

CASE 7224: S & I OIL COMPANY FOR COM-
PULSORY POOLING, SAN JUAN COUNTY, NEW
MEXICO

CASE NO.

7224

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,

ETC.



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

May 1, 1981

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

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

Re: CASE NO. 7224
ORDER NO. R-6668

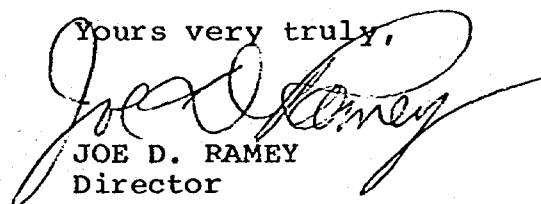
Applicant:

S & I Oil Company

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 x

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
22 April 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of S & I Oil Company for
compulsory pooling, San Juan County,
New Mexico.

CASE
7224

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, 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

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E. V. ISBELL

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Direct Examination by Mr. Kellahin

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Cross Examination by Mr. Nutter

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EXHIBITS

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Applicant Exhibit One, Lease Form

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Applicant Exhibit Two, Lease Form

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Applicant Exhibit Three, Lease Form

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Applicant Exhibit Four, Lease Form

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Applicant Exhibit Five, Lease Form

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Applicant Exhibit Six, Lease Form

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Applicant Exhibit Seven, Letter

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Applicant Exhibit Eight, Letter

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Applicant Exhibit Nine, Plat

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Applicant Exhibit Ten, AFE

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Applicant Exhibit Eleven, Document

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MR. NUTTER: We'll call next Case

3

Number 7224.

4

5

MR. PADILLA: Application of S & I Oil
Company for compulsory pooling, San Juan County, New Mexico.

6

7

(Witness sworn.)

8

9

E. V. ISBELL

10

being called as a witness and being duly sworn upon his oath,

11

testified as follows, to-wit:

12

13

DIRECT EXAMINATION

14

BY MR. KELLAHIN:

15

Q

Mr. Isbell, would you please state your

16

name and occupation?

17

A

I'm E. V. Isbell, Farmington, New

18

Mexico. I own Central Mobile Home Sales.

19

Q

Mr. Isbell, what is your relationship

20

with S & I Oil Company?

21

A

I'm a partner in S & I Oil.

22

Q

Have you previously testified before

23

the Oil Conservation Division, Mr. Isbell?

24

A

No, I haven't.

25

Q

Would you describe briefly for the

1
2 Examiner what your experience has been in the oil and gas in-
3 dustry in northwestern New Mexico?

4 A I moved there in 1956 with the Halli-
5 burton Company and was employed there for sixteen years.

6 Q And what did you do for Halliburton
7 Company?

8 A I was a combination operator, cementing,
9 testing, fracturing.

10 Q Do you own interest in and operate other
11 wells in the San Juan Basin?

12 A Yes, we do. We have five of them.

13 Q And what are your proposed drilling
14 activities with regards to this compulsory pooling case?

15 A Well, it's just a 40-acre tract; we in-
16 tend to drill a Gallup well in that 40 acres.

17 Q All right, sir. Do you hold any type
18 of professional degree in engineering or geology?

19 A No, I don't.

20 Q You're a practical oil and gas operator,
21 then, are you not, Mr. Isbell?

22 MR. KELLAHIN: We tender Mr. Isbell as
23 a practical oil and gas operator.

24 MR. NUTTER: Mr. Isbell is so qualified.

25 Q Mr. Isbell, I'd like to direct your

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5

2 attention. first of all, to your efforts to obtain leasing
3 arrangements or other kind of contractual commitments from the
4 ownership interests in this 40-acre tract.

5 If you'll first of all describe for me
6 what percentage, or how many acres you now have under control
7 in that 40-acre tract.

8 A Okay, there's six royalty owners in this,
9 all brothers and sisters. It was part of an estate and we
10 have 32 acres signed up.

11 Q Is the entire 40-acre tract a fee tract?

12 A Yes.

13 Q Fee interest? And the entire 40-acre
14 tract is divided among six family members, is it?

15 A Yes.

16 Q And you have four of the family members
17 committed under lease to the proposed well?

18 A Yes, I do.

19 Q What is the shortest expiration date
20 you have for any of those leases, Mr. Isbell?

21 A Well, we've got a six month lease from
22 William Davie, which is the primary leaseholder. He has
23 20 acres out of that, and his dated from January 23rd, so we
24 have six months from January 23rd to drill on that.

25 MR. NUTTER: Now, let me, let's back up

1
2 just a minute, Mr. Isbell.

3 It's a 40-acre tract.

4 A. Yes, sir.

5 MR. NUTTER: And there are six royalty
6 owners that own the royalty under this 40 acres.

7 A. Right.

8 MR. NUTTER: It's undivided.

9 A. No, it isn't.

10 MR. KELLAHIN: They are fee owners.

11 A. Yeah.

12 MR. NUTTER: Oh, they're fee owners?

13 MR. KELLAHIN: Yes, sir, this is fee
14 acreage and the 40-acre tract is divided --

15 MR. NUTTER: Into all these various
16 tracts.

17 A. Right.

18 MR. KELLAHIN: Right.

19 MR. NUTTER: Okay, I thought it was
20 undivided among the --

21 A. Okay.

22 MR. NUTTER: -- royalty owners. Okay.

23 But you do have 32 acres --

24 A. 32 acres signed.

25 MR. NUTTER: You do have leases on them.

1
2 A. Yes, I do.
3 MR. NUTTER: That is committed now.
4 A. It's committed now.
5 Q. Let's go through those quickly, Mr.
6 Isbell. I have marked as EXhibit Number One your proposed
7 lease form with Iona Brimhall. Has that lease been executed?
8 A. We gave it to her but she wouldn't sign
9 it.
10 Q. Iona Brimhall is one of the parties to
11 be pooled?
12 A. Yes, she is.
13 Q. All right, we'll talk about her again
14 in a minute, then.
15 Let's turn to the second proposed lease.
16 That's Maxine Hattemer.
17 A. She was given her lease but she wouldn't
18 sign it, either.
19 Q. All right, she is the other individual
20 to be pooled?
21 A. Right.
22 Q. Now, EXhibits Three, Four, Five, and
23 Six represent executed leases by the other family members?
24 A. That's correct.
25 Q. Okay. Would you describe for me what

1
2 Exhibits Seven and Eight are, Mr. Isbell?

3 A That's -- I called Mrs. Brimhall on the
4 13th and asked her if she was going to reconsider signing
5 this thing. She said she wouldn't sign the lease, so I asked
6 her if she would sign the letter stating why she wouldn't
7 sign it. She said she would.

8 So I had my secretary type this thing
9 up, took it out to her, and my partner and I gave it to her
10 last Thursday, and she said that's exactly what happened and
11 I still won't sign it.

12 Q Let's backtrack a little bit. When
13 were your first contacts with Mrs. Brimhall and Mrs. Hattemer
14 concerning their interest in this unit?

15 A It was last September at the settlement
16 of their -- the Davie estate. This was done in an estate,
17 this 40 acres was, and when they finished it, Iona Brimhall
18 brought all her brothers and sisters to my office and we
19 negotiated this lease.

20 Q At that time did she give you any indi-
21 cation that she and Maxine would be willing to sign a lease
22 for you?

23 A Yes, they were all in agreement, except
24 Bill Davie. He wanted a six month lease instead of the one
25 year lease.

1
2 Q And you went ahead and leased with Mr.
3 Davie?

4 A I leased with Mr. Davie.

5 Q And with the other three, also?

6 A Yes, sir.

7 Q And subsequently Ms. Brimhall and Ms.
8 Hattermer refused to execute the leases?

9 A That's correct.

10 Q What, if any, efforts subsequent to that
11 initial meeting have you made to have them execute leases or
12 otherwise join or participate in the well?

13 A Well, I've leased Iona Brimhall's 40
14 acres which is directly west of this 40 acres, and I drilled
15 a well on it two months ago. And this lease is exactly like
16 the one that I leased her property with.

17 Q What were the reasons she gave you for
18 not being willing to execute a lease for you for this acreage?

19 A It's a family squabble. Her and Bill
20 Davie, which are brothers and sisters, well, they really hate
21 each other. She won't sign anything that Bill Davie's name
22 is on.

23 MR. NUTTER: Well, I've got to back up
24 again.

25 A Okay.

1
2 MR. NUTTER: I thought it was an undivided
3 interest awhile ago because it's family members. Are they the
4 heirs to someone?

5 A. Right, uh-huh.

6 MR. NUTTER: And then when these
7 brothers and sisters inherited it, instead of having an
8 undivided interest, they went ahead and physically divided
9 it and each took --

10 A. They divided it up.

11 MR. NUTTER: -- a tract here and a tract
12 there.

13 A. That's correct.

14 MR. NUTTER: So it became an undivided
15 bunch of blots.

16 A. That's what it amounted to; 3.89 acres.

17 MR. NUTTER: That was a standard division
18 and then one of the brothers there, he got --

19 A. One of the brothers had already bought
20 16 acres from the estate.

21 MR. NUTTER: And he got his 3.89 acres
22 plus the 16 that he had already bought, is that correct?

23 A. Yes, that's correct.

24 MR. NUTTER: So -- okay, I'm clear now.

25 A. All right.

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Q

Have you advised Ms. Brimhall and Ms. Hattermer of the economic consequences to them and their interest if they are compulsory pooled by the Division?

A

Yes, I did, and they suggested that I go ahead and pool them. They really didn't need the money, is what they said.

Q

Let's go to Exhibit Number Nine, Mr. Isbell, and have you identify the plat for me.

A

All right. I got this off of Red Walsh there in Farmington. Where this proposed well is, the Brimhall well is directly west of that.

Q

Just south of the road?

A

Yeah, uh huh.

Q

Is that a road?

A

Right, uh-huh, that's highway 550. I also have drilled wells over here in the bottom of Section 11 and Section 12, southeast and southwest of Section 11 and 12.

Q

This is an anticipated Gallup oil well?

A

Yes, sir.

Q

Would you identify for us in the area what other producing or dry hole wells are completed or for which completions have been attempted in the Gallup?

A

The Brimhall in Section 11 is a dry hole

drilled in 1961.

In Section 12, the Faust (sic) Federal was drilled by El Paso Natural Gas in 1961. It was a dry hole.

The Great Western in Section 11, that wasn't a Gallup test there. That was a shallow test.

The Donella Well is Section 3, which we offset with Brimhall's well is a producing well for nine years. It averaged 9 barrels per day for nine years.

Q Is it depleted now?

A. It had a casing collapse and they had to abandon it.

Q Okay. Going to the northwest, are there any Gallup wells in that direction?

A. Yes, there is, over in Section 33 and 34.

Q Would you identify for us on the plat the closest producing Gallup well?

A. It would be in Section 34.

Q The No. 2 Well in the --

A. Right.

Q -- southeast of the southwest?

A. That's correct.

Q Do you have a recommendation for the

1
2 Examiner with regards to the risk involved in the drilling of
3 an economic well at this location?

4 A Well, we think it will be production,
5 you know, but there's always a chance it might not be. We're
6 prepared to take a chance; we think we can make a well.

7 Q All right, sir. The Commission, by
8 statute, has a statutory maximum penalty to be imposed upon
9 non-consenting working interest owners of 200 percent risk
10 factor. That risk factor allows the operator to recover out
11 of production the proportionate share of the non-consenting
12 party's cost, plus an additional 200 percent.

13 In relation to that statutory maximum,
14 how would you -- what opinion do you have with regards to the
15 risk of drilling a Gallup well?

16 A Oh, I take the maximum.

17 Q In your opinion is that a fair and
18 reasonable assessed risk factor for this well at this depth?

19 A Yes, I do.

20 Q All right, sir, let's go to Exhibit
21 Number Ten and have you identify that.

22 A That's an AFE we worked up on the last
23 well that we drilled up there.

24 Q This is the well to the immediate west
25 of this location?

1
2 A No, sir, that's the last well we drilled
3 in Section 12. That was drilled in December and we were going
4 to drill this one the same depth so we estimated the cost
5 would just be a little bit higher, due to inflation.

6 MR. NUTTER: Is that the well that's
7 shown as a dry hole in the southwest quarter of Section 12?

8 A No, sir, it's not. This is a new well
9 here.

10 MR. NUTTER: Where is the well that
11 Exhibit Ten refers to then?

12 A Okay, it's not marked on that map. It's
13 in the southwest of the southwest of Section 12, in that
14 general area.

15 MR. NUTTER: And is it a producing well?

16 A Yes, it is.

17 Q What kind of production rates do you
18 get from the well?

19 A This one here that we just drilled in
20 Section 12 is making about 30 barrels a day.

21 MR. NUTTER: So this proposed location
22 that you've got here in the southwest of Two would be
23 directly between your new well in Section 12 and the wells up
24 in Section 34, right on a line with them.

25 A That's what we plan on, yes, sir.

1
2 MR. NUTTER: And you mentioned that the
3 one in 34 was the nearest well, actually it's no closer than
4 the one in Section 12, is it?

5 A About the same.

6 MR. NUTTER: Okay.

7 A Right.

8 Q Now, between those two producing wells,
9 Mr. Isbell, there are other dry holes in the Gallup formation.

10 A Yes, there is.

11 Q All right. Now, with regards to Exhibit
12 Number Ten, although this is the AFE from that well in Section
13 12, in your opinion will, subject to inflation from December
14 of '80, would these represent reasonable and fair charges for
15 the estimated cost of the well?

16 A Yes, sir.

17 Q All right, sir. Let's turn to Exhibit
18 Number Eleven and have you identify that.

19 A This is -- one of the operators of
20 the Bob-Blanche Well in Section 12 was Walter Kennedy, has
21 10 acres in there that he participated with us, and we charge
22 him \$350 a month.

23 Q The overhead charges on the --

24 A The overhead charges, right.

25 Q On the COPAS accounting instruction on

1
2 page three?

16

3 A. Right.

4 Q. And what was the drilling well rate
5 charged?

6 A. \$3500.

7 Q. In your opinion would those be reasonable
8 charges to assess against the working interest owners for
9 overhead charges in this well?

10 A. Yes, sir.

11 Q. Mr. Isbell, were Exhibits One through
12 Eleven prepared by you or compiled under your direction and
13 supervision?

14 A. Yes, they were.

15 Q. And in your opinion will approval of
16 this application be in the best interests of conservation,
17 prevention of waste, and the protection of correlative rights?

18 A. Yes.

19 MR. KELLAHIN: We move the introduction
20 of Exhibits One through Eleven.

21 MR. NUTTER: Exhibits One through Eleven
22 will be admitted in evidence.
23
24
25

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Isbell, the application was for the pooling of oil and gas underlying the 40-acre tract to drill a well to test the formations underlying the tract, and it was consequently advertised for pooling all mineral interests in all formations underlying this.

This could be amended to all formations down to and including the Gallup, I presume.

A Yes, sir.

Q You don't intend to go below the Gallup?

A No, Gallup is all we're interested in.

Q Okay. And S & I would be the sole working interest owner in this well.

A Yes, we would.

Q With the exception of the poolees, they would be working interest owners.

MR. NUTTER: Are there any further questions of Mr. Isbell?

MR. KELLAHIN: No, sir.

Q Mr. Isbell, I've got one. How do you spell your name?

A I-S-B-E-L-L.

Q Okay, no "A"?

1
2 A No "A".

3 Okay.

4 MR. NUTTER: Are there any further
5 questions of Mr. Isbell? He may be excused.

6 Do you have anything further, Mr. Kel-
7 lahin?

8 MR. KELLAHIN: No, sir.

9 MR. NUTTER: Does anyone have anything
10 they wish to offer in Case Number 7224?

11 We'll take the case under advisement.

12
13 (Hearing concluded.)
14
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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 Conserva-
tion 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. 7224
heard by me on 4/22 1981.
[Signature], Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
22 April 1981

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(Witness sworn.)

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being called as a witness and being duly sworn upon his oath,
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DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Isbell, would you please state your
name and occupation?

A I'm E. V. Isbell, Farmington, New
Mexico. I own Central Mobile Home Sales.

Q Mr. Isbell, what is your relationship
with S & I Oil Company?

A I'm a partner in S & I Oil.

Q Have you previously testified before
the Oil Conservation Division, Mr. Isbell?

A No, I haven't.

Q Would you describe briefly for the

1 Examiner what your experience has been in the oil and gas in-
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I moved there in 1956 with the Halli-

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6 And what did you do for Halliburton
7 Company?

8 A.

I was a combination operator, cementing,

9 testing, fracturing.

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Do you own interest in and operate other

11 wells in the San Juan Basin?

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Yes, we do. We have five of them.

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And what are your proposed drilling

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15 A.

Well, it's just a 40-acre tract; we in-

16 tend to drill a Gallup well in that 40 acres.

17 Q.

All right, sir. Do you hold any type

18 of professional degree in engineering or geology?

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No, I don't.

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You're a practical oil and gas operator,

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MR. KELLAHIN: We tender Mr. Isbell as

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4 ownership interests in this 40-acre tract.

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7 in that 40-acre tract.

8 A. Okay, there's six royalty owners in this,
9 all brothers and sisters. It was part of an estate and we
10 have 32 acres signed up.

11 Q. Is the entire 40-acre tract a fee tract?

12 A. Yes.

13 Q. Fee interest? And the entire 40-acre
14 tract is divided among six family members, is it?

15 A. Yes.

16 Q. And you have four of the family members
17 committed under lease to the proposed well?

18 A. Yes, I do.

19 Q. What is the shortest expiration date
20 you have for any of those leases, Mr. Isbell?

21 A. Well, we've got a six month lease from
22 William Davie, which is the primary leaseholder. He has
23 20 acres out of that, and his dated from January 23rd, so we
24 have six months from January 23rd to drill on that.

25 MR. NUTTER: Now, let me, let's back up

1
2 just a minute, Mr. Isbell.

3 It's a 40-acre tract.

4 A. Yes, sir.

5 MR. NUTTER: And there are six royalty
6 owners that own the royalty under this 40 acres.

7 A. Right.

8 MR. NUTTER: It's undivided.

9 A. No, it isn't.

10 MR. KELLAHIN: They are fee owners.

11 A. Yeah.

12 MR. NUTTER: Oh, they're fee owners?

13 MR. KELLAHIN: Yes, sir, this is fee
14 acreage and the 40-acre tract is divided --

15 MR. NUTTER: Into all these various
16 tracts.

17 A. Right.

18 MR. KELLAHIN: Right.

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20 undivided among the --

21 A. Okay.

22 MR. NUTTER: -- royalty owners. Okay.
23 But you do have 32 acres --

24 A. 32 acres signed.

25 MR. NUTTER: You do have leases on them.

1

2

A. Yes, I do.

3

MR. NUTTER: That is committed now.

4

A. It's committed now.

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Q. Let's go through those quickly, Mr.

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Isbell. I have marked as EXhibit Number One your proposed

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lease form with Iona Brimhall. Has that lease been executed?

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A. We gave it to her but she wouldn't sign

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A. Yes, she is.

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16

That's Maxine Hattemer.

17

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18

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19

Q. All right, she is the other individual

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A. Right.

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Q. Now, EXhibits Three, Four, Five, and

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Six represent executed leases by the other family members?

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A. That's correct.

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25

Davie?

Q

And you went ahead and leased with Mr.

A.

I leased with Mr. Davie.

Q.

And with the other three, also?

A.

Yes, sir.

Q

And subsequently Ms. Brimhall and Ms.

Hattermer refused to execute the leases?

A.

That's correct.

Q

What, if any, efforts subsequent to that initial meeting have you made to have them execute leases or otherwise join or participate in the well?

A.

Well, I've leased Iona Brimhall's 40 acres which is directly west of this 40 acres, and I drilled a well on it two months ago. And this lease is exactly like the one that I leased her property with.

Q

What were the reasons she gave you for not being willing to execute a lease for you for this acreage?

A.

It's a family squabble. Her and Bill Davie, which are brothers and sisters, well, they really hate each other. She won't sign anything that Bill Davie's name is on.

MR. NUTTER: Well, I've got to back up

again.

A.

Okay.

1
2 MR. NUTTER: I thought it was an undivided
3 interest awhile ago because it's family members. Are they the
4 heirs to someone?

5 A. Right, uh-huh.

6 MR. NUTTER: And then when these
7 brothers and sisters inherited it, instead of having an
8 undivided interest, they went ahead and physically divided
9 it and each took --

10 A. They divided it up.

11 MR. NUTTER: -- a tract here and a tract
12 there.

13 A. That's correct.

14 MR. NUTTER: So it became an undivided
15 bunch of blots.

16 A. That's what it amounted to; 3.89 acres.

17 MR. NUTTER: That was a standard division
18 and then one of the brothers there, he got --

19 A. One of the brothers had already bought
20 16 acres from the estate.

21 MR. NUTTER: And he got his 3.89 acres
22 plus the 16 that he had already bought, is that correct?

23 A. Yes, that's correct.

24 MR. NUTTER: So -- okay, I'm clear now.

25 A. All right.

Q. Have you advised Ms. Brimhall and Ms. Hattermer of the economic consequences to them and their interest if they are compulsory pooled by the Division?

A. Yes, I did, and they suggested that I go ahead and pool them. They really didn't need the money, is what they said.

Q. Let's go to Exhibit Number Nine, Mr. Isbell, and have you identify the plat for me.

A. All right. I got this off of Red Walsh there in Farmington. Where this proposed well is, the Brimhall well is directly west of that.

Q. Just south of the road?

A. Yeah, uh huh.

Q. Is that a road?

A. Right, uh-huh, that's highway 550.

I also have drilled wells over here in the bottom of Section 11 and Section 12, southeast and southwest of Section 11 and 12.

Q. This is an anticipated Gallup oil well?

A. Yes, sir.

Q. Would you identify for us in the area what other producing or dry hole wells are completed or for which completions have been attempted in the Gallup?

A. The Brimhall in Section 11 is a dry hole

1
2 drilled in 1961.

12

3
4 In Section 12, the Faust (sic) Federal
5 was drilled by El Paso Natural Gas in 1961. It was a dry
6 hole.

7 The Great Western in Section 11, that
8 wasn't a Gallup test there. That was a shallow test.

9 The Donella Well is Section 3, which
10 we offset with Brimhall's well is a producing well for nine
11 years. It averaged 9 barrels per day for nine years.

12 Q

Is it depleted now?

13 A

14 It had a casing collapse and they had
15 to abandon it.

16 Q

17 Okay. Going to the northwest, are there
18 any Gallup wells in that direction?

19 A

20 Yes, there is, over in Section 33 and
21 34.

22 Q

23 Would you identify for us on the plat
24 the closest producing Gallup well?

25 A

It would be in Section 34.

Q

The No. 2 Well in the --

A

Right.

Q

-- southeast of the southwest?

A

That's correct.

Q

Do you have a recommendation for the

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Examiner with regards to the risk involved in the drilling of an economic well at this location?

A. Well, we think it will be production, you know, but there's always a chance it might not be. We're prepared to take a chance; we think we can make a well.

Q All right, sir. The Commission, by statute, has a statutory maximum penalty to be imposed upon non-consenting working interest owners of 200 percent risk factor. That risk factor allows the operator to recover out of production the proportionate share of the non-consenting party's cost, plus an additional 200 percent.

In relation to that statutory maximum, how would you -- what opinion do you have with regards to the risk of drilling a Gallup well?

A. Oh, I take the maximum.

Q In your opinion is that a fair and reasonable assessed risk factor for this well at this depth?

A. Yes, I do.

Q All right, sir, let's go to Exhibit Number Ten and have you identify that.

A. That's an AFE we worked up on the last well that we drilled up there.

Q This is the well to the immediate west of this location?

1
2 A. No, sir, that's the last well we drilled
3 in Section 12. That was drilled in December and we were going
4 to drill this one the same depth so we estimated the cost
5 would just be a little bit higher, due to inflation.
6

7 MR. NUTTER: Is that the well that's
8 shown as a dry hole in the southwest quarter of Section 12?

9 A. No, sir, it's not. This is a new well
10 here.

11 MR. NUTTER: Where is the well that
12 Exhibit Ten refers to then?

13 A. Okay, it's not marked on that map. It's
14 in the southwest of the southwest of Section 12, in that
15 general area.

16 MR. NUTTER: And is it a producing well?

17 A. Yes, it is.

18 Q. What kind of production rates do you
19 get from the well?

20 A. This one here that we just drilled in
21 Section 12 is making about 30 barrels a day.

22 MR. NUTTER: So this proposed location
23 that you've got here in the southwest of Two would be
24 directly between your new well in Section 12 and the wells up
25 in Section 34, right on a line with them.

A. That's what we plan on, yes, sir.

1
2 MR. NUTTER: And you mentioned that the
3 one in 34 was the nearest well, actually it's no closer than
4 the one in Section 12, is it?

5 A. About the same.

6 MR. NUTTER: Okay.

7 A. Right.

8 Q. Now, between those two producing wells,
9 Mr. Isbell, there are other dry holes in the Gallup formation.

10 A. Yes, there is.

11 Q. All right. Now, with regards to Exhibit
12 Number Ten, although this is the AFE from that well in Section
13 12, in your opinion will, subject to inflation from December
14 of '80, would these represent reasonable and fair charges for
15 the estimated cost of the well?

16 A. Yes, sir.

17 Q. All right, sir. Let's turn to Exhibit
18 Number Eleven and have you identify that.

19 A. This is -- one of the operators of
20 the Bob-Blanche Well in Section 12 was Walter Kennedy, has
21 10 acres in there that he participated with us, and we charge
22 him \$350 a month.

23 Q. The overhead charges on the --

24 A. The overhead charges, right.

25 Q. On the COPAS accounting instruction on

page three?

A. Right.

Q And what was the drilling well rate charged?

A. \$3500.

Q In your opinion would those be reasonable charges to assess against the working interest owners for overhead charges in this well?

A. Yes, sir.

Q Mr. Isbell, were Exhibits One through Eleven prepared by you or compiled under your direction and supervision?

A. Yes, they were.

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

A. Yes.

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

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

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Isbell, the application was for the pooling of oil and gas underlying the 40-acre tract to drill a well to test the formations underlying the tract, and it was consequently advertised for pooling all mineral interests in all formations underlying this.

This could be amended to all formations down to and including the Gallup, I presume.

A Yes, sir.

Q You don't intend to go below the Gallup?

A No, Gallup is all we're interested in.

Q Okay. And S & I would be the sole working interest owner in this well.

A Yes, we would.

Q With the exception of the poolees, they would be working interest owners.

MR. NUTTER: Are there any further questions of Mr. Isbell?

MR. KELLAHIN: No, sir.

Q Mr. Isbell, I've got one. How do you spell your name?

A I-S-B-E-L-L.

Q Okay, no "A"?

1
2 A. No "A".

3 Q. Okay.

4 MR. NUTTER: Are there any further
5 questions of Mr. Isbell? He may be excused.

6 Do you have anything further, Mr. Kel-
7 lahin?

8 MR. KELLAHIN: No, sir.

9 MR. NUTTER: Does anyone have anything
10 they wish to offer in Case Number 7224?

11 We'll take the case under advisement.

12
13 (Hearing concluded.)
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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 Conserva-
tion 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. 7224
heard by me on 4/22 1981.

[Signature], Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Mr. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

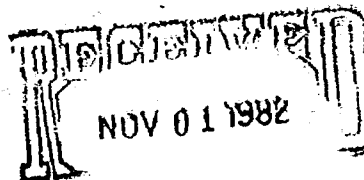
Jason Kellahin
W. Thomas Kellahin
Karen Aubrey
James B. Grant

KELLAHIN AND KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87501

Telephone 982-4285
Area Code 505

October 19, 1982

File
Mr. E. V. Isbell
Mr. Troy R. Strickland
S & I OIL COMPANY
413 West Main
Farmington, New Mexico 87401



Re: NMOC Case 7224
Order R-6668

Gentlemen:

On April 22, 1981, I represented you before the New Mexico Oil Conservation Division to obtain the referenced compulsory pooling order for the SW/4SW/4 of Section 2, T29N, R15W, San Juan County, New Mexico.

Yesterday, Mr. Dan Nutter of the Oil Conservation Division called me to say that you had not complied with that portion of the pooling order which required you to furnish the Commission and each of the pooled interests with a copy of the actual well costs within 90 days of completion of the well.

Mr. Nutter's call was apparently prompted by a complaint they had received from Mrs. Evelyn B. Nielson, the heir of Iona D. Brimhall.

Even though 90 days have passed, I recommend that you immediately send to Dan Nutter and Mrs. Nielson the required actual itemized schedule of well costs.

Please call me if you have any questions.

Very truly yours,

NOV 01 1982

W. Thomas Kellahin
W. Thomas Kellahin

WTK:rb

also find enclosed well costs on the Barbara#1

DAVIE #1

VENDOR	DESCRIPTION	AMOUNT
<u>INTANGIBLE DRILLING COSTS</u>		
Baker Service Tools	Rental of tubing bailer	\$ 1,708.73
Big A Well Service	Swab well	1,053.62
Big Red Tool, Inc.	Charge to cut casing	203.22
Bouren's Well Logging Ser.	Logging	2,800.00
Chaco Construction Co.	Work on location	5,835.46
Chaco Construction Co.	Build chain link fence	2,670.30
Chaco Construction Co.	Work on tanks	1,497.60
Chaco Construction Co.	Work on separator	1,913.01
Chaco Construction Co.	Install culvert	142.83
Chaco Construction Co.	Hauling from town to location	1,246.96
Chaco Construction Co.	Truck, lowboy & driver	253.57
Chaco Construction Co.	Dig pit & process water	227.33
Chaco Construction Co.	Hook up chemical pot	124.20
Bill Davie	Location & right of way	1,000.00
Dawn Trucking Co.	Trucking	1,049.76
Desert American Insurance	Bond	71.50
Donham Oil Tool Co.	Rental companion flange	388.96
Dowell	Chemicals	8,335.50
Farmington Well Service	Swab well	1,681.87
Flint Engineering	Completion rig	13,857.40
Groendyke Transport Co.	Trucking	200.42
Ronnie Hoover	Hauling	100.00
Jetronics	Jet perforate	3,344.00
Justis Supply Co., Inc.	Weld Bell Nipple	20.80
Kerr Land Surveying, Inc.	Location, elevation & vicinity map	188.10
S & I Oil Company	Drilling supervision	2,000.00
S & I Oil Company	Completion supervision	2,000.00
SSS Warehousing, Inc.	KCL	891.00
San Juan Casing Service	Run casing	1,657.14
San Juan Concrete Co.	Concrete	116.14
Schlumberger Well Serv.	Open hole logging	12,382.77
Shiprock Transport Co.	Hauling	6,481.68
Shiprock Transport Co.	Pull pits	355.04
T. Strickland-E.V. Isbell	Lease	4,000.00
Sunland Mud	Chemicals	14,271.35
Shorty Thompson	Pumped pit	36.40
Sunco	Pulling pits	450.85
Trio Construction Co.	Dig post holes	207.00
C. R. Wagner	G.O.R. test	197.28
Walsh Engineering	Request permits & file notices	166.40
The Western Co.	Acidizing & frac well	20,596.62
Woodco Cementing	Cementing surface	2,733.81
YW Drilling Co.	Daywork & footage for drilling	70,879.51
Total		\$189,338.13

NOV 01 1982

DAVIE #1

VENDOR	DESCRIPTION	AMOUNT
<u>TANGIBLE DRILLING COSTS</u>		
ABC Industry, Inc.	700' of 6' Chain link, dble. gate & walk gate	\$ 3,021.20
American Tank & Steel Corp.	20' 12" CMP	103.50
American Tank & Steel Corp.	2 Tanks, walkway, stairway, & retainer bands	8,396.42
Arco Materials, Inc.	Gravel	129.94
Big A Well Service	Swab cups	28.30
Big Red Tool, Inc.	Equipment for hook-up	9,649.44
Chaco Construction Co.	Injection pot	110.74
Donham Oil Tool Co.	Ring gasket	11.02
Dowell	Casing hardware	2,776.66
Line Masters Pipe	291' 8 5/8" Casing	3,337.26
Line Masters Pipe	4,433' 4 1/2" Tubing	15,556.69
Line Masters Pipe	4,626' 4 1/2" Casing	27,133.66
Mo-Te, Inc.	2 Sets anchors	466.88
Oil & Gas Equipment Corp.	Time clock exchange	22.92
Olman Heath	Separator	9,553.44
Olman Heath	Valve	249.74
Superior Supply Co.	2 8'x6' Fiberglass tanks	1,040.00
Total		\$81,588.81

NOV 01 1982

BARBARA #1

VENDOR	DESCRIPTION	AMOUNT
<u>TANGIBLE DRILLING COSTS</u>		
American Tank and Steel	Tank and steps	\$ 8,107.71
Atomic Sign Company	Well sign	27.17
Bovaird Supply	Gauges	53.93
Bovaird Supply	Casing	394.19
Big Red Tool	Connections and valves	1,005.39
Big Red Tool	4 1/2 X 2 3/8 tubing anchor	1,157.80
Big Red Tool	1/2" needle valve and 2" bull plug	77.10
Big Red Tool	Pup joint, bull plugs, seating nipple	236.77
Big Red Tool	Larkin 8 5/8 head and connectors	965.63
Big Red Tool	4 1/2" gauge	112.86
Chaco Oilfield Services	Chain link fence and gate posts	3,181.44
Dowell	Tools	2,612.43
Fluor Oil Field Supply	Valve balls and connection	4,298.66
Line Masters Pipe	297.73 feet of 8 5/8 casing	2,669.90
Line Masters Pipe	4766.66 feet, 36 joints, 2 3/8 seamless	12,685.88
Line Masters Pipe	4710 feet of 4 1/2 casing	22,722.81
Olman Heath	Separator	9,044.48
W & C Contracting	Pipe and fittings	1,067.60
Total		\$70,421.75

DISTRIBUTION:

George Naeter	25.000	17,605.44
Merle Baker	6.250	4,401.36
Wayne Brashear	6.250	4,401.36
William Latimer	6.250	4,401.36
W.W. Blackmon	6.250	4,401.36
W.R. Blackmon	6.250	4,401.36
Fred Isbell	6.250	4,401.36
E.V. Isbell	12.500	8,802.72
Troy Strickland	25.000	17,605.43

\$70,421.75

NOV 01 1982

BARBARA #1

VENDOR	DESCRIPTION	AMOUNT
<u>INTANGIBLE DRILLING COSTS</u>		
Baker Service Tool	Rental and service of Tubing Bailer	1,947.88
Big Red Tool	Set Larkin Slips and cut casing	174.30
Bouren's Well Logging	7 days logging	2,450.00
Chaco Construction Company	Install 24" CMP - load and haul gravel	2,441.24
Chaco Construction Company	Haul gravel	3,201.72
Chaco Construction Company	Load and haul gravel	3,512.97
Chaco Construction Company	Load and haul gravel and dig reserve pit	3,079.30
Chaco Construction Company	Haul backhoe to yard	186.75
Chaco Construction Company	Clean-up of location	1,796.96
Chaco Construction Company	Haul base course plate road to location	581.00
Chaco Oilfield Services	Work on fence	3,532.20
J.B. Cooney	Legal fees	1,002.31
Desert American Insurance	Bond	50.00
Doug Foutz	Fill dirt	547.79
Dowell	Cementing 4 1/2	10,941.88
Flintt Engineering	BOP from location to yard	59.57
Flint Engineering	Completion work	14,388.98
Fluor Oilfield Supply	Sample Bags	.32
Homco	Rental of 2 7/8" Midco sand pump	145.25
James W. Maness	Drill surface hole and run casing	10,263.66
Jetronics	Correlation Gamma Ray C.C.L.	2,479.20
Justis Supply	Weld bell nipple	52.25
Kenai Drilling	Drilling	66,204.12
Kenai Drilling	Daywork	4,778.98
Land and Marine	Rental	75.77
L.A.D. Tankers	Pull burn and production pit	162.73
L.A.D. Tankers	Pull reserve pit	572.13
L.A.D. Tankers	Haul drilling water	2,358.75
Mo-te, Inc.	Set Anchors	415.00
Monarch Corporation	Haul sand pump and head from Homco	208.92
Monarch Corporation	Haul sand pump and head from location	80.30
S & I Oil Company	Drilling supervision	1,500.00
S & I Oil Company	Completion supervision	1,500.00
SSS Warehousing	CMC	1,053.50
SSS Warehousing	KCL	1,610.00
San Juan County Abstract	Abstract on T29N, R15W, Sec 12	956.70
Schlumberger Well Service	Logs	11,458.58
Shiprock Transport	Haul water, remove mud	2,929.77
Shiprock Transport	Transfer oil from frac tank to storage tank	79.72
Southwest Mud & Chemicals	Gel, chemicals, cedar fiber, shurplug	10,399.26
Sunco Trucking	Haul rig to location	273.36
Sunce Trucking	Haul casing to location	762.64
W & C Contracting Co.	Prepare location for separator	5,686.11
Walsh Engineering	Prepare & file Sundry Notice for Casing & Request Allowable	31.35
Walsh Engineering	Prepare & file Notice for Frac & request Production Unit #	31.35
Walsh Engineering	Prepare NMOCC Log Completion & C-104	67.93
Walsh Engineering	Discussion with TRS & prepare logs for preforating	209.00

NOV 1 1982

VENDOR	DESCRIPTION	AMOUNT
Western Company	Trying to pump sand out of hole	585.57
Western Company	Frac well	15,875.19
Western Company	Acidizing	2,193.27
Woodco Cementing	Cementing surface 8 5/8	3,013.26
Kennedy Estate	Surface Damage and right of way	2,000.00
E.V. Isbell	Lease on Barbara #1	5,460.00
Total		\$205,368.79

DISTRIBUTION:

George Naeter	25.000	\$ 51,342.20
Merle Baker	6.250	12,835.55
Wayne Brashear	6.250	12,835.55
William Latimer	6.250	12,835.55
W.W. Blackmon	6.250	12,835.55
W.R. Blackmon	6.250	12,835.55
Fred Isbell	6.250	12,835.55
E.V. Isbell	12.500	25,671.09
Troy Strickland	25.000	51,342.20
		\$205,368.79

NOV 01 1982

Memo

From
D. S. NUTTER
CHIEF ENGINEER

To File -

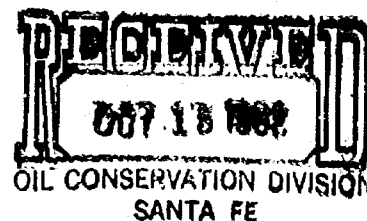
Discussed this matter
w/ Tom Kellehim (Atty
for S & I Oil Co) 10/18/82

advised him we had
never received our
itemized schedule of
actual well costs
(apparently Evelyn B. Nielsen
hasn't either) and asked
him to contact S & I
on this. He will.

Don

Bvelyn B. Nielsen
P. O. Box 1014
Springfield, Virginia 22151

October 12, 1982



State of New Mexico
Energy and Minerals Department
Oil Conservation Division
Santa Fe, New Mexico 87503

Re: Davie No. 1 Well
Township 29 North, Range 15 West, N.M.P.M.
Section 2: SW/4 SW/4
Containing 40 acres, more or less
San Juan County, New Mexico

Dear Sirs:

I have enclosed my letter to the S. & I. Oil Company in Farmington, New Mexico for your information and use. The enclosed documents show my legal entitlement to the information that I have requested from the S. & I. Oil Company. Please retain this copy for your files related to the Davie No. 1 well.

As state in my letter, the S. & I. Oil Company has not provided me the costs for annual operations as provided by in your NMOC Order No. R-6668 issued in Case No. 7224 on April 30, 1981. If the S. & I. Oil Company continues not to comply with my request for this information, I will solicit your assistance in this matter.

Your cooperation will be appreciated.

Respectfully,

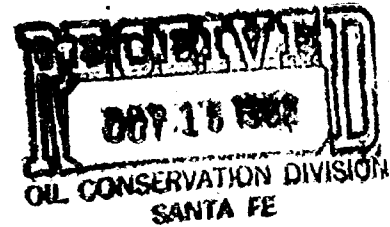
Evelyn B. Nielsen
Bvelyn B. Nielsen

Enclosures (3)

CERTIFIED MAIL NO. P 280 587 678
RETURN RECEIPT REQUESTED

*Case 7224
Order R 6668
Pool SW/4 SW/4
Sec 2, 29N, 15W
San Juan Co
for Gasco Oil Well*

Bvelyn B. Nielsen
P. O. Box 1014
Springfield, Virginia 22151



October 12, 1982

S. & I. Oil Company
Route 3, Box 35
Farmington, New Mexico 87401

Re: Davie No. 1 Well
Township 29 North, Range 15 West, N.M.P.M.
Section 2: SW/4 SW/4
Containing 40 Acres More or Less
San Juan County, New Mexico

Dear Mr. Troy Strickland:

Two matters need to be resolved. First, please provide me a Division Order for gas production and money due me for the sale of gas. Secondly, I need the total of all costs that will be used by you to offset my share of the working interest in the Davie No. 1 well. As specified by paragraphs 7 and 9 of the Compulsory Pooling Order (Case No. 7224; Order No. R-6668), the Operator can withhold certain costs from production. These costs are needed at the end of each year of production to properly file both Federal and State taxes. Failure by you to provide withheld costs will show that you intend to withhold from my working interest share of production my pro-rata share of costs of only (1) the supervisory costs of \$3500.00 per month while drilling and \$250.00 per month while producing; (2) a risk charge of 200 percent of the pro-rata share of reasonable well costs; and (3) my reasonable pro-rata share of drilling costs. These costs are shown in the Compulsory Pooling Order. To date you have not provided costs

attributed to me or the Estate of Iona D. Brimhall for 1981.

As shown below, I have sent a copy of this letter to the State of New Mexico
Oil Conservation Division for their information.

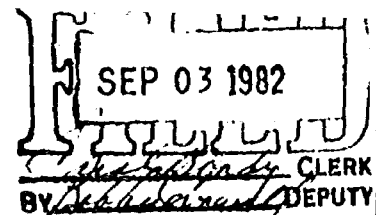
Your cooperation would be appreciated.

Sincerely,

Evelyn B. Nielsen
Evelyn B. Nielsen

cc: State of New Mexico Oil Conservation Division

CERTIFIED MAIL NO. P280 587 677
RETURN RECEIPT REQUESTED



STATE OF NEW MEXICO

COUNTY OF SAN JUAN

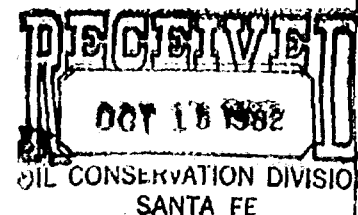
IN THE PROBATE COURT

IN THE MATTER OF THE ESTATE OF)

No. 3419

IONA D. BRIMHALL, deceased.)

VERIFIED STATEMENT OF PERSONAL
REPRESENTATIVE TO CLOSE ESTATE



EVELYN BRIMHALL NIELSEN, personal representative of the estate of Iona D. Brimhall, deceased, having been first duly sworn in the manner provided by law, states upon her oath as follows:

1. Evelyn Brimhall Nielsen published notice to creditors of her appointment as personal representative of the estate of Iona D. Brimhall, deceased, providing notice that any claim against said estate should be filed within the statutory period or be barred; that such notice was given for the time and in the manner required by law, and specifically in the manner provided by §45-3-801 NMSA (1978) and that the first publication of such notice occurred on December 29, 1981. Such notice properly filed within the six month period from the date of appointment of personal representative.

2. Evelyn Brimhall Nielsen, personal representative of the estate of Iona D. Brimhall, deceased, has fully administered said estate of the Decedent since no claims were presented against the estate; she has paid all expenses of administration of this estate; she has submitted for payment all required Federal and State estate and other death taxes, and the assets of the estate have been distributed to the person entitled to receive the same in the amount and manner to which she was entitled under the Last Will and Testament of Decedent admitted to probate herein.

3. That Evelyn Brimhall Nielsen, personal representative of the estate of Iona D. Brimhall, has sent a copy of this statement to the distributee of said estate and has furnished a full account in writing of its administration to said distributee whose interest is affected thereby in the form of said final account hereto attached as part of this verified statement. Copies of said final account and this statement have been furnished to Evelyn Brimhall Nielsen, heir of the Decedent.

4. This statement is filed for the purpose of closing the estate of said Decedent and terminating the appointment of the undersigned as personal

March , 1982.

EVELYN BRIMHALL NILSEN, Personal
Representative of the Estate of
Iona D. Brimhall, deceased

VERIFICATION

33

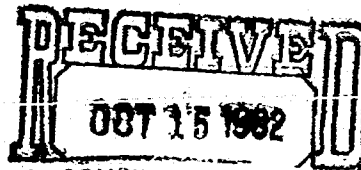
knowledge, information and belief.

EVELYN BRIMHALL NIELSEN

SUBSCRIBED AND SWORN TO before me on this 30th day of March, 1982.

2-28-83

Notary Public



OIL CONSERVATION DIVISION
SANTA FE

SEP 03 1982
CLERK
B. J. [Signature]
COUNTY OF SAN JUAN

STATE OF NEW MEXICO

IN THE PROBATE COURT

IN THE MATTER OF THE ESTATE OF)
IONA D. BRIMHALL, deceased.)

No. 3419

RECEIVED
OCT 18 1982
OIL CONSERVATION DIVISION
SANTA FE

INSTRUMENT OF DISTRIBUTION

THE UNDERSIGNED, personal representative of the Estate of Iona D.

Brimhall, deceased, in order to make distribution of the property of the above entitled and numbered estate of Iona D. Brimhall, deceased, and in compliance with Chapter 45, N.M.S.A., relating to decedent's estate, hereby assigns, sets over, transfers and conveys to Evelyn Brimhall Nielsen as surviving heir under the terms of the mutual and joint Last Will and Testament of John A. Brimhall and Iona D. Brimhall, and as the sole and exclusive heir to the entire estate of said decedents, pursuant to the terms and provisions of said mutual and joint Last Will and Testament, all of the right, title and interest of said decedents, John A. Brimhall and Iona D. Brimhall, in and to all of the following described property

Real Estate

1. Lots Thirty (30) and Thirty-one (31) Trails End Sub-division, Yavapai County, State of Arizona, according to the Plat thereof and on file and of record in the office of the County Recorder of said Yavapai County, Arizona, in Book 4 of Maps, Page 68 thereof.
2. Residence and farm land, Section Ten (10), Township Twenty-nine (29) North, Range Fifteen (15) West in Fruitland, New Mexico.
3. Township 29 North, Range 15 West, N.M.P.M. Section 11: $W\frac{1}{2}SW\frac{1}{4}NW\frac{1}{4}SW\frac{1}{4}$, San Juan County, New Mexico;
TRACT D: Beginning at a point which lies 2345.42 feet South and 30.00 feet East and 274.85 feet S $00^{\circ}40'26''$ E from the Northwest Corner of said Section 11;
THENCE N $89^{\circ}36'31''$ E 596.78 feet;
THENCE South 125.25 feet;
THENCE West 169.50 feet;
THENCE S $89^{\circ}27'10''$ W 425.81 feet;
THENCE N $00^{\circ}40'16''$ W 125.25 feet to the point of beginning.
Containing 1.71 acres, more or less.
4. TRACT 1: 3.90+ acres, situate in the $SW\frac{1}{4}SW\frac{1}{4}$ of Section 2, Township 29 North, Range 15 West, N.M.P.M. San Juan County, New Mexico, being described as follows:

BEGINNING at a point which is 544.00' N 89°07'36" E from the SW Corner of said Section 2. Said Point being the center of Co. RD No. 62.
THENCE N 0°39'12"E 1318.24';
THENCE N 89°28'42"E 128.27';
THENCE S 0°25'10" W 1317.43' to a point in the center of Co. RD No. 62;
THENCE S 89°07'36" W along said centerline 129.18' to the point of beginning-less and except 0.75+ Ac. for Hwy 550 right-of-way and less and except 0.89+AC for Co. RD No. 62 right-of-way.

TOTAL VALUE:

5. Tract or parcel of real estate situate, lying and being in the County of El Paso, State of Texas, more particularly described as follows, to-wit:
Lot numbered Eleven (11) in Block numbered One (1).
Unit Five (5) of WILCO SUBDIVISION of Section 7, Block 77, Township 1 of the Texas and Pacific Railway Company Surveys in El Paso County, Texas, according to the map and plat thereof, now of record in Plat Book 4 at page 66 of the Plat Records of El Paso County, Texas.

TOTAL VALUE:

Personal Property

1. Household furnishings
2. 1964 Rambler
3. 72 shares of common stock of El Paso Natural Gas Company, El Paso, Texas
4. 18,658 shares of common stock of Southwest Capital Corporation, Albuquerque, New Mexico
5. 9,037.184 shares of common stock of Fundamental Investors, Inc.
6. Cash on hand at date of death
7. Various Certificates of Deposit
8. Funds held in savings accounts and Animas Credit Union
9. Proceeds from insurance policies
10. El Paso Retirement Income Plan
New Mexico Educators Retirement Plan

DATED this 30th day of March, 1982.

Evelyn Brimhall Nielsen

EVELYN BRIMHALL NIELSEN, Personal
Representative of the Estate of Iona D.
Brimhall, deceased

STATE OF NEW MEXICO)

COUNTY OF SAN JUAN)

ss

The foregoing instrument was acknowledged before me on this 30th day

of March, 1982, by Evelyn Brimhall Nielsen, personal representative of
the Estate of Iona D. Brimhall, deceased, for the purposes of consideration
therein expressed.

My Commission Expires:
2-28-83

Valna Jean Sanders
Notary Public

RECEIVED
OCT 15 1982
OIL CONSERVATION DIVISION
SANTA FE

OIL CONSERVATION DIVISION P. O. BOX 2000 SANTA FE, NEW MEXICO 87501	
REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS	
I. OPERATOR S & I OIL CO.	NOV 17 1981 OIL CONSERVATION DIVISION SANTA FE

Address
Rt. 3 Box 35, Farmington, New Mexico 87401

Reason(s) for filing (Check proper box)		Other (Please explain)	
New Well <input checked="" type="checkbox"/>	Change in Transporter of:		
Recompletion <input type="checkbox"/>	Oil <input type="checkbox"/>	Dry Gas <input type="checkbox"/>	
Change in Ownership <input type="checkbox"/>	Casinghead Gas <input type="checkbox"/>	Condensate <input type="checkbox"/>	

If change of ownership give name
and address of previous owner _____

II. DESCRIPTION OF WELL AND LEASE

Lease Name Davie	Well No. 1	Location, including Formation Meadow-Gallup	Kind of Lease State, Federal or Fee Fee
Location Unit Letter <u>M</u> : <u>330</u> Feet From The <u>South</u> Line and <u>870</u> Feet From The <u>West</u>			
Line of Section <u>2</u> Township <u>29N</u> Range <u>15 W</u> , NMPM, <u>San Juan</u> County			

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input checked="" type="checkbox"/> or Condensate <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
Giant Refining, Inc.	P O Box 256, Farmington, New Mexico 87401
Name of Authorized Transporter of Casinghead Gas <input type="checkbox"/> or Dry Gas <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
If well produces oil or liquids, give location of tanks.	Unit Sec. Twp. Rge. Is gas actually connected? When
	M 2 29N 15 No Unknown

If this production is commingled with that from any other lease or pool, give commingling order number: _____

IV. COMPLETION DATA

Designate Type of Completion - (X)	Oil Well <input checked="" type="checkbox"/>	Gas Well <input type="checkbox"/>	New Well <input checked="" type="checkbox"/>	Workover <input type="checkbox"/>	Deepen <input type="checkbox"/>	Plug Back <input type="checkbox"/>	Same Res'v. <input type="checkbox"/>	Diff. Res'v. <input type="checkbox"/>
Date Spudded 6-27-81	Date Compl. Ready to Prod. 8-6-81	Total Depth 4635		P.B.T.D. 4591.54				
Elevations (Dip, RT, CR, etc.) 5159 GL	Name of Producing Formation Meadow Gallup	Top Oil/Gas Pay 4257'		Tubing Depth 4317'				
Perforations				Depth Casing Head 54				
TUBING, CASING, AND CEMENTING RECORD								
HOLE SIZE 12 1/4	CASING & TUBING SIZE 8 5/8	DEPTH SET 234		SACKS CEMENT 300 Sacks				
7 7/8	4 1/2	4591.54		800 Sacks				

TEST DATA AND REQUEST FOR ALLOWABLE (Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks 8-6-81	Date of Test 8-27-81	Producing Method (Flow, pump, gas lift, etc.) Flowing	
Length of Test 4 hrs. - 24 hrs	Tubing Pressure 160#	Casing Pressure 475#	Choke Size 22/64
Actual Prod. During Test	Oil-Bbls. 423	Water-Bbls. 5 gal.	Gas-MCF 424

GAS WELL

Actual Prod. Test-MCF/D	Length of Test	Bbls. Condensate/MMCF	Gravity of Condensate
Testing Method (pilot, back pr.)	Tubing Pressure (shut-in)	Casing Pressure (shut-in)	Choke Size

CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

[Signature]
Managing Partner
(Title)

9-28-81

OIL CONSERVATION DIVISION
10-27-81
APPROVED
BY [Signature]
TITLE SUPERVISOR DISTRICT # 3

This form is to be filed in compliance with RULE 1104.
If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.
All sections of this form must be filled out completely for allowable on new and recompleted wells.
Fill out only Sections I, II, III, and VI for changes of owner.



41.11.11.11 32-6855
FARMINGTON, NEW ME: 07401

CASE NO.

Owner Name S & I Oil Co.	Well No. DAVIE	Field CHA-CHA GALT
Location Sec. 2 T29N-R15W	County SAN JUAN	State New Mexico
Formation Gallup	Est. Total Depth 4,700'	

TUBULAR GOODS

Surface Casing	300	Fl. 8 1/8	24.0	Inch.	10.00	S/Fl.	
Int. Casing		Fl.		Inch.		S/Fl.	
Prod. Casing	4700	Fl. 4 1/2	10.50	Inch.	4.64	S/Fl.	
		Fl.		Inch.		S/Fl.	
		Fl.		Inch.		S/Fl.	
Tubing	4700	Fl. 2 3/8	4.70	Inch.	2.77	S/Fl.	
Rods	4700	Fl. 5/8		Inch.	1.21	S/Fl.	

PRODUCING WELL

Sub. Total

DRY

3,000		3,000
21,800		
13,000		
5,700	43,500	

WELLHEAD EQUIPMENT:

600 Series

OTHER EQUIPMENT:

Liner Hangers and Production Packers

CONTRACT COSTS:

Footage	4700	Fl.	17.00	S/Fl.	
Daywork	2	Day	4200.00	S/Day	
Daywork	Surface Hole	Day		S/Day	
Daywork	Completion	Day	1800.00	S/Day	

79,900		79,900
8,400		8,400
8,000		8,000
7,200	103,500	

CEMENTING: (Cement and Pump Trucks)

Surface	400 SACKS
Intermediate	
Production	800 SACKS
Liner	
Liner	P & A
Sq. Jals	

4,000		4,000
13,000		
	17,000	2,000

FORMATION TREATMENT:

Acidizing	
Fracturing Equipment	AND MATERIALS
Fluid	Gal. Oil
	80,000
	Gal. Water
Sand	60,000
	Lbs.
Tank Rental	4 TANKS

JNC.		
20,000		
2,000		
JNC.		
1200	23,200	

SPECIAL SERVICES: (Surveys and Tests)

Perforating	
Mud Logging	
Electric and Radioactive Logging	
Drill Stem Tests	
Cores	

2,500		
8,200		8,200
	10,700	

MATERIALS:

Drilling Mud and Chemicals	
Drilling Gas or Air	
Water	
Bits	
Fuel	

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 10

CASE NO.

15,000		15,000
6,000		6,000

Cement Equipment (shoes, collars, etc.)

Bridge Plugs and Retainers

Miscellaneous (welding, hauling, rental of tools, etc.)

Production Equipment, TK, TREATER AND PUMPING UNIT

2,500		300
5,000		3,000
5,000	33,500	3,600

ACCESS AND LOCATION:

Total Direct Cost
Plus 5% Contingency

ESTIMATED TOTAL COST

30,000	30,000	
26,000	4,000	4,000
272,900	272,900	145,300
13,600	13,600	7,300
286,500	286,500	152,600

ESTIMATED COST ONLY — Each participating owner to proportionate share of actual well cost subject to operating agreement.

WORKING INTEREST:

Date December 11, 1980

Prepared By Tami Starkland S & I Oil Co.

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. 7224
Order No. R-6668

APPLICATION OF S & I OIL COMPANY
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 22, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of April, 1981, 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, S & I Oil Company, seeks an order pooling all mineral interests in all formations down to and including the Gallup formation underlying the SW/4 SW/4 of Section 2, Township 29 North, Range 15 West, NMPM, San Juan 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

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Case No. 7224

Order No. R-6668

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 \$3500.00 per month while drilling and \$350.00 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 July 1, 1981, 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 all formations down to and including the Gallup formation underlying the SW/4 SW/4 of Section 2, Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 40-acre 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 July, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Gallup formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of July, 1981, 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 S & I Oil Company 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

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Case No. 7224

Order No. R-6668

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 \$3500.00 per month while drilling and \$350.00 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.

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Case No. 7224
Order No. R-6668

(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.

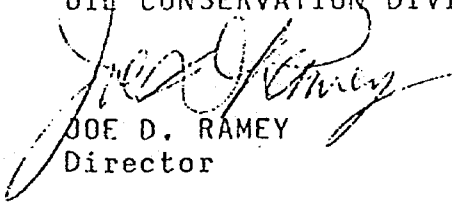
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan 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

fd/

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. 7224
Order No. R-6668

APPLICATION OF S & I OIL COMPANY
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 22, 1981,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 30th day of April, 1981, 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, S & I Oil Company, seeks an order
pooling all mineral interests in all formations down to and
including the Gallup formation underlying the SW/4 SW/4 of Sec-
tion 2, Township 29 North, Range 15 West, NMPM, San Juan 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

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Case No. 7224
Order No. R-6668

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 \$3500.00 per month while drilling and \$350.00 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 July 1, 1981, the order pooling said unit should become null and void and of no effect whatsoever.

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Case No. 7224

Order No. R-6668

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in all formations down to and including the Gallup formation underlying the SW/4 SW/4 of Section 2, Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 40-acre 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 July, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Gallup formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of July, 1981, 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 S & I Oil Company 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

-A-
Case No. 7224
Order No. R-6668

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 \$3500.00 per month while drilling and \$350.00 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.

5-
Case No. 7224
Order No. R-6668

(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 interests 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 San Juan 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
JOE D. RAMEY
Director

SEAL

Dockets Nos. 15-81 and 16-81 are tentatively set for May 6 and 20, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 22, 1981

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 7220: Application of McClellan Oil Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Connor Unit Area, comprising 5,120 acres, more or less, of State and Federal lands in Township 13 South, Range 29 East.
- CASE 7221: Application of Maddox Energy Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Flower Draw Unit Area, comprising 3,760 acres, more or less, of State lands in Townships 25 and 26 South, Range 28 East.
- CASE 7222: Application of GMW Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Starman Unit Area, comprising 2,803 acres, more or less, of State, Federal, and fee lands in Township 26 South, Range 35 East.
- CASE 7211: (Continued from April 8, 1981, Examiner Hearing)
- Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the North Rock Lake State Unit Area, comprising 2,880 acres, more or less, of State land in Township 22 South, Range 35 East.
- CASE 7223: Application of Sun Oil Company for a dual completion and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of a well to be drilled in Unit M of Section 1, Township 22 South, Range 37 East, to produce oil from the Wantz-Granite Wash Pool and gas from the Tubb formation and to simultaneously dedicate the SW/4 of said Section 1 to said well and to its Lynch Christmas Com Well No. 4 in Unit L.
- CASE 7224: Application of S & I Oil Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations underlying the SW/4 SW/4 of Section 2, Township 29 North, Range 15 West, 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 7225: Application of Knox Industries, Inc. for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Morrow location of its Maddox Well No. 1 to be drilled 1980 feet from the South line and 660 feet from the West line of Section 12, Township 23 South, Range 34 East, Northeast Antelope Ridge Field, the S/2 of said Section 12 to be dedicated to the well.
- CASE 7226: Application of Enserch Exploration, Inc. for salt water disposal, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Montoya formation in the interval from 7902 feet to 7930 feet in its Rader Well No. 2 in Unit E of Section 32, Township 5 South, Range 33 East.
- CASE 7227: Application of Alpha Twenty-One Production Company for an unorthodox gas well location and a non-standard proration unit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 120-acre non-standard proration unit comprising the E/2 SW/4 and SW/4 SE/4 of Section 21, Township 21 South, Range 37 East, Hare-San Andres Gas Pool, to be dedicated to its Lansford Well No. 1 at an unorthodox location 660 feet from the South line and 1650 feet from the West line of said Section 21.
- CASE 7228: Application of Yates Petroleum Corporation for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Wolfcamp-Pennsylvanian location of its Rio Penasco "KD" Well No. 3 to be drilled 990 feet from the North line and 660 feet from the East line of Section 11, Township 19 South, Range 25 East, the N/2 of said Section 11 to be dedicated to said well and to applicant's Rio Penasco "MF" Federal Well No. 1 located in Unit F.

CASE 7229: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Morrow-Pennsylvanian location of its Sharp "QS" Com. Well No. 1 to be drilled 660 feet from the South and East lines of Section 4, Township 17 South, Range 26 East, the S/2 of said Section 4 to be dedicated to the well.

CASE 7184: (Continued from March 11, 1981, Examiner Hearing)

Application of Harvey E. Yates Company for compulsory pooling, Eddy 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 13, Township 17 South, Range 28 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 7230: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the S/2 SW/4 of Section 7, Township 29 North, Range 14 West, 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 7231: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the S/2 SE/4 of Section 11, Township 29 North, Range 15 West, 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 7232: Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde and Gallup formations underlying the E/2 SW/4 of Section 12, Township 29 North, Range 15 West, 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 7233: Application of Bass Enterprises Production Co. for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its Montierth Well No. 3, the surface location of which is 2130 feet from the South line and 1980 feet from the East line of Section 13, Township 16 South, Range 36 East, Northeast Lovington-Pennsylvanian Pool, and drill said well in an easterly direction to bottom it not closer than 510 feet to the outer boundary of the dedicated unit, being the N/2 SE/4 of said Section 13.

CASE 7234: Application of Getty Oil Company for a dual completion, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Farming E Well No. 1-E located in Unit I of Section 2, Township 24 North, Range 6 West, to produce oil from the Gallup formation thru the casing-tubing annulus and gas from the Dakota formation thru tubing.

S & I OIL COMPANY hereinafter called lessor, and hereinafter called lessee, does witness:
1. That lessor, for and in consideration of the sum of TEN AND NO/100 Dollars (\$10.00), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in San Juan County, New Mexico to-wit:

TRACT 1: 3.90+ acres, situate in the SW/4 SW/4 of Section 2, T29N, R15W, NMPM, San Juan County, New Mexico being described as follows:
BEGINNING at a point which is 544.00' N89°07'36"E from the SW Corner of said Section 2. Said point being in the center of County Rd No. 62.

THENCE: N0°39'12"E, 1318.24';
THENCE: N89°28'42"E, 128.27';
THENCE: S0°25'10"W, 1317.43' to a point in the center of County Rd. No. 62;
THENCE: S89°07'36"W along said centerline 129.18' to the point of beginning.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION

EXHIBIT NO. 1
CASE NO. 7224

and containing 3.90 acres, more or less, and this lease shall include all lands owned by lessor adjacent to the lands herein particularly described.

2. This lease shall remain in force for a term of one (1) year, and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal 1/4 part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such 1/4 royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall pay lessor, as royalty, 1/4 of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay \$25.00 per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline or any other product, as royalty, 1/4 of the market value of such gas at the mouth of the well. If said gas is sold by the lessee, then, as royalty, 1/4 of the proceeds of the sale thereof.

5. This Oil and Gas Lease is a paid-up lease.

This lease shall terminate as to both parties, unless the lessee shall on or before this date, pay or tender to the lessor or for the lessor's credit in the sum of _____ Dollars (\$ _____) which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall bind the heirs, devisees, executors and administrators of such person.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes on this land, this lease shall not terminate provided operations for the drilling of a well shall be commenced within twelve months from the expiration of the last rental period for which rental has been paid, or provided that within said period the lessee begins or resumes the payment of rentals in the manner and amount herein above provided, and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

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

8. The lessee shall have the right to use free of cost, gas, oil, and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer of assignment or a certified copy thereof. In the event this lease is assigned as to a part or as to parts of the above described land, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or an assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

10. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

11. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

12. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lessee begins or resumes the payment of rentals in the manner and amount herein above provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease, or any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

13. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessor, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

14. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the proper county.

15. This lease and all its terms, conditions and stipulations shall extend to and be binding on all successors of said lessor or lessee.

S & I OIL COMPANY hereinafter called lessor, and hereinafter called lessee, does witness:
1. That lessor, for and in consideration of the sum of TEN AND NO/100 Dollars (\$10.00), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in San Juan County, New Mexico to-wit:

TRACT 1: 3.90+ acres, situate in the SW/4 SW/4 of Section 2, T29N, R15W, NMPM, San Juan County, New Mexico being described as follows:
BEGINNING at a point which is 544.00' N89°07'36"E from the SW Corner of said Section 2. Said point being in the center of County Rd No. 62.
THENCE: N0°39'12"E, 1318.24';
THENCE: N89°28'42"E, 128.27';
THENCE: S0°25'10"W, 1317.43' to a point in the center of County Rd. No. 62;
THENCE: S89°07'36"W along said centerline 129.18' to the point of beginning.

not signed (lessee)

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. 1
CASE NO. 7224

3.90 acres, more or less, and containing 3.90 acres, more or less, and this lease shall include all lands owned by lessor adjacent to the lands herein particularly described.
2. This lease shall run in force for a term of one (1) year, and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of them is produced.
3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equivalent of 1/4 part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such 1/4 royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.
4. The lessee shall pay lessor, as royalty, 1/4 of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay \$25 per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline or any other product as royalty, 1/4 of the market value of such gas at the mouth of the well. If said gas is sold by the lessee, then as royalty 1/4 of the proceeds of the sale thereof.
5. This Oil and Gas Lease is a paid-up lease.
This lease shall terminate as to both parties, unless the lessee shall on or before this date, pay or tender to the lessor or for the lessor's credit in the Bank at _____ or its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of _____ Dollars (\$ _____) which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall constitute the sole discharge, execution and administration of such person.
6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessor shall drill a dry hole, or holes on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced within twelve months from the expiration of the last rental period for which rental has been paid, or provided that within said period the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.
7. In case said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said lessor only in the proportion which his interest bears to the whole and undivided fee.
8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.
9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessor and it has been furnished with the written transfer or assignment or a certified copy thereof. In the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or an assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.
10. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.
11. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.
12. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lessee begins or resumes the payment of rentals in the manner and amount herein above provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease, on any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.
13. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.
14. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the proper county.
15. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.

16. This lease shall not be terminated, in whole or in part, nor shall lessee be held liable in damages, for failure to comply with the express or implied covenants hereof, if compliance therewith is prevented by, or if such failure is the result of, any Federal or State laws, executive orders, rules, or regulations. If, at the end of the primary term hereof, such term has not been extended by production or drilling as in this lease provided, and lessee, by reason of any of the above recited causes, is unable to drill a well on the leased premises for oil or gas, the primary term and the rental provision hereof shall be extended automatically from year to year until the first anniversary hereof occurring ninety (90) or more days following the removal of such delaying cause. During any period that lessee is unable to produce and/or market any products from the leased premises by reason of any of the above recited causes, this lease shall remain in full force and effect.

17. Lessee is hereby given the right at its option, at any time and from time to time, to pool or unitize all or any part or parts of the above described land with other land, lease, or leases in the immediate vicinity thereof, such pooling to be into units not exceeding the minimum size tract on which a well may be drilled under laws, rules, or regulations in force at the time of such pooling or unitization; provided, however, that such units may exceed such minimum by not more than ten acres if such excess is necessary in order to conform to ownership subdivisions or lease lines. Lessee shall exercise said option, as to each desired unit, by executing and recording an instrument identifying the unitized area. Any well drilled or operations conducted on any part of each such unit shall be considered a well drilled or operations conducted under this lease, and there shall be allocated to the portion of the above described land included in any such unit such proportion of the actual production from all wells on such unit as lessor's interest, if any, in such portion, computed on an acreage basis, bears to the entire acreage of such unit. And it is understood and agreed that the production so allocated shall be considered, for all purposes, including the payment or delivery of royalties, to be the entire production from the portion of the above described land included in such unit in the same manner as though produced from the above described land under the terms of this lease.

IN WITNESS WHEREOF, we sign the day and year first above written.

IONA BRIMHALL, dealing in her sole and separate property

STATE OF NEW MEXICO
COUNTY OF SAN JUAN

ss.

ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said County and State, on this _____ day of _____, 19 81, personally appeared IONA BRIMHALL, and _____

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that she executed the same as her free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____

Notary Public

No. _____
OIL AND GAS LEASE
FROM
IONA BRIMHALL
TO
S & I OIL COMPANY
Date January 20th, 19 81
Section 2, Twp. 29N, Rge. 15W
No. of Acres 3.90 Term _____
County San Juan
STATE OF New Mexico
County of San Juan
This instrument was filed for record on the _____ day of _____, 19 _____ at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the records of this office.
County Clerk
By _____ Deputy
When recorded, return to
S & I OIL COMPANY, 413 W. Main,
Farmington, New Mexico 87401

STATE OF _____
COUNTY OF _____

ss.

ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said County and State, on this _____ day of _____, 19 _____, personally appeared _____ and _____

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____

Notary Public

between MAXINE L. HATTEMER and FREDERICK L. HATTEMER and MAXINE L. HATTEMER, Husband and Wife, Joint Tenants, whose address is 4836 West 138th Street, Hawthorne, California 90250

and S & I OIL COMPANY hereinafter called lessor, and hereinafter called lessee, does witness:
1. That lessor, for and in consideration of the sum of TEN AND NO/100 Dollars (\$10.00), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in San Juan County, New Mexico to-wit:

TRACT 6: 3.89+ acres, situate in the SW/4 SW/4 of Section 2, T29N, R15W, NMPM, San Juan County, New Mexico, being described as follows: Beginning at a point which is 1189.90' N89°07'36"E from the SW Corner of said Sec. 2, said point being in the center of Co. Rd. No. 62; THENCE: N0°27'30"E, 1314.19'; THENCE: N89°28'42"E, 128.27'; THENCE: S0°25'10"W, 1313.38' to a point in the center of Co. Rd. No. 62; THENCE: S89°07'36"W along said centerline 129.18' to the point of beginning.

not leased
BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. 2
CASE NO.

and containing 3.89 acres, more or less, and this lease shall include all lands owned by lessor adjacent to the lands herein particularly described.

2. This lease shall remain in force for a term of One (1) year and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal 1/4 part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such 1/4 royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall pay lessor, as royalty, 1/4 of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay \$25 per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline or any other product, as royalty, 1/4 of the market value of such gas at the mouth of the well. If said gas is sold by the lessee, then, as royalty, 1/4 of the proceeds of the sale thereof.

5. This Oil and Gas Lease is a paid-up lease.

This lease shall terminate as to both parties, unless the lessee shall on or before this date, pay or tender to the lessor or for the lessor's credit in the Bank at or its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of Dollars (\$ which shall operate as

rental and cover the privilege of deferring the commencement of drilling operations for a period of one year, in like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer or assignment of a certified copy thereof. In the event this lease shall be assigned as to a part or as to parts of the above described land, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or an assignee thereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced within twelve months from the expiration of the last rental period for which rental has been paid, or provided that within said period the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

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

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer or assignment of a certified copy thereof. In the event this lease shall be assigned as to a part or as to parts of the above described land, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or an assignee thereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

10. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

11. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

12. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date, or provided lessee begins or resumes the payment of rentals in the manner and amount hereinabove provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

13. If the leased premises shall hereafter be owned in severalty or in separate tracts the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee thereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

14. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or placing a release thereof to the lessor, or by placing a release thereof of record in the proper county.

15. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee

drilling as in this lease provided, and lessee, by reason of any of the above recited causes, is unable to drill a well on the leased premises for oil or gas, the primary term and the rental provision hereof shall be extended automatically from year to year until the first anniversary hereof occurring ninety (90) or more days following the removal of such delaying cause. During any period that lessee is unable to produce and/or market any products from the leased premises by reason of any of the above recited causes, this lease shall remain in full force and effect.

17. Lessee is hereby given the right at its option, at any time and from time to time, to pool or utilize all or any part or parts of the above described land with other land, lease, or leases in the immediate vicinity thereof, such pooling to be into units not exceeding the minimum size tract on which a well may be drilled under laws, rules, or regulations in force at the time of such pooling or unitization; provided, however, that such units may exceed such minimum by not more than ten acres if such excess is necessary in order to conform to ownership subdivisions or lease lines. Lessee shall exercise said option, as to each desired unit, by executing and recording an instrument identifying the unitized area. Any well drilled or operations conducted on any part of each such unit shall be considered a well drilled or operations conducted under this lease, and there shall be allocated to the portion of the above described land included in such unit such proportion of the actual production from all wells on such unit as lessor's interest, if any, in such portion, computed on an acreage basis, bears to the entire acreage of such unit. And it is understood and agreed that the production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production from the portion of the above described land included in such unit in the same manner as though produced from the above described land under the terms of this lease.

IN WITNESS WHEREOF, we sign the day and year first above written.

MAXINE L. HATTEMER, dealing in her sole and separate property

FREDERICK L. HATTEMER, as Joint Tenant

MAXINE L. HATTEMER, as Joint Tenant

STATE OF _____ }
COUNTY OF CALIFORNIA } ss.

ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said County and State, on this _____ day of _____, 19 81, personally appeared FREDERICK L. HATTEMER and MAXINE L. HATTEMER, Husband and Wife.

to me personally known to be the identical persons who executed the within and foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____

Notary Public

No. _____
OIL AND GAS LEASE
FROM
MAXINE L. HATTEMER and FREDERICK L. HATTEMER and MAXINE L. HATTEMER, Husband and Wife, Joint Tenants
TO
S. & I. OIL COMPANY
Date January 20th 19 80
Section 2 Twp. 29N Rge. 15W
No. of Acres 3.89 Term _____
County San Juan
STATE OF NEW MEXICO }
County of SAN JUAN } ss.
This instrument was filed for record on the _____ day _____ 19 _____
at _____ o'clock _____ M., and duly recorded
In Book _____ Page _____ of _____
the records of this office.
County Clerk
By _____ Deputy
When recorded, return to
S & I Oil Company, 413 W. Main,
Farmington, New Mexico 87401

STATE OF _____ }
COUNTY OF _____ } ss.

ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said County and State, on this _____ day of _____, 19 _____, personally appeared _____ and _____.

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____

Notary Public

THIS AGREEMENT, Entered into this the 20th day of January, 1981,
between LUCILLE M. TAYLOR of Arizona Rancho 57 Tovar, Holbrook, Arizona 86025

and S & I OIL COMPANY hereinafter called lessor,
hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of TEN AND NO/100 Dollars (\$10.00),
in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased
and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas
and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon
to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described
tract of land in San Juan County, New Mexico to-wit:

TRACT 4: 3.89+ acres, situate in the SW/4 of Section 2, T29N, R15W,
NMEM, San Juan County, New Mexico, being described as follows:
Beginning at a point which is 931.54' N89°07'36"E from the SW Corner
of said Section 2, said point being in the center of County Rd. No. 62;
THENCE: N0°32'10"E, 1315.81';
THENCE: N89°28'42"E, 128.27';
THENCE: S0°29'50"W, 1315.00' to a point in the center of County Rd. No. 62;
THENCE: S89°07'36"W along said centerline 129.18' to the point of beginning.

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 3

CASE NO. _____

and containing 3.89 acres, more or less,
and this lease shall include all lands owned by lessor adjacent to the lands herein particularly described.

2. This lease shall remain in force for a term of 1/2 year and as long thereafter as oil, gas, casinghead gas, casinghead gasoline
or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells
the equal 1/4 part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for
such 1/4 royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into
storage tanks.

4. The lessee shall pay lessor, as royalty, 1/4 of the proceeds from the sale of the gas, as such, for gas from wells where gas
only is found, and where not sold shall pay \$25.00 per annum as royalty from each such well, and while such royalty is so paid such
well shall be held to be producing well under paragraph number two hereof. The lessor to have gas free of charge from any gas well
or the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the
well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and
used by the lessee for the manufacture of gasoline or any other product as royalty, 1/4 of the market value of such gas at the
mouth of the well. If said gas is sold by the lessee, then as royalty 1/4 of the proceeds of the sale thereof.

5. This Oil and Gas Lease is a paid-up lease.

This lease shall terminate as to both parties, unless the lessee shall on or before this date, pay or tender to the lessor or for the lessor's credit
in the Bank at _____, or
its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under
this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of _____

Dollars (\$ _____) which shall operate as
rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon
like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments
or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Not-
withstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall
be binding on the heirs, devisees, executors, and administrators of such person.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole,
or holes on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced within twelve
months from the expiration of the last rental period for which rental has been paid, or provided that within said period the lessee
begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs
hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

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

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water
from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused
by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises
without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all
machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the cov-
enants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in
the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer
or assignment of a certified copy thereof. In the event this lease shall be assigned as to a part or as to parts of the above described
lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the
rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said
land upon which the said lessee or an assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties
entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable
instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders
on behalf of said parties, and their respective successors in title.

10. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option,
may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and,
in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying
to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

11. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling
operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations
are prosecuted and, if production results therefrom, then as long as production continues.

12. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not termi-
nate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided
the lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary
term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes
operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of
such operations and, if production results therefrom, then as long as production continues.

13. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed
and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid
to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage.
There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease
may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that,
in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such
part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default
shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee
hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties,
lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with
the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties,
and their respective successors in title.

14. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering
or mailing a release thereof to the lessor, or by placing a release thereof of record in the proper county.

15. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.

THIS AGREEMENT, Entered into this the 20th day of January, 1981
between ELLIS DAVIE of 7832 Cerritos Avenue, Stanton, California 90680
BEFORE EXAMINER BUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. 4
S & I OIL COMPANY and CASE NO. _____ hereinafter called lessor
and TEN AND NO/100 _____ hereinafter called lessee, does witness
1. That hereof, for and in consideration of the sum of TEN AND NO/100 _____ Dollars (\$10.00) in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in San Juan County, New Mexico to-wit:

and this lease shall include all lands owned by lessor adjacent to the lands herein particularly described. 3.89 acres, more or less.

2. This lease shall remain in force for a term of one (1) year and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty free of cost, in the pipe line to which lessee may connect its wells such 1/4 part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor the royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall pay lessor, as royalty, $\frac{1}{4}$ of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay \$25 per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline or any other product, as royalty, $\frac{1}{4}$ of the market value of such gas at the mouth of the well. If said gas is sold by the lessee, then as royalty $\frac{1}{4}$ of the proceeds of the sale thereof.

5. This Oil and Gas Lease is a paid-up lease.

~~this lease shall terminate as to both parties, unless the lessee shall on or before this date, pay or tender to the lessor or for the lessor's credit in the _____ Bank at _____, or its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of _____~~

rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced within twelve months from the expiration of the last rental period for which rentals has been paid; provided that within said period the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

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

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing and cemented in.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors or assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer

or assignment or a certified copy thereof. In the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or an assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

10. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

11. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

12. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

13. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts to which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such

part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee thereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, the lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

THIS AGREEMENT, Entered into this the 20th day of January, 1981, between TILLIE D. STRANG, 4832 West 138th Street, Hawthorne, California 90250

and S & I OIL COMPANY hereinafter called lessor, hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of TEN AND NO/100 Dollars (\$10.00), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in San Juan County, New Mexico to-wit:

TRACT 5: 3.89+ acres, situate in the SW/4 SW/4 of Sec. 2, T29N, R15W, NMPM, San Juan County, New Mexico, being described as follows: Beginning at a point which is 1060.72' N89°07'36"E from the SW Corner of said Section 2, said point being in the center of Co. Rd. No. 62;
THENCE: N0°29'50"E, 1315.00';
THENCE: N89°28'42"E, 128.27';
THENCE: S0°27'30"W, 1314.19' to a point in the center of Co. Rd. No. 62;
THENCE: S89°07'36"W along said centerline 129.18' to the point of beginning.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. 5
CASE NO.

and containing 3.89 acres, more or less, and this lease shall include all lands owned by lessor adjacent to the lands herein particularly described.

2. This lease shall remain in force for a term of one (1) year: and as long thereafter as oil, gas, casinghead gas casinghead gasoline or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal 1/4 part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such 1/4 royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall pay lessor, as royalty, 1/4 of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay \$25.00 per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline or any other product as royalty, 1/4 of the market value of such gas at the mouth of the well. If said gas is sold by the lessee, then as royalty 1/4 of the proceeds of the sale thereof.

5. This Oil and Gas Lease is a paid-up lease.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced within twelve months from the expiration of the last rental period for which rental has been paid, or provided that within said period the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

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

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all buildings, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer assignment or a certified copy thereof. In the event this lease shall be assigned as to a part or as to parts of the above described land, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or effect this lease in so far as it covers a part or parts of said land upon which the said lessee or an assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

10. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

11. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

12. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

13. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or recording tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or effect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

14. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the proper county.

15. This lease and all its terms, conditions and stipulations shall extend to and be binding on all successors of said lessor or lessee.

THIS AGREEMENT, Entered into this the 23rd day of January, 1981,
between WILLIAM G. DAVIE, as separate property; and WILLIAM G. DAVIE and BILL B. DAVIE,
as Joint Tenants, whose addresses are P. O. Box 92, Fruitland, New Mexico 87416

and S & I OIL COMPANY hereinafter called lessor,
hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of TEN AND NO/100 Dollars (\$10.00),
in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased
and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas
and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon
to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described
tract of land in San Juan County, New Mexico to-wit:

TRACT 3: 3.89+ acres, situate in the SW/4 SW/4 of Sec. 2, T29N, R15W, NMPM, San Juan
County, New Mexico, being described as follows: Beginning at a point which is 802.36'
N89°07'36"E from the SW Corner of said Sec. 2. Said point being in the center of Co.
Rd. No. 62.

THENCE: N0°34'30"E, 1316.62';

THENCE: N89°28'42"E, 128.27';

THENCE: S0°32'10"W, 1315.81' to a point in the center of Co. Rd. No. 62;

THENCE: S89°07'36"W along said centerline 129.18' to the point of beginning.

TRACT 7: 16.48 acres, more or less, consisting of the west 544 feet of SW/4 SW/4,
Section 2, T29N, R15W, NMPM, San Juan County, New Mexico.

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. 6
CASE NO. _____

and containing 20.37 acres, more or less,
and this lease shall include all lands owned by lessor adjacent to the lands herein particularly described.

2. This lease shall remain in force for a term of 1/2 year and as long thereafter as oil, gas, casinghead gas, casinghead gasoline
or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells
the equal 1/4 part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for
such 1/4 royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into
storage tanks.

4. The lessee shall pay lessor, as royalty, 1/4 of the proceeds from the sale of the gas, as such, for gas from wells where gas
only is found and where not sold shall pay 25 per annum as royalty from each such well, and while such royalty is so paid such
well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well
on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the
well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and
used by the lessee for the manufacture of gasoline or any other product, as royalty, 1/4 of the market value of such gas at the
month of the well. If said gas is sold by the lessee, then as royalty 1/4 of the proceeds of the sale thereof.

5. This Oil and Gas Lease is a paid-up lease.

6. This lease shall terminate as to both parties, unless the lessee shall on or before this date, pay or tender to the lessor or for the lessor's credit

to the Bank at _____ or
its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under
this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of

Dollars (\$ _____) which shall operate as
rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon
the payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments
or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the term of this lease. No
assignment of the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided for in this lease
shall be binding on the heirs, devisees, executors, and administrators of each party.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole,
or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced within twelve
months from the expiration of the last rental period for which rental has been paid, or provided that within said period the lessee
begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs
hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

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

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water
from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused
by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises
without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all
machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the cove-
nants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in
the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer
or assignment or a certified copy thereof. In the event this lease shall be assigned as to a part or as to parts of the above described
lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the
rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said
land upon which the said lessee or an assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties
entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable
instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders
on behalf of said parties, and their respective successors in title.

10. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option,
may pay and discharge any taxes, mortgages or other liens existing, levied, or assessed on or against the above described lands and,
in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying
to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

11. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling
operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations
are prosecuted and, if production results therefrom, then as long as production continues.

12. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not termi-
nate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date, or provided
lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary
term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes
operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of
such operations and, if production results therefrom, then as long as production continues.

13. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, sha. be developed
and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid
to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage.
There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease
may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that,
in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such
part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default
shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee
hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties,
lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with
the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties,
and their respective successors in title.

14. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering
or mailing a release thereof to the lessor, or by placing a release thereof of record in the proper county.

15. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.

April 13, 1981

State of New Mexico
Department of Energy & Minerals
Oil Conservation Division
Santa Fe, NM 87501

Re: S & I Oil Company
Compulsory Pooling, San Juan County, New Mexico

Gentlemen:

I would like to advise that I, Iona Brimhall, have taken an active part in putting this lease together for my family. I feel it is a fair and equitable lease.

I have also been given ample opportunity to sign this lease, however for personal reasons I will not do this. I am also aware of the consequences involved for causing this to be "forced pooled".

I have advised Mr. E. V. Isbell of S & I Oil Company to "force pool" this acreage in order that a well may be drilled.

Respectfully Submitted,

Iona Brimhall

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 2

CASE NO.

April 13, 1981

State of New Mexico
Department of Energy & Minerals
Oil Conservation Division
Santa Fe, NM 87501

Re: S & I Oil Company
Compulsory Pooling, San Juan County, New Mexico

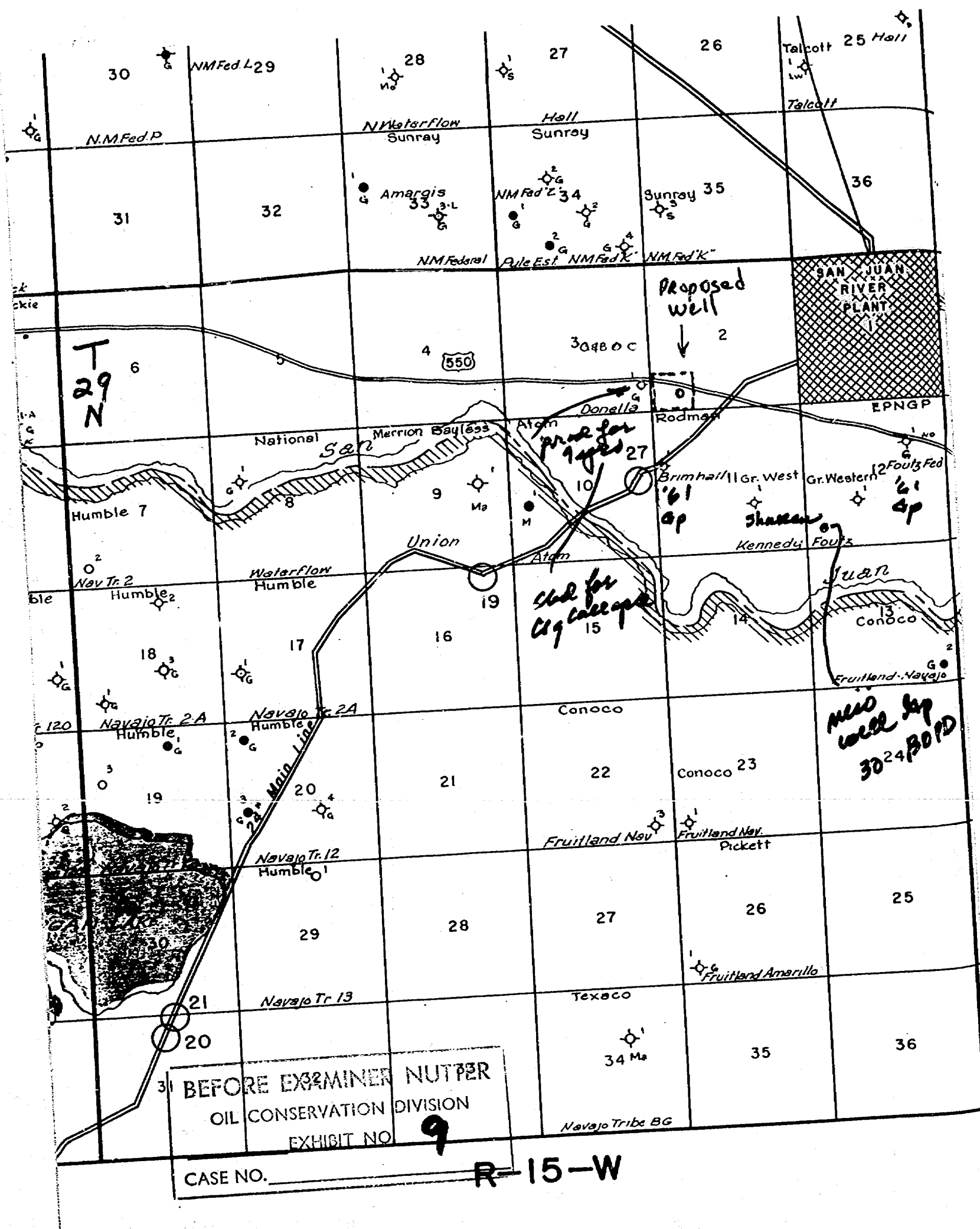
Gentlemen:

Please be advised that I, Maxine Hattemer of 4836 West 138th St., Hawthorne, California 90250, have been given fair and ample opportunity to sign a oil lease for the captioned. I feel that it is an equitable lease, however for personal reasons I have chosen not to sign the lease.

I have advised Mr. E. V. Isbell of S & I Oil Company to Force pool this acreage in order that a well may be drilled. I am aware of the consequences involved in "force pooling".

Maxine Hattemer

BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>8</u>
CASE NO. _____





S & I OIL CO.
413 W. MAIN 321-6855
FARMINGTON, NEW ME 87401

EXHIBIT NO. _____
CASE NO. _____

Lessee Name S & I Oil Co.	Well No. DAVIE #1	Field CHA-CHA GALLY
Location Sec. 2 T29N-R15W	County SAN JUAN	State New Mexico
Formation Gally	Est. Total Depth 4,700'	

TUBULAR GOODS		PRODUCING WELL		DRY HOLE
		Sub.	Total	
Surface Casing	300 Ft. 8 7/8" 24.0" Inch. 10.00 S/Ft.	\$ 3,000		\$ 3,000
Int. Casing	Ft. _____ Inch. _____ S/Ft.			
Prod. Casing	4700 Ft. 4 1/2" 10.50" Inch. 4.64 S/Ft.	21,800		
	Ft. _____ Inch. _____ S/Ft.			
	Ft. _____ Inch. _____ S/Ft.			
Tubing	4700 Ft. 2 3/8" 4.70" Inch. 2.77 S/Ft.	13,000		
Rods	4700 Ft. 5/8" _____ Inch. 1.21 S/Ft.	5,700	\$ 43,500	

WELLHEAD EQUIPMENT:
1000 Series

OTHER EQUIPMENT:
Liner Hangers and Production Packers

CONTRACT COSTS:				DRY HOLE
Footage	4,700 Ft.	17.00 S/Ft.	79,900	79,900
Daywork	2 Day	4200.00 S/Day	8,400	8,400
Daywork	Surface Hole Day	---	8,000	8,000
Daywork	Completion 4 Day	1800.00 S/Day	7,200	

CEMENTING: (Cement and Pump Trucks)				DRY HOLE
Surface	400 SACKS		4,000	4,000
Intermediate				
Production	800 SACKS		13,000	
Liner				
Liner	P & A			
Sq. Job			17,000	2,000

FORMATION TREATMENT:				DRY HOLE
Acidizing		JNC.		
Fracturing Equipment	AND MATERIALS	20,000		
Fluid	Gal. Oil			
	80,000 Gal. Water	2,000		
Sand	Lbs.	JNC.		
Tank Rental	4 TANKS	1200	23,200	

SPECIAL SERVICES: (Surveys and Tests)				DRY HOLE
Permitting		2,500		
Mud Logging		8,200		8,200
Electric and Radioactive Logging				
Drill Stem Tests			10,700	
Cores				

MATERIALS:
Drilling Mud and Chemicals
Drilling Gas or Air
Water
Bits
Fuel

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. **10**

CASE NO. _____

General Equipment (shoes, collars, etc.)

Bridge Plugs and Retainers **SUPERVISION**

Miscellaneous (welding, hauling, rental of tools, etc.)

Production Equipment, TK, Treater AND
Pumping Unit

ACCESS AND LOCATION:

Total Direct Cost

Plus 5% Contingency

ESTIMATED TOTAL COST

WORKING INTEREST:

ESTIMATED COST ONLY - Each participating owner to pay proportionate share of actual well cost subject to operating agreement.

Date **December 11, 1980**

By **Steve Strickland S & I Oil Co.**

CASE NO. _____
EXHIBIT "C"

COPAS

Attached to and made a part of Model Form Operating Agreement
dated December 15, 1980 between S & I Oil Company, as
"Operator" and Walter L. Kennedy, Jr., as "Non-Operator".

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 \$ 3,500.00
Producing Well Rate \$ 350.00 *Monthly*

- (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 (If necessary, to be negotiated at a later date.)

~~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.

The overhead costs stated in Article III will be adjusted annually on January 1 of each year to reflect an inflation adjustment factor. The inflation adjustment factor shall be the sum of a factor equal to 1/100ths of the quarterly percent change in the GNP implicit price deflator plus a correction factor of 1.02. The term "GNP implicit price deflator" means the preliminary estimate of the implicit price deflator, seasonally adjusted, for the Gross National Product as computed and published by the Department of Commerce for the calendar quarter involved. The term "quarterly percentage change in GNP implicit price deflator" means the quarterly percentage change in the GNP implicit price deflator computed and published as an annual rate by the Department of Commerce, for the most recent calendar quarter for which such quarterly percentage change has been so published at least 8 days before the beginning of January 1 of each year.

10. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.

executive orders, rules, or regulations. If, at the end of the primary term hereof, such term has not been extended by production or drilling as in this lease provided, and lessee, by reason of any of the above recited causes, is unable to drill a well on the leased premises for oil or gas, the primary term and the rental provision hereof shall be extended automatically from year to year until the first anniversary hereof occurring ninety (90) or more days following the removal of such delaying cause. During any period that lessee is unable to produce and/or market any products from the leased premises by reason of any of the above recited causes, this lease shall remain in full force and effect.

17. Lessee is hereby given the right at its option, at any time and from time to time, to pool or unitize all or any part or parts of the above described land with other land, lease, or leases in the immediate vicinity thereof, such pooling to be into units not exceeding the minimum size tract on which a well may be drilled under laws, rules, or regulations in force at the time of such pooling or unitization; provided, however, that such units may exceed such minimum by not more than ten acres if such excess is necessary in order to conform to ownership subdivisions or lease lines. Lessee shall exercise said option, as to each desired unit, by executing and recording an instrument identifying the unitized area. Any well drilled or operations conducted on any part of each such unit shall be considered a well drilled or operations conducted under this lease, and there shall be allocated to the portion of the above described land included in any such unit such proportion of the actual production from all wells on such unit as lessor's interest, if any, in such portion computed on an acreage basis, bears to the entire acreage of such unit. And it is understood and agreed that the production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production from the portion of the above described land included in such unit in the same manner as though produced from the above described land under the terms of this lease.

IN WITNESS WHEREOF, we sign the day and year first above written.

IONA BRIMHALL, dealing in her sole
and separate property

STATE OF NEW MEXICO
COUNTY OF SAN JUAN

ss.

ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said County and State, on this
day of _____, 19 81, personally appeared IONA BRIMHALL
and _____

to me personally known to be the identical person who executed the within and foregoing instrument and acknowl-
edged to me that she executed the same as her free and voluntary act and deed for the uses and purposes
therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____

Notary Public

No. _____	OIL AND GAS LEASE	FROM	TO	Date	Section	Twp.	Rge.	Term	No. of Acres	County	State	County of	This instrument was filed for record on the	day	at	in Book	Page	of	the records of this office.	County Clerk	By	Deputy	When recorded, return to	S & I OIL COMPANY, 413 W. Main, Farmington, New Mexico 87401
		IONA BRIMHALL	S & I OIL COMPANY	January 20th	2	29N	15W	3.90		San Juan	New Mexico	San Juan	ss.	19	o'clock	M., and duly recorded								

STATE OF _____
COUNTY OF _____

ss.

ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said County and State, on this
day of _____, 19 _____, personally appeared _____
and _____

to me personally known to be the identical person who executed the within and foregoing instrument and acknowl-
edged to me that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes
therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____

Notary Public

between MAXINE L. HATTEMER and FREDERICK L. HATTEMER and MAXINE L. HATTEMER, Husband and
Wife, Joint Tenants, whose address is 4836 West 138th Street, Hawthorne, California
90250

S & I OIL COMPANY

—hereinafter called lessor.

and S & I OIL COMPANY hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of TEN AND NO/100 Dollars (10.00), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in San Juan County, New Mexico to-wit:

TRACT 6: 3.89+ acres, situate in the SW/4 SW/4 of Section 2, T29N, R15W, NMPM, San Juan County, New Mexico, being described as follows: Beginning at a point which is 1189.90' N89°07'36"E from the SW Corner of said Sec. 2, said point being in the center of Co. Rd. No. 62; THENCE: N0°27'30"E, 1314.19'; THENCE: N89°28'42"E, 128.27'; THENCE: S0°25'10"W, 1313.38' to a point in the center of Co. Rd. No. 62; THENCE: S89°07'36"W along said centerline 129.18' to the point of beginning.

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and this lease shall include all lands owned by lessor adjacent to the lands herein particularly described. 3.89 acres, more or less.

2. This lease shall remain in force for a term of One (1) year: and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal $\frac{1}{4}$ part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such $\frac{1}{4}$ royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall pay lessor, as royalty, $\frac{1}{4}$ of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay \$25 per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline or any other product, as royalty, $\frac{1}{4}$ of the market value of such gas at the mouth of the well. If said gas is sold by the lessee, then, as royalty $\frac{1}{4}$ of the proceeds of the sale thereof.

5. This Oil and Gas Lease is a paid-up lease.

1. I agree to pay for the drilling of a well for oil or gas on or before the date of the lease or for the lease's term.

in the _____ Bank at _____, or its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas or in the rentals to accrue thereunder, the sum of _____

rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall constitute the proper discharge, payment, and administration of such person.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced within twelve months from the expiration of the last rental period for which rental has been paid; or provided that within said period the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

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

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all buildings, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

5. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but the chain of ownership in the land or in the rentals or royalties shall be binding on the assignee only after notice to the lessee and it has been furnished with the written transfer or assignment or of recording a copy thereof. In the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rentals or royalties due from him, or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said lands upon which the said lessee or an assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

It Lessee hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

11. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

12. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lease begins or resumes the payment of rentals in the manner and amount heretofore provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the production of such operations and, if production results therefrom, then as long as production continues.

13. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to each separate owner in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no compensation or payment to the lessor for the lease to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise or otherwise, or to furnish separate measuring or recording certificates. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner or any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall constitute a default or affect this lease in so far as it covers a part or parts of said land upon which the said lessor or any assignee or assignees shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, the parties shall withhold payments thereof until and until all parties desist, in writing, in a recordable instrument to be filed with the lessor a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

14. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or making a release thereof to the lessor, or by placing a release thereof of record in the proper county.

11. This lease and all its terms, conditions, and stipulations if all extend to and be binding on all successors of said lessor or lessee.

16. This lease shall not be terminated whole or in part, nor shall lessee be held liable in damages, for failure to comply with the express or implied covenants hereof, if compliance therewith is prevented by, or if such failure is the result of, any Federal or State laws, executive orders, rules, or regulations. If, at the end of the primary term hereof, such lessee has not been extended by production or drilling as in this lease provided, and lessee, by reason of any of the above recited causes, is unable to drill a well on the leased premises for oil or gas, the primary term and the rental provision hereof shall be extended automatically from year to year until the first anniversary hereof occurring ninety (90) or more days following the removal of such delaying cause. During any period that lessee is unable to produce and/or market any products from the leased premises by reason of any of the above recited causes, this lease shall remain in full force and effect.

17. Lessee is hereby given the right at its option, at any time and from time to time, to pool or unitize all or any part or parts of the above described land with other land, lease, or leases in the immediate vicinity thereof, such pooling to be into units not exceeding the minimum size tract on which a well may be drilled under laws, rules, or regulations in force at the time of such pooling or unitization; provided, however, that such units may exceed such minimum by not more than ten acres if such excess is necessary in order to conform to ownership subdivisions or lease lines. Lessee shall exercise said option, as to each desired unit, by executing and recording an instrument identifying the unitized area. Any well drilled or operations conducted on any part of each such unit shall be considered a well drilled or operations conducted under this lease, and there shall be allocated to the portion of the above described land included in such unit such proportion of the actual production from all wells on such unit as lessor's interest, if any, in such portion, computed on an acreage basis, bears to the entire acreage of such unit. And it is understood and agreed that the production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production from the portion of the above described land included in such unit in the same manner as though produced from the above described land under the terms of this lease.

IN WITNESS WHEREOF, we sign the day and year first above written.

MAXINE L. HATTEMER, dealing in her sole and separate property

FREDERICK L. HATTEMER, as Joint Tenant

MAXINE L. HATTEMER, as Joint Tenant

STATE OF _____ }
COUNTY OF CALIFORNIA } ss.

ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said County and State, on this _____ day of _____, 19 81, personally appeared FREDERICK L. HATTEMER and MAXINE L. HATTEMER, Husband and Wife

to me personally known to be the identical persons who executed the within and foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____ Notary Public

No. _____	OIL AND GAS LEASE
FROM	
MAXINE L. HATTEMER and FREDERICK L. HATTEMER and MAXINE L. HATTEMER, Husband and Wife, Joint Tenants	
TO	
S. & I. OIL COMPANY	
Date January 20th 19 80	
Section 2 Twp. 29N Rge 15W	
No. of Acres 3.89	Term
County San Juan	
STATE OF NEW MEXICO	ss.
County of SAN JUAN	
This instrument was filed for record on the _____ day _____ 19 _____	
at _____ o'clock _____ M., and duly recorded	
In Book _____ Page _____ of _____	
the records of this office.	
County Clerk	
By _____ Deputy	
When recorded, return to	
S & I Oil Company, 413 W. Main,	
Farmington, New Mexico 87401	

STATE OF _____ }
COUNTY OF _____ } ss.

ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said County and State, on this _____ day of _____, 19 _____, personally appeared _____ and _____

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____ Notary Public

THIS AGREEMENT, Entered into this the 20th day of January, 19 81,
LUCILLE M. TAYLOR of Arizona Rancho 57 Tovar, Holbrook, Arizona 86025
 between _____

_____ hereinafter called lessor,
 and S & I OIL COMPANY hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of TEN AND NO/100 Dollars (\$ 10.00), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in _____ County, _____ New Mexico to-wit:

TRACT 4: 3.89+ acres, situate in the SW/4 of Section 2, T29N, R15W, NMPM, San Juan County, New Mexico, being described as follows:
 Beginning at a point which is 931.54' N89°07'36"E from the SW Corner of said Section 2, said point being in the center of County Rd. No. 62;
 THENCE: N0°32'10"E, 1315.81';
 THENCE: N89°28'42"E, 128.27';
 THENCE: S0°29'50"W, 1315.00' to a point in the center of County Rd. No. 62;
 THENCE: S89°07'36"W along said centerline 129.18' to the point of beginning.

Exhibit 3
 Case 7224

and containing 3.89 acres, more or less, and this lease shall include all lands owned by lessor adjacent to the lands herein particularly described.

2. This lease shall remain in force for a term of 1/2 year and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal 1/4 part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such 1/4 royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall pay lessor, as royalty, 1/4 of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay \$25.00 per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline or any other product, as royalty, 1/4 of the market value of such gas at the mouth of the well, if said gas is sold by the lessee, then as royalty 1/4 of the proceeds of the sale thereof.

5. This Oil and Gas Lease is a paid-up lease.

This lease shall terminate as to both parties, unless the lessee shall on or before this date, pay or tender to the lessor or for the lessor's credit

to the _____ Bank at _____ or its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of _____ Dollars (\$ _____) which shall operate as

rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon the payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided here shall be binding on the heirs, devisees, executors, and administrators of such person.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced within twelve months from the expiration of the last rental period for which rental has been paid, or provided that within said period the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

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

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer or assignment or a certified copy thereof. In the event this lease shall be assigned as to a part or as to parts of the above described land, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or an assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

10. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

11. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

12. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided it begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

13. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease is hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

14. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering a release thereof to the lessor, or by placing a release thereof of record in the proper county.

This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.

THIS AGREEMENT, Entered into this the 20th day of January, 1981
 between ELLIS DAVIE of 7832 Cerritos Avenue, Stanton, California 90680

S & I OIL COMPANY

hereinafter called lessor,

and

hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of TEN AND NO/100 Dollars (\$10.00), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in San Juan County, New Mexico to-wit:

TRACT 2: 3.89+ acres situate in the SW/4 SW/4 of Section 2, T29N, R15W, NMPM, San Juan County, New Mexico, being described as follows:

Beginning at a point which is 673.18' N89°07'36"E from the SW Corner of said Section 2. Said point being in the center of Co. Rd. No. 62;

THENCE: N0°36'52"E, 1317.43 feet;

THENCE: N89°28'42"E, 128.27 feet;

THENCE: S0°34'30"W, 1316.62 feet to a point in the center of Co. Rd. No. 62;

THENCE: S89°07'36"W along said centerline 129.18 feet to the point of beginning.

Exhibit 4
Case 7224

~~and containing 3.89 acres, more or less, and this lease shall include all lands owned by lessor adjacent to the lands herein particularly described.~~

2. This lease shall remain in force for a term of one (1) year and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal 1/4 part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such 1/4 royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall pay lessor, as royalty, 1/4 of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay \$25. per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline or any other product, as royalty, 1/4 of the market value of such gas at the mouth of the well. If said gas is sold by the lessee, then as royalty 1/4 of the proceeds of the sale thereof.

5. This Oil and Gas Lease is a paid-up lease.

~~6. If operations for the drilling of a well for oil or gas are not commenced on said land on or before this lease shall terminate as to both parties, unless the lessee shall on or before this date, pay or tender to the lessor or for the lessor's credit on the Bank at or its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of~~

~~Dollars (\$) which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, executors, administrators, and assigns of such person.~~

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced within twelve months from the expiration of the last rental period for which rental has been paid, or provided that within said period the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

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

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer or assignment or a certified copy thereof. In the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or an assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

10. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

11. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

12. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

13. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts to which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or an assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

14. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the proper county.

15. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.

THIS AGREEMENT, Entered into this the 20th day of January, 19 81
between TILLIE D. STRANG, 4832 West 138th Street, Hawthorne, California 90250

and S & I OIL COMPANY hereinafter called lessor,
hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of TEN AND NO/100 Dollars (\$ 10.00), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in San Juan County, New Mexico to-wit:

TRACT 5: 3.89+ acres, situate in the SW/4 SW/4 of Sec. 2, T29N, R15W, NMPM, San Juan County, New Mexico, being described as follows: Beginning at a point which is 1060.72' N89°07'36"E from the SW Corner of said Section 2, said point being in the center of Co. Rd. No. 62;
THENCE: N0°29'50"E, 1315.00';
THENCE: N89°28'42"E, 128.27';
THENCE: S0°27'30"W, 1314.19' to a point in the center of Co. Rd. No. 62;
THENCE: S89°07'36"W along said centerline 129.18' to the point of beginning.

Exhibit 5
Case 7224

~~TRACT 5: 3.89+ acres, situate in the SW/4 SW/4 of Sec. 2, T29N, R15W, NMPM, San Juan County, New Mexico, being described as follows: Beginning at a point which is 1060.72' N89°07'36"E from the SW Corner of said Section 2, said point being in the center of Co. Rd. No. 62;~~

~~and this lease shall include all lands owned by lessor adjacent to the lands herein particularly described.~~

~~2. This lease shall remain in force for a term of one (1) year and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or any of them is produced.~~

~~3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal 1/4 part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such 1/4 royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.~~

~~4. The lessee shall pay lessor, as royalty, 1/4 of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay \$25.00 per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline or any other product, as royalty, 1/4 of the market value of such gas at the mouth of the well. If said gas is sold by the lessee, then as royalty 1/4 of the proceeds of the sale thereof.~~

~~5. This Oil and Gas Lease is a paid-up lease.~~

~~6. If operations for the drilling of a well for oil or gas are not commenced on said land on or before~~

~~this lease shall terminate as to both parties, unless the lessee shall on or before this date, pay or tender to the lessor or for the lessor's agent~~

~~in the Bank at _____ or~~

~~its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under~~

~~this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of _____~~

~~Dollars (\$ _____) which shall operate as~~

~~rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon~~

~~like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments~~

~~or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Not-~~

~~withstanding the death of the lessor, or his successor, in interest the payment or tender of rentals in the manner provided above shall~~

~~continue until the death of the lessor, his successor, or the termination of this lease.~~

~~6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced within twelve months from the expiration of the last rental period for which rental has been paid, or provided that within said period the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.~~

~~7. In case said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said lessor only in the proportion which his interest bears to the whole and undivided fee.~~

~~8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all structures, buildings and other structures placed on said premises, including the right to draw and remove all casing.~~

~~9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the interests or estates therein shall be binding on the lessee until after notice to the lessor and it has been furnished with the written transfer assignment or a certified copy thereof. In the event this lease shall be assigned as to a part or as to parts of the above described land, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessor or an assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.~~

~~10. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.~~

~~11. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.~~

~~12. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.~~

~~13. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no objection on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessor or any assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessor a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.~~

~~14. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the proper county.~~

~~15. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.~~

THIS AGREEMENT, Entered into this the 23rd day of January, 1981,
between WILLIAM G. DAVIE, as separate property; and WILLIAM G. DAVIE and BILL B. DAVIE,
as Joint Tenants, whose addresses are P. O. Box 92, Fruitland, New Mexico 87416

and S & I OIL COMPANY hereinafter called lessor,
hereinafter called lessee, does witness:
1. That lessor, for and in consideration of the sum of TEN AND NO/100 Dollars (\$10.00),
in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased
and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas
and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon
to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described
tract of land in San Juan County, New Mexico to-wit:

TRACT 3: 3.89+ acres, situate in the SW/4 SW/4 of Sec. 2, T29N, R15W, NMPM, San Juan
County, New Mexico, being described as follows: Beginning at a point which is 802.36'
N89°07'36"E from the SW Corner of said Sec. 2. Said point being in the center of Co.
Rd. No. 62.

THENCE: N0°34'30"E, 1316.62';

THENCE: N89°28'42"E, 128.27';

THENCE: S0°32'10"W, 1315.81' to a point in the center of Co. Rd. No. 62;

THENCE: S89°07'36"W along said centerline 129.18' to the point of beginning.

TRACT 7: 16.48 acres, more or less, consisting of the west 544 feet of SW/4 SW/4,
Section 2, T29N, R15W, NMPM, San Juan County, New Mexico.

Exhibit 6
Case 7224

and containing 20.37 acres, more or less,
and this lease shall include all lands owned by lessor adjacent to the lands herein particularly described.

2. This lease shall remain in force for a term of 1/2 year and as long thereafter as oil, gas, casinghead gas, casinghead gasoline
or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells
the equal 1/4 part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for
such 1/4 royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into
storage tanks.

4. The lessee shall pay lessor, as royalty 25 1/4 of the proceeds from the sale of the gas, as such, for gas from wells where gas
only is found, and where not sold shall pay \$25 per annum as royalty from each such well, and while such royalty is so paid such
well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any gas well
on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the
well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and
used by the lessee for the manufacture of gasoline or any other product, as royalty, 1/4 of the market value of such gas at the
mouth of the well. If said gas is sold by the lessee, then as royalty 1/4 of the proceeds of the sale thereof.

5. This Oil and Gas Lease is a paid-up lease.

his lease shall terminate as to both parties, unless the lessee shall on or before this date, pay or tender to the lessor or for the lessor's credit

in the Bank at or

its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under

this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of

Dollars (\$) which shall operate as

rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon
the payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments
or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Not
withstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall

binding on the heirs, devisees, executors, and administrators of such parties.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole,
or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced within twelve
months from the expiration of the last rental period for which rental has been paid, or provided that within said period the lessee
begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs
hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

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

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water
from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused
by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises
without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all
machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the cov-
enants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in
the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer
or assignment or a certified copy thereof. In the event this lease shall be assigned as to a part or as to parts of the above described
lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the
rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said
land upon which the said lessee or an assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties
entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable
instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders
on behalf of said parties, and their respective successors in title.

10. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option,
may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and,
in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying
to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

11. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling
operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations
are prosecuted and, if production results therefrom, then as long as production continues.

12. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not termi-
nate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date, or, provided
lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary
term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes
operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of
such operations and, if production results therefrom, then as long as production continues.

13. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall, as developed
and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid
to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage.
There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease
may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that,
in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such
part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default
shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee
hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties,
lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with
the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties,
and their respective successors in title.

14. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering
or mailing a release thereof to the lessor, or by placing a release thereof of record in the proper county.

15. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.

16. This lease shall not be terminated, in whole or in part, nor shall lessee be held liable in damages, for failure to comply with the express or implied covenants hereof, if compliance therewith is prevented by, or if such failure is the result of, any Federal or State laws, executive orders, rules, or regulations. If, at the end of the primary term hereof, such term has not been extended by production or drilling as in this lease provided, and lessee, by reason of any of the above recited causes, is unable to drill a well on the leased premises for oil or gas, the primary term and the rental provision hereof shall be extended automatically from year to year until the first anniversary hereof occurring ninety (90) or more days following the removal of such delaying cause. During any period that lessee is unable to produce and/or market any products from the leased premises by reason of any of the above recited causes, this lease shall remain in full force and effect.

17. Lessee is hereby given the right at its option, at any time and from time to time, to pool or unitize all or any part or parts of the above described land with other land, lease, or leases in the immediate vicinity thereof, such pooling to be into units not exceeding the minimum size tract on which a well may be drilled under laws, rules, or regulations in force at the time of such pooling or unitization; provided, however, that such units may exceed such minimum by not more than ten acres if such excess is necessary in order to conform to ownership subdivisions or lease lines. Lessee shall exercise said option, as to each desired unit, by executing and recording an instrument identifying the unitized area. Any well drilled or operations conducted on any part of each such unit shall be considered a well drilled or operations conducted under this lease, and there shall be allocated to the portion of the above described land included in any such unit such proportion of the actual production from all wells on such unit as lessor's interest, if any, in such portion, computed on an acreage basis, bears to the entire acreage of such unit. And it is understood and agreed that the production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production from the portion of the above described land included in such unit in the same manner as though produced from the above described land under the terms of this lease.

IN WITNESS WHEREOF, we sign the day and year first above written.

BILL B. DAVIE, as Joint Tenant

Bill B. Davie
STATE OF NEW MEXICO
COUNTY OF SAN JUAN

ss.

WILLIAM G. DAVIE, dealing in his sole and separate property

William G. Davie
WILLIAM G. DAVIE, as Joint Tenant

ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said County and State, on this 1/28/81 day of January, 19 81, personally appeared WILLIAM G. DAVIE and BILL B. DAVIE

to me personally known to be the identical persons who executed the within and foregoing instrument and acknowledged to me that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires Jan 8 1984

William G. Davie
Notary Public

No.
OIL AND GAS LEASE
FROM
WILLIAM G. DAVIE, as separate property;
and WILLIAM G. DAVIE and BILL B. DAVIE
as Joint Tenants
TO
S & I OIL COMPANY
Date January 23rd, 1981
Section 2 Twp. 29N Rge. 15W
No. of Acres 20.37 Term
County San Juan
STATE OF NEW MEXICO ss.
County of SAN JUAN
This instrument was filed for record on the day 19
at o'clock M., and duly recorded
in Book Page of
the records of this office.
County Clerk
By Deputy
When recorded, return to
S & I OIL COMPANY, 413 W. Main,
Farmington, New Mexico 87401

STATE OF ss.
COUNTY OF

ACKNOWLEDGMENT FOR INDIVIDUAL

Before me, the undersigned, a Notary Public, within and for said County and State, on this day of , 19 , personally appeared and

to me personally known to be the identical persons who executed the within and foregoing instrument and acknowledged to me that executed the same as free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires

April 13, 1981

State of New Mexico
Department of Energy & Minerals
Oil Conservation Division
Santa Fe, NM 87501

Re: S & I Oil Company
Compulsory Pooling, San Juan County, New Mexico

Gentlemen:

I would like to advise that I, Iona Brinhall, have taken an active part in putting this lease together for my family. I feel it is a fair and equitable lease.

I have also been given ample opportunity to sign this lease, however for personal reasons I will not do this. I am also aware of the consequences involved for causing this to be "forced pooled".

I have advised Mr. E. V. Isbell of S & I Oil Company to "force pool" this acreage in order that a well may be drilled.

Respectfully Submitted,

Iona Brinhall

Exhibit 7
Case 7224

April 13, 1981

State of New Mexico
Department of Energy & Minerals
Oil Conservation Division
Santa Fe, NM 87501

Re: S & I Oil Company
Compulsory Pooling, San Juan County, New Mexico

Gentlemen:

Please be advised that I, Maxine Hattemer of 4836 West 138th St., Hawthorne, California 90250, have been given fair and ample opportunity to sign a oil lease for the captioned. I feel that it is an equitable lease, however for personal reasons I have chosen not to sign the lease.

I have advised Mr. E. V. Isbell of S & I Oil Company to Force pool this acreage in order that a well may be drilled. I am aware of the consequences involved in "force pooling".

Maxine Hattemer

Exhibit 8
Case 7224



413 W. MAIN 371-6855
FARMINGTON, NEW ME. 87401

Well Name: S & I Oil Co. Well No: DAVE
Location: Sec. 29N-R15W County: SAN JUAN Field: Chacha Gally
Formation: Gallup Est. Total Depth: 4,700' State: New Mexico

TUBULAR GOODS

Surface Casing 200 Ft. 8 7/8 24.0 Inch. 10.00 S/Fl.
Int. Casing 4700 Ft. 4 1/2 10.50 Inch. 4.64 S/Fl.
Prod. Casing 4700 Ft. 3 1/2 4.70 Inch. 2.77 S/Fl.
Tubing 4700 Ft. 5/8 1.21 Inch. 5.70 S/Fl.

PRODUCING WELL

Sub. Total

DRY HOLE

WELLHEAD EQUIPMENT:

1000 Series

OTHER EQUIPMENT:

Liner Hangers and Production Packers

CONTRACT COSTS:

Footage 4700 FL 17.00 S/Fl. 79,900
Daywork 2 Day 4200.00 S/Day 8,400
Daywork Surface Hole Day 8,000
Daywork Completion Day 1800.00 S/Day 7,200

CEMENTING: (Cement and Pump Trucks)

Surface 400 SACKS
Intermediate
Production 800 SACKS
Liner
Liner
P & A
Sq. Job

FORMATION TREATMENT:

Acidizing
Fracturing Equipment AND MATERIALS
Fluid 80,000 Gal. Oil
Gal. Water
Sand 60,000 Lbs.
Tank Rental 4 TANKS

SPECIAL SERVICES: (Surveys and Tests)

Perforating
Mud Logging
Electric and Radioactive Logging
Drill Stem Tests
Cores

MATERIALS:

Drilling Mud and Chemicals
Drilling Gas or Air
Water
Bits
Fuel
Cement Equipment (shoes, collars, etc.)
Bridge Plugs and Retainers SUPERVISION
Miscellaneous (welding, hauling, rental of tools, etc.)
Production Equipment, TK., Treater and
Pumping Unit

ACCESS AND LOCATION:

Exhibit 10
Case 7224

Total Direct Cost
Plus 5% Contingency

ESTIMATED TOTAL COST

WORKING INTEREST:

ESTIMATED COST ONLY - Each participating owner to pay proportionate share of actual well cost subject to operating agreement.

Date December 11, 1980
Prepared By Troy Strickland, S & I Oil Co.

EXHIBIT "C"

Attached to and made a part of Model Form Operating Agreement
dated December 15, 1980 between S & I Oil Company, as
"Operator" and Walter L. Kennedy, Jr., as "Non-Operator".

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 \$260 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 \$ 3,500.00
Producing Well Rate \$ 350.00 Monthly

- (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 (If necessary, to be negotiated at a later date.)

~~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.

The overhead costs stated in Article III will be adjusted annually on January 1 of each year to reflect an inflation adjustment factor. The inflation adjustment factor shall be the sum of a factor equal to 1/100ths of the quarterly percent change in the GNP implicit price deflator plus a correction factor of 1.02. The term "GNP implicit price deflator" means the preliminary estimate of the implicit price deflator, seasonally adjusted, for the Gross National Product as computed and published by the Department of Commerce for the calendar quarter involved. The term "quarterly percentage change in GNP implicit price deflator" means the quarterly percentage change in the GNP implicit price deflator computed and published as an annual rate by the Department of Commerce, for the most recent calendar quarter for which such quarterly percentage change has been so published at least 8 days before the beginning of January 1 of each year.

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

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

Telephone 982-4285
Area Code 505

March 31, 1981

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

RE: S & I Oil Company

Case 7224

Dear Joe:

Please set the enclosed application for hearing
on April 22, 1981.

Very truly yours,

WTK
W. Thomas Kellahin

WTK:jm
Enclosure

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

IN THE MATTER OF THE APPLICATION
OF S & I OIL COMPANY FOR COMPULSORY
POOLING SAN JUAN COUNTY, NEW MEXICO

A P P L I C A T I O N

Case 7224

COMES NOW S & I OIL COMPANY, by and through its attorneys, KELLAHIN & KELLAHIN, and applies to the Oil Conservation Division of New Mexico for a compulsory pooling order for the SW/4SW/4 of Section 2, T29N, R15W, NMPM, San Juan County, New Mexico and in support thereof would show:

1. Applicant desires to be designated operator of the pooled unit.
2. Applicant is the owner of the right to drill and develop the oil and gas minerals underlying the above described 40 acre tract, and proposes to drill a well to test the formations underlying this tract.
3. Applicant has sought voluntary agreement from other owners of interests underlying the described lands, but has been unable to obtain such agreement with Hattemer & Brimhall for the drilling of the proposed well.
4. The address of the non-consenting owners to the best of applicant's information and belief are:

Maxine Hattemer
4836 West 138th Street
Hawthorne, California 90250

3.89 acres

Iona Brimhall
P.O. Box 414
Fruitland, New Mexico 87416

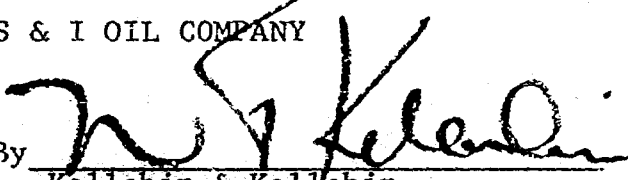
3.89 acres

WHEREFORE applicant prays the Division to enter its order pooling the mineral interests, whatever they may be, underlying the SW/4SW/4 of Section 2, Township 29 North, Range 15 West, N.M.P.M., San Juan County, New Mexico, together with provision for applicant to recover its reasonable costs of drilling and completing the proposed well out of production, plus its necessary operating costs, and costs of supervision, and for a risk factor of 200% for the risk of drilling and completing the proposed well, and for such other and further provisions as may be proper.

Respectfully submitted,

S & I OIL COMPANY

By


Kellahin & Kellahin
P.O. Box 1769
Santa Fe, New Mexico 87501
(505) 982-4285

ATTORNEYS FOR APPLICANT

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

IN THE MATTER OF THE APPLICATION
OF S & I OIL COMPANY FOR COMPULSORY
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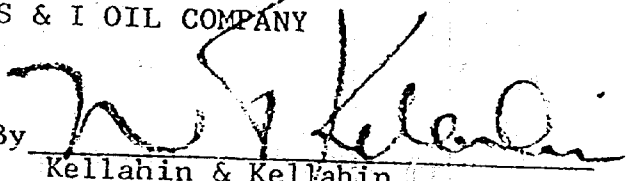
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WHEREFORE applicant prays the Division to enter its order pooling the mineral interests, whatever they may be, underlying the SW/4SW/4 of Section 2, Township 29 North, Range 15 West, N.M.P.M., San Juan County, New Mexico, together with provision for applicant to recover its reasonable costs of drilling and completing the proposed well out of production, plus its necessary operating costs, and costs of supervision, and for a risk factor of 200% for the risk of drilling and completing the proposed well, and for such other and further provisions as may be proper.

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ATTORNEYS FOR APPLICANT

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

IN THE MATTER OF THE APPLICATION
OF S & I OIL COMPANY FOR COMPULSORY
POOLING SAN JUAN COUNTY, NEW MEXICO

A P P L I C A T I O N

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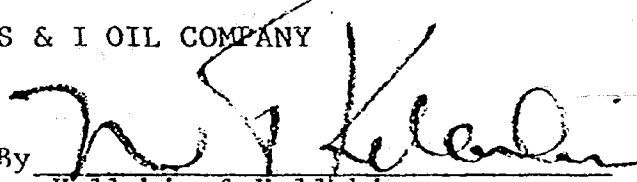
Iona Brimhall 3.89 acres
P.O. Box 414
Fruitland, New Mexico 87416

WHEREFORE applicant prays the Division to enter its order pooling the mineral interests, whatever they may be, underlying the SW/4SW/4 of Section 2, Township 29 North, Range 15 West, N.M.P.M., San Juan County, New Mexico, together with provision for applicant to recover its reasonable costs of drilling and completing the proposed well out of production, plus its necessary operating costs, and costs of supervision, and for a risk factor of 200% for the risk of drilling and completing the proposed well, and for such other and further provisions as may be proper.

Respectfully submitted,

S & I OIL COMPANY

By


Kellahin & Kellahin
P.O. Box 1769
Santa Fe, New Mexico 87501
(505) 982-4285

ATTORNEYS FOR APPLICANT

DRAFT

dr/

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. 7224

Order No. R- 6668

APPLICATION OF S & I OIL COMPANY
FOR COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 22,
19 81, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this day of April, 1981, 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, S & I Oil Company,
seeks an order pooling all mineral interests in ~~the~~ all formations
down to and including the Gallup formation underlying the SW/4 SW/4
of Section 2, Township 29 North, Range 15 West,
NMPM, , San Juan 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} ~~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~~ ^{paid} estimated well costs exceed reasonable well costs.

(11) That \$ 3500.00 per month while drilling and \$ 350.00 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 July 1, 1981, 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, down to and including the Gallup formation in the all formations underlying the SW/4 SW/4 of Section 2, Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 40 - acre ~~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 July, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Gallup formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of July, 1981, 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 S & I Oil Company 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 \$ 3500.00 per month while drilling and \$ 350.00 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.

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Case
Order No.

(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 San Juan 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 herein-above designated.