skaggs-Paddock Pool. The discovery well is the Conoco Inc. SEMU Burger Well No. 107 located in Unit J of Section 19, Township 20 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 19: SE/4

(f) EXTEND the Angell Ranch Atoka-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 27 EAST, NMPM
Section 2: S/2
Section 11: N/2

(g) EXTEND the Atoka-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 26: E/2 NW/4 and E/2 SW/4

(h) EXTEND the Austin-Mississippian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 36 EAST, NMPM
Section 18: S/2

(i) EXTEND the Boyd-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM
Section 3: E/2

(j) EXTEND the Bunker Hill-Penrose Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM
Section 14: S/2 SW/4
Section 23: N/2 N/2
Section 24: S/2 NW/4 and NE/4 NW/4

(k) EXTEND the South Carlsbad-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 26 EAST, NMPM
Section 36: S/2

(l) EXTEND the Chaveroo-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 33 EAST, NMPM
Section 10: W/2
Section 15: W/2

(m) EXTEND the Dark Canyon-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 25 EAST, NMPM
Section 31: N/2

(n) EXTEND the Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 12: E/2

TOWNSHIP 21 SOUTH, RANGE 38 EAST, NMPM
Section 7: NW/4

(o) EXTEND the North Eidson-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 6: Lots 3, 4, 5, 6, 11, 12, 13, 14, and SW/4

(p) EXTEND the Happy Valley-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM
Section 20: S/2

(q) EXTEND the Herradura Bend-Delaware Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 28 EAST, NMPM
Section 29: NW/4 SW/4

(r) EXTEND the Hobbs-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM
Section 34: W/2

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM
Section 3: NW/4

(s) EXTEND the Jalmat Yates-Seven Rivers Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM
Section 26: NE/4

(t) EXTEND the South Kemnitz Atoka-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM
Section 30: W/2

(u) EXTEND the North Loving-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM
Section 20: E/2
Section 21: All
Section 22: S/2
Section 27: All
Section 28: All
Section 29: All

(v) EXTEND the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM
Section 7: SW/4

(w) EXTEND the North Lusk-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 35: All

(x) EXTEND the Oil Center-Glorieta Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 11: NW/4

(y) EXTEND the San Simon-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM
Section 5: NW/4

(z) EXTEND the Sand Ranch-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 29 EAST, NMPM
Section 26: All

(aa) EXTEND the Tomahawk-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 6: SW/4
Section 7: NW/4

(bb) EXTEND the Travis-Upper Pennsylvanian Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM
Section 12: S/2 SE/4

(cc) EXTEND the Tulk-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 14 SOUTH, RANGE 32 EAST, NMPM
Section 35: SW/4

(dd) EXTEND the Turkey Track-Seven Rivers-Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM
Section 22: SE/4 SW/4

(ee) EXTEND the North Young-Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 8: S/2
Section 9: W/2

Docket No. 4-82

Dockets Nos. 6-82 and 7-82 are tentatively set for February 17 and March 3, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - FEBRUARY 2, 1982

OIL CONSERVATION COMMISSION - 9 A.M.
ROOM 205, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

The following cases were continued from the January 11, 1982, Commission hearing:

CASE 7393: (DE NOVO)

Application of Uriah Exploration Incorporated for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cisco, Canyon and Morrow formations underlying the W/2 of Section 13, Township 22 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

Upon application of Supron Energy Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7394: (DE NOVO)

Application of Supron Energy Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Pennsylvanian well to be drilled 467 feet from the North line and 1650 feet from the West line of Section 13, Township 22 South, Range 24 East, the N/2 of said Section 13 to be dedicated to the well.

Upon application of Supron Energy Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

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Docket No. 5-82

DOCKET: EXAMINER HEARING - WEDNESDAY - FEBRUARY 3, 1982

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE
ROOM, STATE LAND OFFICE BUILDING, SANTA FE,
NEW MEXICO.

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 7469: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit H. M. Bailey & Associates, Commercial Union Insurance Company, and all other interested parties to appear and show cause why the following wells on the H. M. Bailey Lease, Township 21 South, Range 1 West, Dona Ana County, should not be plugged and abandoned in accordance with a Division-approved plugging program: In Section 10: Nos. 9 in Unit A, 9, 11,12, and 13 in Unit B, 10 and 14 in Unit C; and No. 15 in Unit C of Section 9.

CASE 7470: Application of Wayne Moore for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Delaware River Unit Area, comprising 2,560 acres more or less, of State and fee lands in Township 26 South, Range 28 East.

CASE 7471: Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the South Lynch State Unit Area, comprising 1920 acres, more or less, of State lands in Township 21 South, Range 33 East.

CASE 7472: Application of Grace Petroleum Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Buffalo-Deep East Unit Area, comprising 2543 acres, more or less, of Federal and State lands in Townships 18 and 19 South, Range 33 East.

CASE 7462: (Continued from January 20, 1982, Examiner Hearing)

Application of Marathon Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of the Drinkard and Blinebry production in the wellbore of its C. J. Saunders Well No. 3, located in Unit C of Section 1, Township 22 South, Range 36 East.

CASE 7473: Application of Inexco Oil Company for pool creation, special pool rules and discovery allowable Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for its Lottie York Well No. 1 located in Unit P of Section 14, Township 17 South, Range 37 East, with special rules therefor, including provisions for 160-acre spacing. Applicant further seeks the assignment of 57,150 barrels of discovery allowable to said well.

CASE 7453: (Continued and Readvertised)

Application of T. D. Skelton for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian and Mississippian formations underlying the NE/4 NW/4 of Section 7, Township 12 South, Range 38 East, to be dedicated to the re-entry of an old well at a standard location thereon or to a new well to be drilled at a standard location if such re-entry is unsuccessful. Also to be considered will be the cost of re-entering and completing said well and the drilling of the new well, if necessary, and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in re-entry and/or drilling said wells.

CASE 7451: (Continued from January 20, 1982, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Abo formation underlying the SE/4 of Section 11, Township 6 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7474: Application of Union Oil Company of California for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Strawn, Atoka and Morrow formations underlying the E/2 of Section 25, Township 19 South, Range 33 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7475: Application of C & K Petroleum, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Casey-Strawn Pool underlying the E/2 SE/4 of Section 28, Township 16 South, Range 37 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7476: Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells and a charge for risk involved in drilling said wells.

Upon application of Mesa Petroleum Company, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 7477: Application of Jack J. Grynberg for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through and including the Abo formation, underlying the NE/4 of Section 30, Township 6 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 7448: (Continued and Readvertised)

Application of Energy Reserves Group, Inc. for creation of a new associated pool and special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new associated pool to be designated the South Peterson Penn Associated Pool, comprising the NW/4 of Section 30, Township 5 South, Range 33 East, the S/2 of Section 11, the S/2 of Section 12, and the N/2 of Section 13, Township 6 South, Range 33 East. Applicant further seeks the establishment of special pool rules including 40-acre spacing units for oil wells and 320-acre spacing units for gas wells and a 4000 to one gas-oil ratio limitation.

CASE 7478: Application of Julian Ard for compulsory pooling and an unorthodox location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 23, Township 20 South, Range 33 East, to be dedicated to a well to be drilled at an unorthodox location 1980 feet from the North line and 2310 feet from the East line of said Section 23. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

JONES, GALLEGOS, SNEAD & WERTHEIM

February 2, 1982

Oil Conservation Division
State of New Mexico
Land Office Building
Santa Fe, New Mexico 87501

7760

Attention: Ms. Florene Davidson

HAND-DELIVERED

Re: Jack Grynberg and Associates; Our File No. 41000-05

Dear Ms. Davidson:

This letter will serve to acknowledge our telephone conversation of February 2, 1982, wherein I advised you that Case No. 7477 had been completely settled by the parties with correlative rights in the NE 1/4 of Sec. 30, Township 6 South, Range 25 East, Chaves County, New Mexico. Case No. 7477 can, therefore, be dismissed and the hearing set for February 3, 1982, at 9:00 a.m. can, therefore, be vacated.

Case No. 7476 has been partially settled by the parties with correlative rights in the subject property. The parties have an agreement as to the NE 1/4 of Sec. 12, Township 5 South, Range 24 East, but are in the process of negotiating a settlement on the SE 1/4 of Sec. 12, Township 5 South, Range 24 East. Jack J. Grynberg, dba Jack Grynberg and Associates, therefore, requests that its application concerning the NE 1/4 of Sec. 12, be dismissed and that case no. 7476 be continued until March 3, 1982, for the purpose of dealing with the SE 1/4 of Sec. 12. Jack Grynberg and Associates have spoken directly to Mr. Daniel S. Nutter, and I am advised by them that Mr. Nutter has agreed to this continuance.

Thank you for your attention to this matter. If you should have any questions concerning this matter, please do not hesitate to contact me.

Sincerely,

JONES, GALLEGOS, SNEAD & WERTHEIM, P. A.

FRANCIS J. MATHEW
FJM:aeg
cc: Mr. Steve Smith

O. RUSSELL JONES (1912-1978)

J.E. GALLEGOS
JAMES E. SNEAD
JERRY WERTHEIM
M.J. RODRIGUEZ
JOHN WENTWORTH
STEVEN L. TUCKER
ARTURO L. JARAMILLO
PETER V. CULBERT
JAMES G. WHITLEY III
FRANCIS J. MATHEW
ROBERT W. ALLEN
JUDITH C. HERRERA
KATHLEEN A. HEMPELMAN
CHARLES A. PURDY

ATTORNEYS AT LAW

215 LINCOLN AVENUE SANTA FE, NEW MEXICO 87501 P.O. BOX 2228 (505) 982-2691 A PROFESSIONAL ASSOCIATION

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

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

CASE NO. 7476

APPLICATION OF JACK J. GRYNBERG

ENTRY OF APPEARANCE

COMES NOW Alex J. Armijo, Commissioner of Public Lands for the State of New Mexico, by and through the undersigned counsel, and requests of the Oil Conservation Division that he be allowed to enter this Appearance as a party of record in the aforesaid proceeding.

The Commissioner states further that oil and gas lands owned by the State of New Mexico are involved in this proceeding that may or may not be adversely affected by the order or decision of the Division in this matter.

Respectfully submitted,

J. SCOTT HALL
Attorney for Alex J. Armijo
Commissioner of Public Lands
for the State of New Mexico
P.O. Box 1148
Santa Fe, New Mexico 87501
505/827-2743

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 7476

APPLICATION OF JACK J. GRYNBERG

ENTRY OF APPEARANCE

COMES NOW Alex J. Armijo, Commissioner of Public Lands for the State of New Mexico, by and through the undersigned, and requests of the Oil Conservation Division that he be allowed to enter this Appearance as a party of record in the aforesaid proceeding.

The Commissioner states further that he may or may not be adversely affected by the order or decision of the Division in this matter.

Respectfully submitted,

JAMES W. LAW
Petroleum Engineer for Alex J. Armijo, Commissioner of Public Lands for the State of New Mexico
P.O. Box 1148
Santa Fe, New Mexico 87501
505/827-2743

BEFORE THE

OIL CONSERVATION DIVISION

ENERGY & MINERALS DEPARTMENT

STATE OF NEW MEXICO

RECEIVED
DEC 31 1981
OIL CONSERVATION DIVISION
SANTA FE

IN THE MATTER OF THE APPLICATION * OF JACK J. GRYNBERG FOR DECLARATION * OF A COMPULSORY POOLING, TOWNSHIP 5 * SOUTH - RANGE 24 EAST, SECTION 12: * SE/14, CHAVES COUNTY, NEW MEXICO *

Case No. 7426

SE/4 Sec 12 consolidated with NE/4 in one case

A P P L I C A T I O N

The applicant, JACK J. GRYNBERG, d/b/a/ JACK GRYNBERG AND ASSOCIATES, by its attorneys Jones, Gallegos, Snead & Wertheim, P.A., hereby requests an order forming a drilling unit covering 160 acres of land in Chaves County, New Mexico, and in support of its application states:

1. Pursuant to the Oil and Gas Act (Sec. 70-2-17e, et seq., N.M.S.A. 1978) the applicant desires to obtain an order of the Division declaring a drilling unit covering those certain lands upon which the specified mineral ownership is held, described as follows:

TOWNSHIP 5, SOUTH, RANGE 24 EAST, N.M.P.M.

Section 12: SE/4 160 Acres

(see Exhibit "A")

2. There presently exists a producing gas well in Township 5 South - Range 24 East, Section 12: SW/4 (Mesa), the potentially producing reservoirs have been reasonably defined by that development and development on surrounding acreage.

3. This application seeks pooling of all of the subject acreage from the surface down through and including the Abo formation.

4. The applicant is the holder of State of New Mexico lease LG-565 covering 80 acres of the proposed unit and being within said Section 12 as follows: E/2 SE/4. Applicant asks designation as operator of the unit and if he is designated as operator of the unit, he will operate under a unit agreement

JONES, GALLEGOS, SNEAD & WERTHEIM, P.A., ATTORNEYS AT LAW, SANTA FE, NEW MEXICO

and plan of operation customary and usual in the Premian Basin of New Mexico, or as otherwise ordered by the Division.

5. A map of the proposed drilling unit is attached hereto and marked Exhibit "A" and also illustrates those portions of the unit under lease to the applicant. Additionally, a schedule, Exhibit "B", is attached and sets out the various working interest owners in the unit and their proportionate shares therein.

6. The applicant believes that his method of operating, especially with respect to completion of the well sought to be drilled, is superior to that employed by Mesa Petroleum Company and, accordingly, believes that he would be the more prudent operator of this unit. The applicant also alleges that he is in a position to drill and complete the proposed well for a substantially lower cost than Mesa Petroleum Company. These factors will lead to greater ultimate recovery, the prevention of waste and the protection of correlative rights.

7. If the unit is declared as sought by this application, the applicant will locate the well in the SW/4 SE/4 of Section 12 and will pool all formations through and including the Abo, with the probable producing horizon being the Abo.

WHEREFORE the applicant requests the Division set this matter down for a hearing before an examiner at the earliest possible date, give notice as required by law and after hearing enter its Order a) compulsory pooling the unit, as described, b) assigning a risk factor for the proposed well, c) providing for overhead to be charged during drilling and producing operations, d) declaring the applicant to be the Operator of said unit, and, e) granting such further relief as is deemed proper.

JACK J. GRYNBERG

JONES, GALLEGOS, SNEAD & WERTHEIM, P.A.
Attorneys for Applicant

BY _____
J. E. GALLEGOS
P.O. Box 2228
Santa Fe, New Mexico 87501
(505) 982-2691

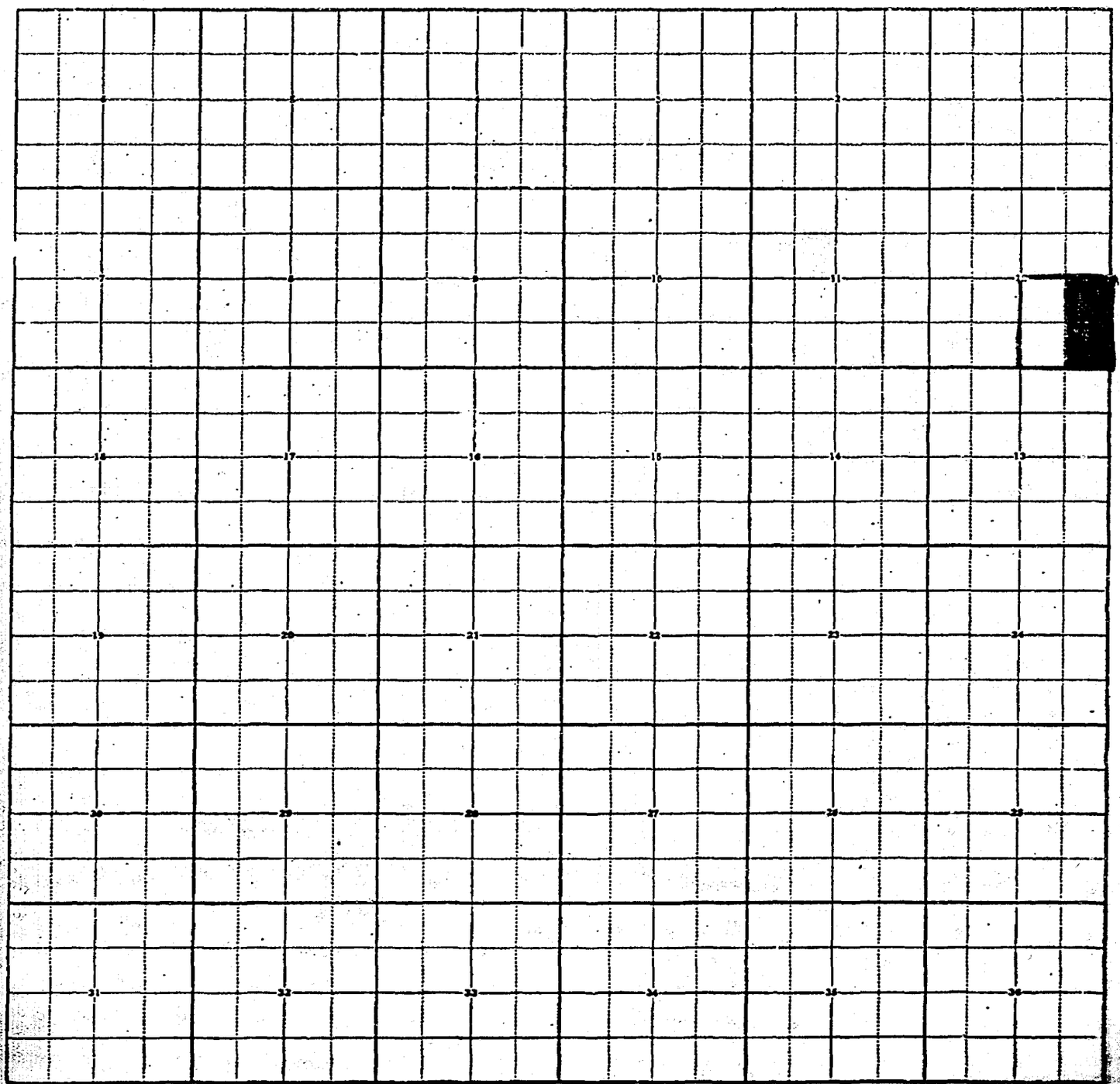
JONES, GALLEGOS, SNEAD & WERTHEIM, P.A., ATTORNEYS AT LAW, SANTA FE, NEW MEXICO

EXHIBIT A

Township 5 South, Range 24 East, County Chaves, State New Mexico,

Jack J. Grynberg acreage NM-LG-565

Unit



FORM 50F

RE: 5 S - 24 E, Section 12: SE/4

EXHIBIT B

OWNER	INTEREST
JACK J. GRYNBERG	50%
MTS, LIMITED PARTNERSHIP	25%
CORONA OIL COMPANY	25%

BEFORE THE

OIL CONSERVATION DIVISION

ENERGY & MINERALS DEPARTMENT

STATE OF NEW MEXICO

SEP 31 1981
OIL CONSERVATION DIV.
SANTA FE

IN THE MATTER OF THE APPLICATION * OF JACK J. GRYNBERG FOR DECLARATION * OF A COMPULSORY POOLING, TOWNSHIP 5 * SOUTH - RANGE 24 EAST, SECTION 12: * NE/4, CHAVES COUNTY, NEW MEXICO *

Case No. 7476

NE/4 Sec 12 consolidated w/ SE/4 in one case.

A P P L I C A T I O N

The applicant, JACK J. GRYNBERG, d/b/a/ JACK GRYNBERG AND ASSOCIATES, by its attorneys Jones, Gallegos, Snead & Wertheim, P.A., hereby requests an order forming a drilling unit covering 160 acres of land in Chaves County, New Mexico, and in support of its application states:

1. Pursuant to the Oil and Gas Act (Sec. 70-2-17C. et seq., N.M.S.A. 1978) the applicant desires to obtain an order of the Division declaring a drilling unit covering those certain lands upon which the specified mineral ownership is held described as follows:

TOWNSHIP 5 SOUTH, RANGE 24 EAST, N.M.P.M.

Section 12: NE/4 160 Acres

(see Exhibit "A")

2. There presently exists producing gas wells in Township 5 South, Range 24 East, Section 1: SE/4 (Yates); Township 5 South, Range 25 East, Section 7: NW/4 (Yates); the potentially producing reservoirs have been reasonably defined by that development and development on surrounding acreage.

3. This application seeks pooling of all of the subject acreage from the surface down through and including the Abo formation.

4. The applicant is the holder of State of New Mexico lease LG-565 covering 40 acres of the proposed unit and being

JONES, GALLEGOS, SNEAD & WERTHEIM, P.A., ATTORNEYS AT LAW, SANTA FE, NEW MEXICO

within said Section 12 as follows: NE/4 NE/4. Applicant seeks designation as operator of the unit and if he is designated as operator of the unit, he will operate under a unit agreement and plan of operation customary and usual in the Permian Basin of New Mexico, or as otherwise ordered by the Division.

5. A map of the proposed drilling unit is attached hereto and marked Exhibit "A" and also illustrates those portions of the unit under lease to the applicant. Additionally, a schedule, Exhibit "B", is attached and sets out the various working interest owners in the unit and their proportionate shares therein.

6. The applicant believes that his method of operating, especially with respect to completion of the well sought to be drilled, is superior to that employed by Mesa Petroleum Company and, accordingly, believes that he would be the more prudent operator of this unit. The applicant also alleges that he is in a position to drill and complete the proposed well for a substantially lower cost than Mesa Petroleum Company. These factors will lead to greater ultimate recovery, the prevention of waste and the protection of correlative rights.

7. If the unit is declared as sought by this application, the applicant will locate the well in the SE/4 NE/4 of Section 12 and will pool all formations through and including the Abo, with the probable producing horizon being the Abo.

WHEREFORE the applicant requests the Division set this matter down for a hearing before an examiner at the earliest possible date, give notice as required by law and after hearing enter its Order a) compulsory pooling of the unit, as described, b) assigning a risk factor for the proposed well, c) providing for overhead to be charged during drilling and producing operations, d) declaring the applicant to be the Operator of said unit, and e)

JONES, GALLEGOS, SNEAD & WERTHEIM, P.A., ATTORNEYS AT LAW, SANTA FE, NEW MEXICO

granting such further relief as is deemed proper.

JACK J. GRYNBERG

JONES, GALLEGOS, SNEAD & WERTHEIM, P.A.
Attorneys for Applicant

By _____
J.E. GALLEGOS
P.O. Box 2228
Santa Fe, New Mexico 87501
(505) 982-2691

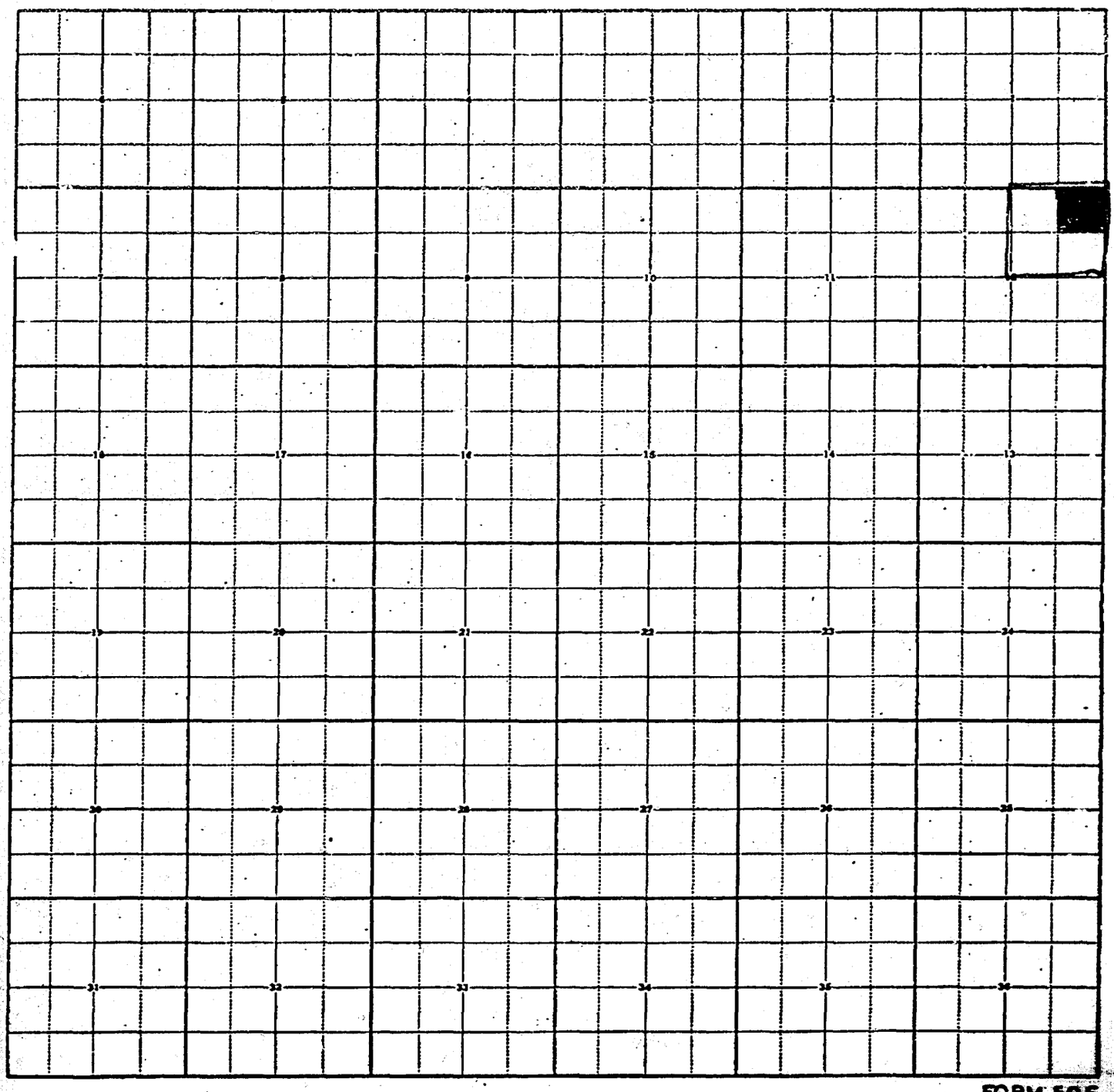
JONES, GALLEGOS, SNEAD & WERTHEIM, P.A., ATTORNEYS AT LAW, SANTA FE, NEW MEXICO

EXHIBIT A

Township 5 South, Range 24 East, County Chaves, State New Mexico,

Jack J. Grynberg acreage USA-NM-17037

Unit



FORM 50F

RE: 5 S - 24 E, Section 12: NE/4

EXHIBIT B

OWNER	INTEREST
MTS, LIMITED PARTNERSHIP	25.000%
CORONA OIL COMPANY	25.000%
PLAINS RADIO BROADCASTING	12.500%
MERCURY EXPLORATION	4.875%
TEX-MEX DRILLING COMPANY	0.750%
JAMES LUSK	0.500%
JACK CARGILL	0.[illegible]00%
KEMP McMILLAN	0.250%
FRED POOL DRILLING COMPANY	5.625%
JACK J. GRYNBERG	25.000%

Harbee Orders

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION

JJR

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

CASE NO. 7476

Order No. R- 6925

MS.

APPLICATION OF JACK J. GRYNBERG FOR
COMPULSORY POOLING, CHAVES COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March ~~3~~ 16, 1982, at Santa Fe, New Mexico, before Examiner ~~Daniel S. Nutter~~ Richard R. Stamets.

NOW, on this _____ day of ~~March~~ April, 1982, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required

by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) That on December 31, 1981, filed applications seeking ~~That~~ the applicant, Jack J. Grynberg, ~~seeks~~ an order pooling all mineral interests down through and including the Abo formation underlying two 160-acre gas spacing units, being the NE/4 and SE/4, respectively, of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico.

(3) (4) (5) →

(3) That the applicants' subsequent request for dismissal of his request to pool the mineral interests ~~in the~~ NE/4 ~~SE/4~~ of said Section 12 should be approved.

see under

(4) That on February 22, 1982, Mesa Petroleum Company filed an application seeking an order pooling all mineral interests down through and including the Abo formation ~~underlying the NE/4~~ also underlying the SE/4 of said Section 12.

(5) That the Mesa Petroleum Company application was set as Case No 7513 and was consolidated for purposes of testimony with the subject case.

(~~4~~) (6) That any non-consenting working interest owner who

12

(3) (5.

(6) ~~(5)~~ That the applicant has the right to drill and proposes to drill a well at standard locations on each unit.

(7) ~~(6)~~ That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(8) ~~(7)~~ That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

9. That the applicant is the owner of the single greatest interest in the proposed proration unit ~~as the owner of the single greatest interest in the proposed proration unit~~

10 (9) ~~(8)~~ That the applicant should be designated the operator of the subject well and unit.

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

~~(11)~~ That any non-consenting working interest owner who

12

does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the wells.

(12) ~~19~~ 13 That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(13) ~~(12) 20~~ 14 That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(14) ~~(13) 111~~ 15 That $ 2500.00 per month while drilling and $ 250.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(15) ~~(14) 122~~ 16 That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and

(A) That the application of Mesa Petroleum Company in Case No 7513 should be denied,

proof of ownership.

(11) ~~(13)~~ That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before July 1, 1982, the order pooling said unit should become null and void and of no effect whatsoever.

(18)

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Abo formation underlying ~~two~~ a 160-acre gas spacing units, being the ~~NE/4 and~~ SE/4, ~~respectively,~~ of Section 12, Township 5 South, Range 24 East, NMPM, Chaves County, New Mexico, are hereby pooled and are to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said wells on or before the ~~July 1~~ 1st day of July, 1982, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Abo formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of July, 1982, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said wells not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division

Director and show cause why Order (1) of this order should not be rescinded.

(2) That Jack J. Grynberg is hereby designated the operator of the subject well/ and unit/.

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

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

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

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

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

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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

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

(9) That $ 2500.00 per month while drilling and $ 250.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

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

(11) That any well costs or charges which are to be paid

out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

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

(14) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY,
Director

S E A L

(13) that that portion of this application which seeks the pooling of mineral interests underlying the NE/4 of Section 12, Township 5 South, Range 24 East, Chaves County, New Mexico is hereby dismissed.