

Bird Creek Resources, Inc.

1412 S. Boston, Suite 550
Tulsa, Oklahoma 74119-3628
(918) 582-7713
Fax (918) 560-4930

January 27, 1997

State of New Mexico
Energy, Minerals & Natural Resources Department
Oil Conservation Division - Attn: Mr. Mike Stogner
2040 South Pacheco
Santa Fe, NM 87505

FAX 1/27/96 5:00 PM CST
ORIGINAL WILL BE MAILED

Re: Proposed Dunn #2 Well
NW/4 NW/4 of Section 25
T22S-R27E, Eddy Co., NM

Dear Mr. Stogner,

We received a telephone call last week from the Artesia OCD office, advising that we would need to apply for an excepted, or non-standard location, for the captioned well.

Under letter dated January 14, 1997 we submitted our Application for Permit to Drill (C-101) and Well Location Plat (C-102) filings (copies attached) toward the drilling of a (twin) well to our PRODUCING (gas) Dunn #1 well located 990' FNL and 660' FWL of the captioned Section. This second well is being drilled to test a shallower zone and will be located 1077' FNL and 578' FWL of the same Section, less than 100' feet from the current well.

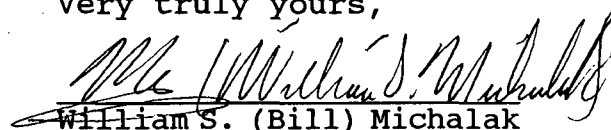
The location of the second well was selected in order to not jeopardize a loss of the Dunn #1's current production but to utilize the same pad area. As this Dunn #2 well would produce a shallower zone and have a different spacing unit, I did not realize this would be an unorthodox location under Section 104.C.A. which only restricts a location to no closer than 330' to a tract boundary or within 330' of a well capable of producing from the same pool.

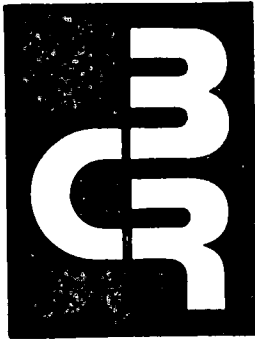
If, pursuant to Rule 104.F of Title 19, Chapter 15, Part C (Drilling) regarding Unorthodox Locations, we require such an exception, this letter is to request that the Division Director grant an exception to the well location requirements controlled by Sections 102.C (plat/existing well), and 104.C(1)(a), et seq.

Under these circumstances, please advise us of the Application status of this proposed Dunn #2 well and anything further that we might need to furnish, including any necessity to contact offset owners or include offset listings on the attached plats.

Again, thank you for your consideration.

Very truly yours,


William S. (Bill) Michalak



Bird Creek Resources, Inc.

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Tulsa, Oklahoma 74119-3628
(918) 582-7713
Fax (918) 560-4930

January 14, 1997

State of New Mexico
Energy, Minerals & Natural Resources
Oil Conservation Division - District II
811 South First
Artesia, NM 88210

Re: Proposed Dunn #2 Well
NW/4 NW/4 of Section 25
T22S-R27E, Eddy Co., NM

Dear Ladies and Gentlemen,

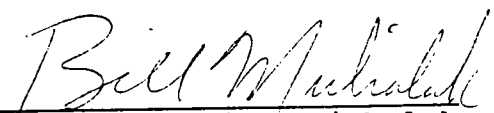
Enclosed for your approval are 5 copies of your Form C-101 (Application for Permit to Drill) and Form C-102 (Well Location and Acreage Dedication Plat) for the captioned well.

Also attached to this letter is a Vicinity Map and a Location Verification Map for your convenience.

Please let us know if anything further will be needed in securing a permit for the drilling of this well.

Thank you for your consideration.

Very truly yours,


William S. (Bill) Michalak

: enclosures

\\WORD\\LAND\\DUNN2\\PERMITS.001

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-101

Revised October 18, 1994

Instructions on back

Submit to Appropriate District Office

State Lease - 6 Copies

Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address. BIRD CREEK RESOURCES, INC. 1412 S. Boston, Suite 550 Tulsa, Oklahoma 74119		OGRID Number 2408
		API Number 30 - 0
Property Code	Property Name DUNN	Well No. 2

7 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	25	22S	27E		1077	North	578	West	Eddy

8 Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N/A									

Proposed Pool 1 Indian Draw	Proposed Pool 2
--------------------------------	-----------------

Work Type Code N	Well Type Code 0	Cable/Rotary R	Lease Type Code P	Ground Level Elevation 3066
Multiple NO	Proposed Depth 4900'	Formation Delaware	Contractor TBNL	Sand Date 2/1/97

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4"	8 5/8"	24#	550'	450	Surface
7 7/8"	5 1/2"	15.5#	4900'	1220	2800

22 Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Move on Location. Drill 12 1/4" hole to 550'. Run and cement casing. WOC until 500 compressive strength obtained. NU annular preventor and test BOP and casing to 600 psi. Drill 7 7/8" hole to 4900'. Run DST if appropriate. Run 5 1/2" casing and cement to 2800'.

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

Signature: *Wade Alexander*

Printed name: Wade Alexander 1/13/97

Title: Production Manager

918-582-7713

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name DUNN	Well Number 2
OGRID No.	Operator Name BIRD CREEK RESOURCES, INC.	Elevation 3066

Surface Location

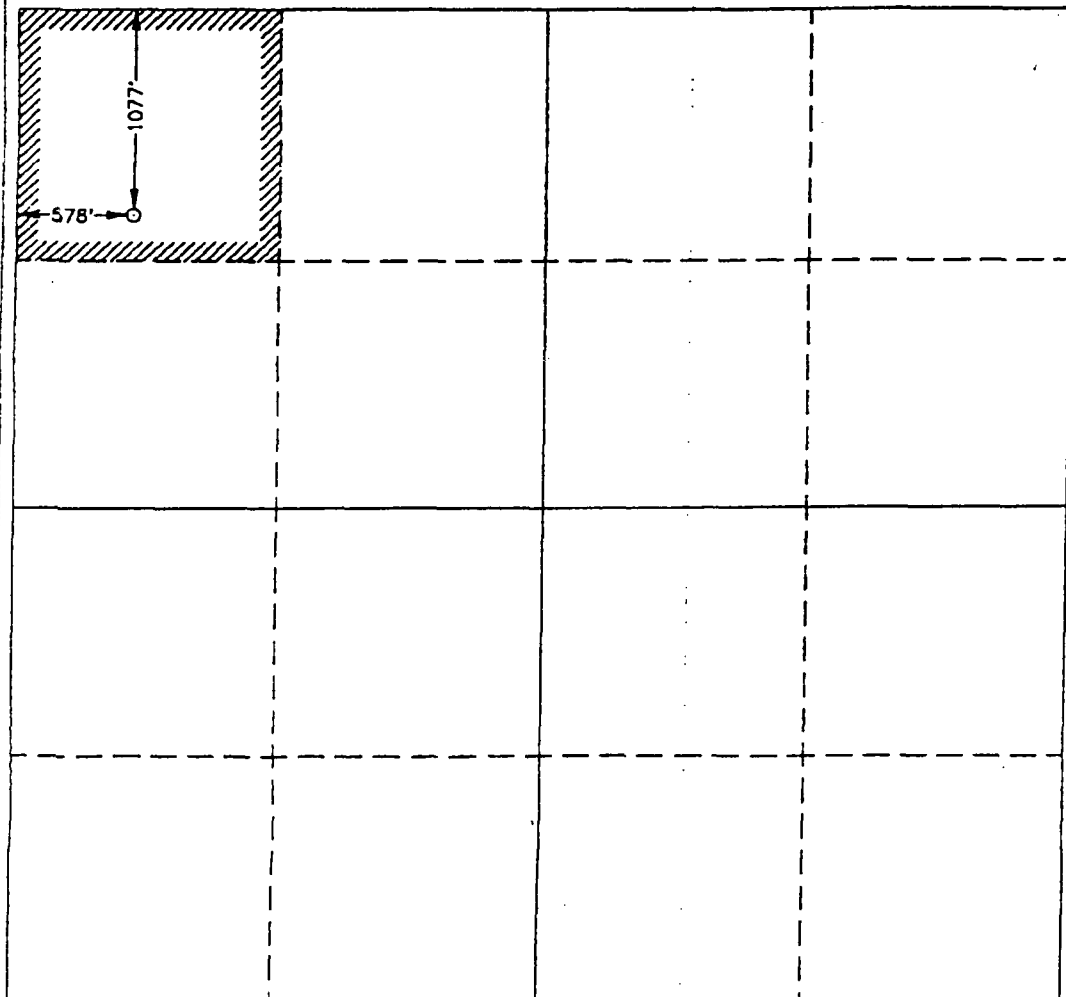
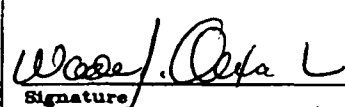
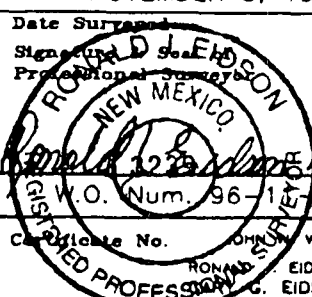
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	25	22 S	27 E		1077	NORTH	578	WEST	EDDY

Bottom Hole Location If Different From Surface

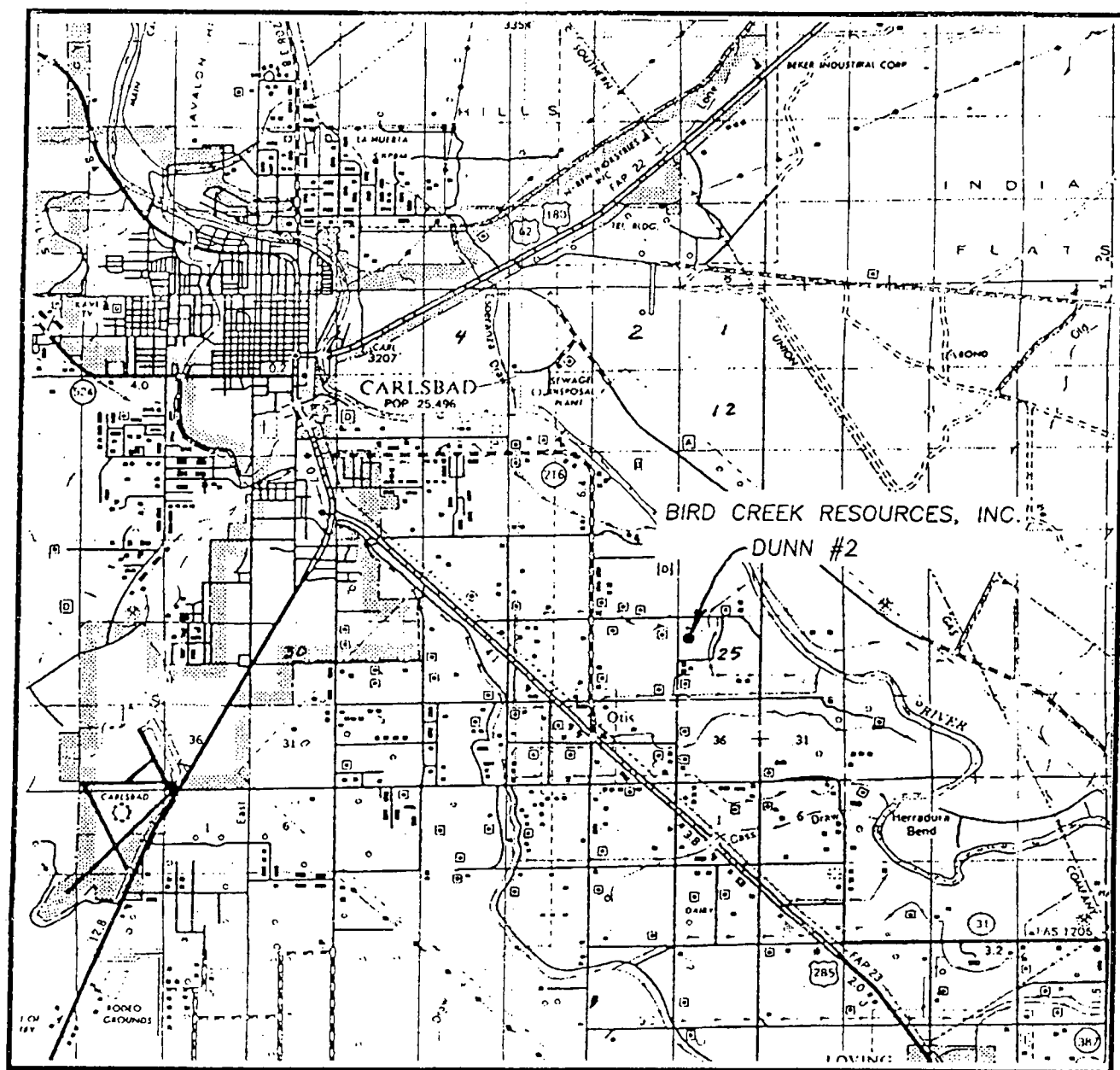
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.  Signature WADE J. ALEXANDER Printed Name Prod. Mgr Title 11/12/96 Date
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. NOVEMBER 5, 1996 Date Surveyed Signature of Surveyor Professional Surveyor  W.O. Num. 96-1431 Certificate No. 076 JLP

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 25 TWP. 22-S RGE. 27-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1077' FNL & 578' FWL

ELEVATION 3066'

OPERATOR BIRD CREEK RESOURCES, INC.

LEASE DUNN

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO

(505) 393-3117



RECEIVED **Bird Creek Resources, Inc.**

JAN 27 1997

Oil Conservation Division

1412 S. Boston, Suite 550
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(918) 582-7713
Fax (918) 580-4930

January 27, 1997

State of New Mexico
Energy, Minerals & Natural Resources Department
Oil Conservation Division - Attn: Mr. Mike Stogner
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Santa Fe, NM 87505

FAX 1/27/96 5:00 PM CST
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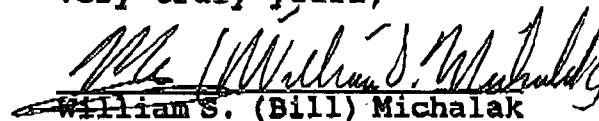
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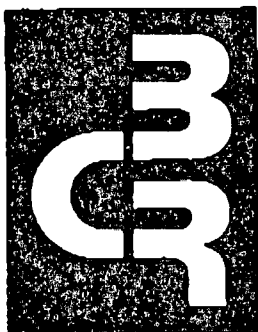
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January 14, 1997

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Energy, Minerals & Natural Resources
Oil Conservation Division - District II
811 South First
Artesia, NM 88210

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NW/4 NW/4 of Section 25
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 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-101
 Revised October 18, 1994
 Instructions on back
 Submit to Appropriate District Office
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 Fee Lease - 5 Copies

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		API Number 30 - 0
Property Code	Property Name DUNN	Well No. 2

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N/A									

Proposed Pool 1	Proposed Pool 2
Indian Draw	

Work Type Code	Well Type Code	Cable/Rotary	Lease Type Code	Ground Level Elevation
N	0	R	P	3066
Multiple	Proposed Depth	Formation	Contractor	Spud Date
No	4900'	Delaware	TBNL	2/1/97

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
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Signature: *Wade Alexander*
 Printed name: Wade Alexander 1/13/97
 Title: Production Manager

OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

Expiration Date:

918-582-7713

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

DISTRICT I

P.O. Box 1080, Hobbs, NM 88241-1080

DISTRICT II

P.O. Drawer 99, Artesia, NM 88211-0719

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

P.O. Box 2080, Santa Fe, NM 87504-2080

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name DUNN	Well Number 2
GRID No.	Operator Name BIRD CREEK RESOURCES, INC.	Elevation 3066

Surface Location

UL or Lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
D	25	22 S	27 E		1077	NORTH	578	WEST	EDDY

Bottom Hole Location If Different From Surface

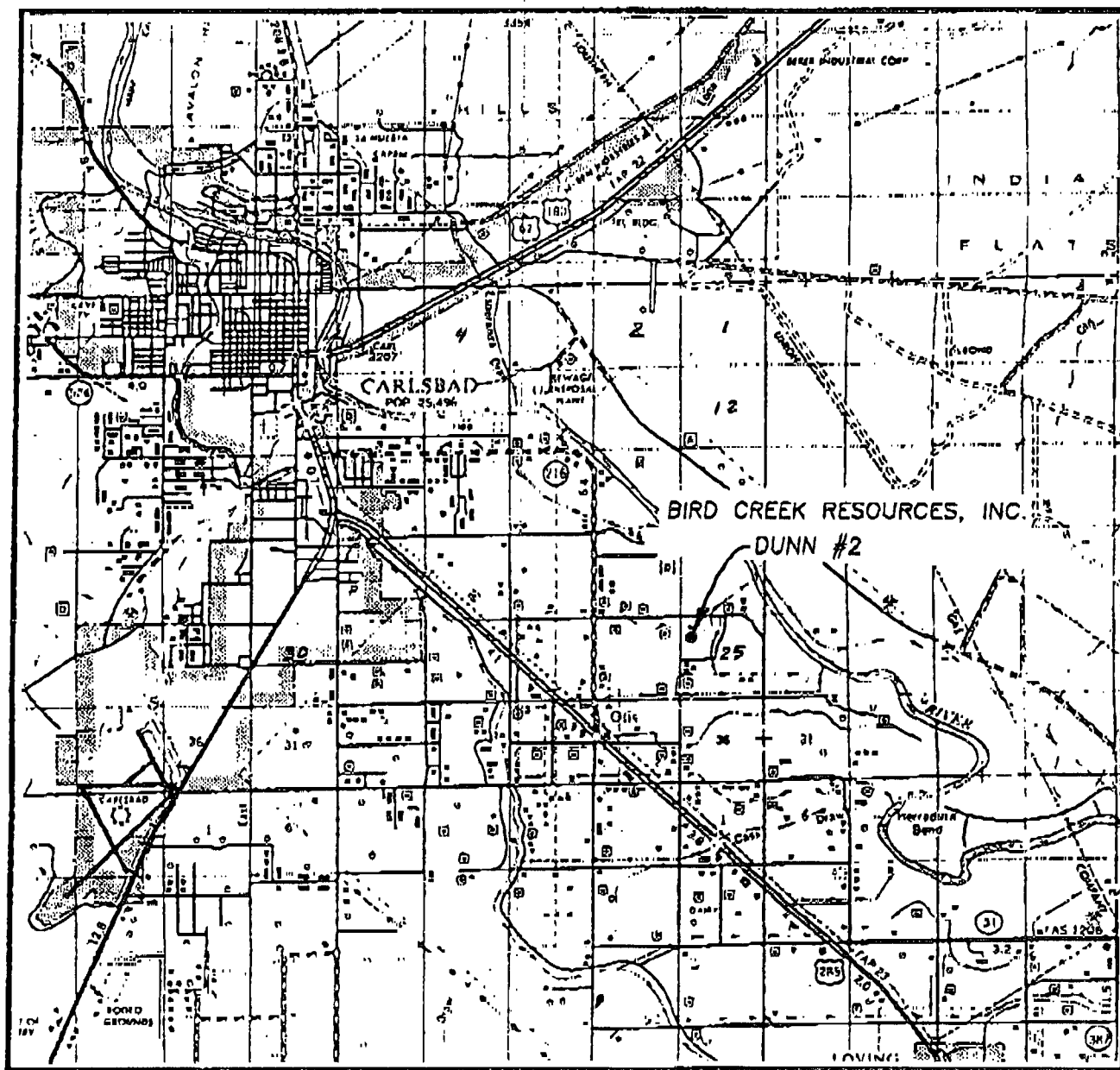
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Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

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	OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <u>Wade J. Alexander</u> Signature <u>WADE J. Alexander</u> Printed Name <u>Prod. Mgr.</u> Title <u>11/12/96</u> Date		
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. NOVEMBER 5, 1996 Date Surveyed <u>W. J. EIDSON</u> Signature Professional Seal W. J. EIDSON State of New Mexico Registered Professional Surveyor No. 1431 Date of License 1-06-96 P.O. Num. 96-1431 Certificate No. 1431 County WEST, 676 W. J. EIDSON, 3239 Registered Professional Surveyor, 12841		

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 25 TWP. 22-S RGE. 27-ESURVEY N.M.P.M.COUNTY EDDYDESCRIPTION 1077' FNL & 578' FWLELEVATION 3066'OPERATOR BIRD CREEK RESOURCES, INC.LEASE DUNN**JOHN WEST ENGINEERING
HOBBS, NEW MEXICO****(505) 393-3117**



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

January 27, 1997

Bird Creek Resources, Inc.
1412 S. Boston, Suite 550
Tulsa, Oklahoma 74119-9628

Attention: Bill Michalak

***Administrative Application For an Unorthodox
Delaware Oil Well Location:***

***Dunn Well No. 2 to be drilled 1077 feet from the
North line and 578 feet from the West line (Unit
D) of Section 25, Township 22 South, Range 27
East, NMPM, Eddy County, New Mexico.***

Dear Mr. Michalak:

My initial review of your application dated January 27, 1997 indicates that notification pursuant to Division General Rule 104.F(4) will be required before this application can be approved. Please provide me a plat showing the necessary information on the offset tracts as per instructed by Rule 104.F(3). To avoid having to file such a request for an unorthodox oil well location on the subject 40-acre tract, perhaps you might consider moving the location to the north side of the existing well pad so that this location would end up "standard".

I will hold on to this portion of the application until I hear from you.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

WJL/MES

cc: Oil Conservation Division - Artesia

[5-25-96...2-1-96]

- (d) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Subpart (c) above by certified or registered mail-return receipt in accordance with Rule 1207(6)(a) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the non-standard spacing unit upon receipt of waivers from all said parties or if no said party has entered an objection to the non-standard spacing unit within 20 days after the Director has received the application. [5-25-64...2-1-96]
- (e) The Division Director may set any application for administrative approval for a non-standard spacing unit for public hearing. [5-25-64...2-1-96]

(3) Number of Wells Per Spacing Unit in Non-Prorated

Gas Pools: Unless otherwise permitted by special pool rules or authorized after notice and hearing, only one (1) well per spacing unit is permitted in non-prorated pools. [5-25-64...2-1-96]

104.E. Form C-102, "Well Location and Acreage Dedication Plat", for any well shall designate the exact legal subdivision allotted to the well and Form C-101, "Application for Permit to Drill, Deepen, or Plug Back", will not be approved by the Division without such proper designation of acreage. [12-29-52...2-1-96]

104.F. UNORTHODOX LOCATIONS

(1) Well locations for producing wells and/or injection wells which are unorthodox based on the well location requirements of Rule 104.C(1)(a) above and which are necessary to permit the completion of an efficient production and injection pattern within a secondary recovery, tertiary recovery, or pressure maintenance project are hereby authorized, provided that any such unorthodox location within such project is no closer than the required minimum orthodox distance to the outer boundary of the lease or the unitized area, nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary. Such locations shall only require such prior approval as is necessary for an orthodox location. [1-1-50...2-1-96]

(2) The Division Director shall have authority to grant an exception to the well location requirements of Sections 104.B and 104.C above or to the well location requirements of special pool rules without notice and hearing when the necessity for such unorthodox location is based upon geologic conditions, archaeological conditions, topographical conditions, or the recompletion of a well previously drilled to a deeper horizon provided said well was drilled at an orthodox or approved unorthodox location for such original horizon. [1-1-82...2-1-96]

(3) Applications for administrative approval of unorthodox locations pursuant to Rule 104.F(2), above, shall be accompanied by a plat showing the subject spacing unit, its proposed unorthodox well location, the diagonal and adjoining spacing units and/or leases (whichever is applicable) and wells, and a list of affected parties. If the proposed unorthodox location is based upon topography or archaeology, the plat shall also show and describe the existent topographical or archaeological conditions. If the proposed unorthodox location is based upon geology, the application shall include appropriate geologic exhibits and a discussion of the geologic conditions which result in the necessity for the unorthodox location. [2-9-66...2-1-96]

- (a) Adjoining and diagonal spacing units shall be defined as those immediately adjacent existing spacing units in the same pool(s) as the proposed unorthodox well and towards which the unorthodox well location encroaches. [2-9-66...2-1-96]
- (b) Affected parties shall be defined as those parties who own interests in leases or operate wells on adjoining or diagonal spacing units and include:
 - (i) the designated operator of any adjoining or diagonal spacing unit producing from the same pool(s) as the proposed well;
 - (ii) in the absence of an operator, all lessees of record of any diagonal or adjoining lease owning interests in the same pool(s) as the proposed well; and
 - (iii) in the absence of an operator or lessee, all owners of record of unleased mineral interests in the same pool(s) as the proposed well.

[2-9-66...2-1-96]

(4) The applicant shall submit a statement attesting that applicant, on or before the same date the application was submitted to the Division, has sent notification to the affected parties by submitting a copy of the application, including a copy of the plat described in Rule 104.F(3) above by certified or registered mail-return receipt in accordance with Rule 1207(A)(5) advising them that if they have an objection it must be filed in writing within twenty days from the date notice was sent. The Division Director may approve the unorthodox location upon receipt of waivers from all said parties or if no said party has entered an objection to the unorthodox location within 20 days after the Director has received the application. [2-9-66...2-1-96]

(5) The Division Director may set any application for administrative approval of an unorthodox location for public hearing, and may require that a directional survey be run in the unorthodox well to establish the actual location of the producing interval(s). [1-1-82...2-1-96]

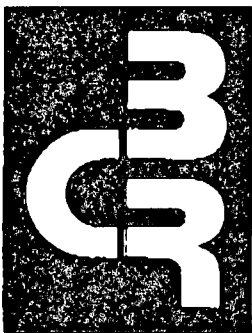
104.G. Whenever an exception is granted, the Division may take such action as will offset any advantage which the person securing the exception may obtain over other producers by reason of the unorthodox location. [1-1-50...2-1-96]

104.H. If the drilling tract is within an allocated oil pool or is placed within such allocated pool at any time after completion of the well and the drilling tract consists of less than 39 1/2 acres or more than 40 1/2 acres, the top unit allowable for such well shall be increased or decreased in the proportion that the number of acres in the drilling tract bears to 40. [1-1-50...2-1-96]

104.I. If the drilling tract is within an allocated gas pool or is subsequently placed within an allocated gas pool, and the drilling tract consists of less than 158 acres or more than 162 acres in 160-acre pools, or less than 316 acres or more than 324 acres in 320-acre pools, the top allowable for such well shall be decreased or increased in the proportion that the number of acres in the drilling tract bears to a standard spacing unit for the pool. [1-1-50...2-1-96]

104.J. In computing acreage under Rules 104.H and 104.I above, minor fractions of an acre shall not be counted but 1/2 acre or more shall count as 1 acre. [1-1-50...2-1-96]

104.K. The provisions of Rules 104.H and 104.I above shall apply only

**Bird Creek Resources, Inc.**

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Tulsa, Oklahoma 74119-3628
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Fax (918) 560-4930

**TELECOPIER/FACSIMILE COVER SHEET
("FAX")**

DESTINATION : ENERGY, MINERALS & NAT'L RESOURCES DEPT (NM)
TELECOPY NUMBER : 1-(505) 827-8177
CONTACT NUMBER : 1-(505)-827-8185
TO ATTENTION OF : Mr. Michael E. Stogner - Oil Conservation Div.
DATE TRANSMITTED: January 28, 1997 **NUMBER OF PAGES :** 8
(including this page)
REFERENCE : Proposed Dunn #2 Well - Eddy County, New Mexico
Unorthodox location - NW/4 NW/4 Sec 25-T22S-R27E

=====

ORIGINATOR/ENTITY : William S. (Bill) Michalak
CONFIRMATION NO : (918) 582-7713 in Tulsa, Oklahoma, U.S.A.
(Only if specifically requested, required OR if you need a resend.)
ORIGINATOR'S FAX NO: (918) 560-4930 in Tulsa, Oklahoma, U.S.A.

We will assume you have received all pages satisfactorily if you do not call (918) 582-7713 for any resends.
Thank you.

=====

COMMENTS REGARDING THIS TRANSMISSION (if any) FOLLOW BELOW:

Mr. Stogner:

The following 7 pages include 5 pages of a recent drilling title opinion indicating that Bird Creek Resources, Inc. is the 100% owner of the shallow mineral rights to the captioned lands. Please note that Kerr-McGee does have an interest under the Southern lease below 12,355 feet. Would they need to grant a waiver for this proposed shallow well?

The other 2 pages are plats indicating area wells. On one of the plats I have marked in the approximate lease boundaries for the 3 leases covering the NW/4.

Please give me a call after you've had a chance to review.

Thank you. Bill

\\1997FAX\\NMCCD\\DUNN2.001

LAW OFFICES
OF
WOERNDL, PATTERSON, STRAIN & MILLER, L.L.P.
ATTORNEYS AT LAW
1004 N. Big Spring, Suite 121
Midland, Texas 79701

Rudolph A. Woerndle, P. C.*

August 22, 1996

*Licensed in Texas, New Mexico and Colorado
*Board Certified Oil, Gas & Mineral Law
*Texas Board of Legal Specialization
*New Mexico Board of Legal Specialization
*Recognized Specialist - Oil & Gas Law

Ph: (915) 682-8321
Fax: (915) 682-3159

DRILLING OPINION - covering the NW/4 of Section 25, T-22-S, R-27-E, NMPM, EDDY COUNTY, NEW MEXICO, comprised of the following tracts:

TRACT A: 88.1 acres, being all that part of the E/2 NW/4 and SW/4 NW/4 lying East of the East bank of the CID drainage ditch running through the captioned land;

TRACT B: 31.9 acres, being all of the E/2 NW/4 and the SW/4 NW/4, less TRACT A above; and

TRACT C: 40 acres, being the NW/4 NW/4.

Bird Creek Resources, Inc.
1412 S. Boston, Suite 550
Tulsa, Oklahoma 74119

Att: Mr. Bill Michalak

RE: Dunn No. 32

Gentlemen:

I have examined the following:

MATERIALS EXAMINED

1. Division Order Title Opinion No. 26367 by Hinkle, Cox, Eaton, Coffield & Hensley addressed to Santa Fe Energy Company covering the entire W/2 of this Section 25 based upon materials covering title in part from inception to February 25, 1985 at 8:00 a.m.
2. Supplemental Abstract No. 960719-E, in three volumes, by Caprock Title Company covering title from February 25, 1985 at 8:00 a.m. to July 26, 1996 at 7:00 a.m.

Based upon examination of the foregoing and subject to the below comments and requirements, I am of the opinion that title is vested as follows:

TRACT A (88.1 acres, out of the E/2 NW/4 and SW/4 NW/4):

Surface:

Alfred L. Porter, whose
wife is Betty L. Porter ----- All

Minerals:

Alfred L. Porter, whose
wife is Betty L. Porter ----- 1/2

Henry H. Grandi and
Kathryn M. Grandi,
Trustees of the
Henry H. Grandi and
Kathryn M. Grandi
Revocable Trust u/t/a
August 8, 1990 ----- 1/2

Bird Creek Resources, Inc.
August 21, 1996
Page 2

Overriding Royalty Interests:

James E. Kiehne, as
separate property ----- $1/4 \times 2.25\% \times 8/8$

Betsy C. Kiehne, as
separate property ----- $1/4 \times 2.25\% \times 8/8$

Larry L. Schulz, marital
status unknown ----- $1/2 \times 0.20\% \times 79\%$

James R. King, marital
status unknown ----- $1/2 \times 0.11\% \times 79\%$

W. W. Gibson, marital
status unknown ----- $1/2 \times 0.17\% \times 79\%$

Ed Phillips, whose wife
is Kathleen A. Phillips ----- $1/3 \times 1/2 \times 1.25\%$

W. Wayne Gill, whose
wife is Merle Gill ----- $1/3 \times 1/2 \times 1.25\%$

L. E. Oppermann, whose
wife is Nicolette Oppermann ----- $1/3 \times 1/2 \times 1.25\%$

Kerr-McGee Corporation ----- $1/2 \times 3.6208\% \times 8/8^*$

* Limited from the surface to 12,355 feet subsurface
and convertible at payout to a 20% working inter-
est, proportionately reduced.

Lawrence W. Robinette ----- $0.39031\% \times 8/8^{**}$

** Limited from the surface to the base of the Bone
Springs formation.

Working Interest:

Surface down to 12,355 feet subsurface:

	<u>Before Payout</u>	<u>After Payout</u>
Bird Creek Resources, Inc.	$1/2 \times 75\%$	$1/2 \times 80\%$
	plus $1/2 \times 80\%$	x 78.6208%
	less 0.39031%**	plus $1/2 \times 80\%$
	(WI: 100% NRI: .7711)	less 0.39031% x 8/8**
		(WI: 90% NRI: .7105)
Kerr-McGee Corporation	-0-	$1/2 \times 20\% \times 78.6208\%^{***}$
		(WI: 10% NRI: .0786)

Below 12,355 feet Subsurface:

Bird Creek Resources, Inc.	$1/2 \times 80\%$
	(WI: 50% NRI: .4000)
Kerr-McGee Corporation	$1/2 \times 78.6208\%^{***}$
	(WI: 50% NRI: .3931)

Bird Creek Resources, Inc.
 August 21, 1996
 Page 3

*** Subject to Operating Agreement between Santa Fe
 Energy Company and Kriti Exploration, Inc., et al.
 dated March 4, 1985.

B. TRACT B: (31.9 Acres):

Surface:

Henry H. Grandi and
 Kathryn M. Grandi,
 Trustees of the
 Henry H. Grandi and
 Kathryn M. Grandi
 Revocable Trust u/t/a
 August 8, 1990 -----All

Minerals:

Henry H. Grandi and
 Kathryn M. Grandi,
 Trustees of the
 Henry H. Grandi and
 Kathryn M. Grandi
 Revocable Trust u/t/a
 August 8, 1990 ----- All

Overriding Royalty Interests:

Ed Phillips, whose wife
 is Kathleen A. Phillips ----- 1/3 x 1.25% x 8/8

W. Wayne Gill, whose
 wife is Merle Gill ----- 1/3 x 1.25% x 8/8

L. E. Oppermann, whose
 wife is Nicolette Oppermann ----- 1/3 x 1.25% x 8/8

Lawrence W. Robinette ----- 0.39031% x 8/8**

** Limited from the surface to the base of the Bone
 Springs Formation.

Working Interest:

Bird Creek
 Resources, Inc. ----- 100% x 80%
 less 0.39031% x 8/8**
 (WI: 100% NRI .79607)

C. TRACT C: (40 acres, being the NW/4 NW/4):

Surface:

Tom Griffith and wife,
 Marian Griffith, as
 joint tenants ----- All

Minerals:

Emory Wynn, whose wife
 is Betty L. Wynn ----- All

Bird Creek Resources, Inc.
August 21, 1996
Page 4

Overriding Royalty Interests:

Ed Phillips, whose wife
is Kathleen A. Phillips ----- 1/3 x 1/2 x 1.25%

W. Wayne Gill, whose
wife is Merle Gill ----- 1/3 x 1/2 x 1.25%

L. E. Oppermann, whose
wife is Nicolette Oppermann ----- 1/3 x 1/2 x 1.25%

Lawrence W. Robinette ----- 0.39031% x 8/8**

** Limited in depth from the surface to the base of
the Bone Springs Formation.

Working Interest:

Bird Creek Resources, Inc. ----- 50% x 3/4
plus 50% x 13/16
less 50% x 1.25%
less 0.39031% x 8/8**
(WI: 100% NRI: .7711)

OIL AND GAS LEASES

Lease No. 1:

Date:	May 5, 1982.
Recorded:	Book 215, page 951, Miscellaneous Records.
Lessors:	Alfred L. Porter and wife, Betty L. Porter; and Walter D. Porter and wife, Velma L. Porter.
Lessee:	James E. Kiehne.
Covers:	Undivided 1/2 interest in Tract A.
Primary Term:	Three (3) years.
Delay Rentals:	None; this is a paid-up lease.
Royalty:	3/16.
Shut-in Gas Royalty:	\$1.00 per acre, payable on or before 90 days after the well is shut-in and annually thereafter.
Pooling:	Units not to exceed 40 acres for oil and 640 acres for gas, plus a tolerance of 10% for each.

Lease No. 2:

Date:	July 13, 1982.
Recorded:	Book 216, page 882, Miscellaneous Records.
Lessors:	Henry H. Grandi and wife, Kathryn M. Grandi.
Lessee:	Ed Phillips.
Covers:	Undivided 1/2 interest in Tract A and the full interest in Tract B.
Primary Term:	Three (3) years.
Royalty:	3/16.
Delay Rentals:	No longer pertinent.
Shut-In Gas Royalty:	An amount equal to annual de- lay rentals payable on or be-

Bird Creek Resources, Inc.
August 21, 1996
Page 5

Pooling:

fore 90 days after the well is shut-in and annually thereafter.

Units shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which the leased premises are situated.

Lease No. 3:

Date:	July 13, 1982.
Recorded:	Book 216, page 886, Miscellaneous Records.
Lessors:	Emory Wynn and wife, Betty L. Wynn.
Lessee:	Ed Phillips.
Primary Term:	Three (3) years.
Covers:	Undivided 1/2 interest in Tract C.
Royalty:	3/16.
Delay Rentals:	No longer pertinent.
Shut-In Gas Royalty:	Identical to Lease No. 2 above.
Pooling:	Identical to Lease No. 2 above.

Lease No. 4:

Date:	July 23, 1985.
Recorded:	Book 246, page 96, Miscellaneous Records.
Lessors:	Emory Wynn and wife, Betty L. Wynn.
Lessee:	Santa Fe Energy Company.
Primary Term:	Two (2) years.
Covers:	Undivided 1/2 interest in Tract C.
Royalty:	1/4.
Shut-in Gas Royalty:	Identical to Lease No. 2.
Pooling:	Identical to Lease No. 2.

ENCUMBRANCES

1. An undivided 50% of the leasehold interest credited to Bird Creek Resources, Inc. above is subject to a Second Amendment and Supplement to Mortgage, Deed of Trust, Assignment of Production, Security Agreement and Financing Statement from Kriti Exploration, Inc. in favor of First City National Bank of Houston dated December 5, 1986, recorded in Book 376, page 456, Mortgage Records. Said Second Amendment makes reference to an original Mortgage dated November 7, 1985, recorded in Book 363, page 811 and an Amendment and Supplement to Mortgage dated May 29, 1986, recorded in Book 371, page 617. I assume this Mortgage has expired although no releases of same are reflected. If more than six years have elapsed since the due date of the promissory note(s) secured thereby, said Mortgage would be barred by Statute of Limitations. (See Requirement No. 1.)
2. The royalty of Alfred L. Porter and Betty L. Porter arising under Lease No. 1 is subject to the following Mortgages which were executed subsequent to Lease No. 1:

Southern Canal

St. Michaels Dam
LOVELAND

5/3/1977

000000

GRILA PERCU
FREUSZIN
1
2450

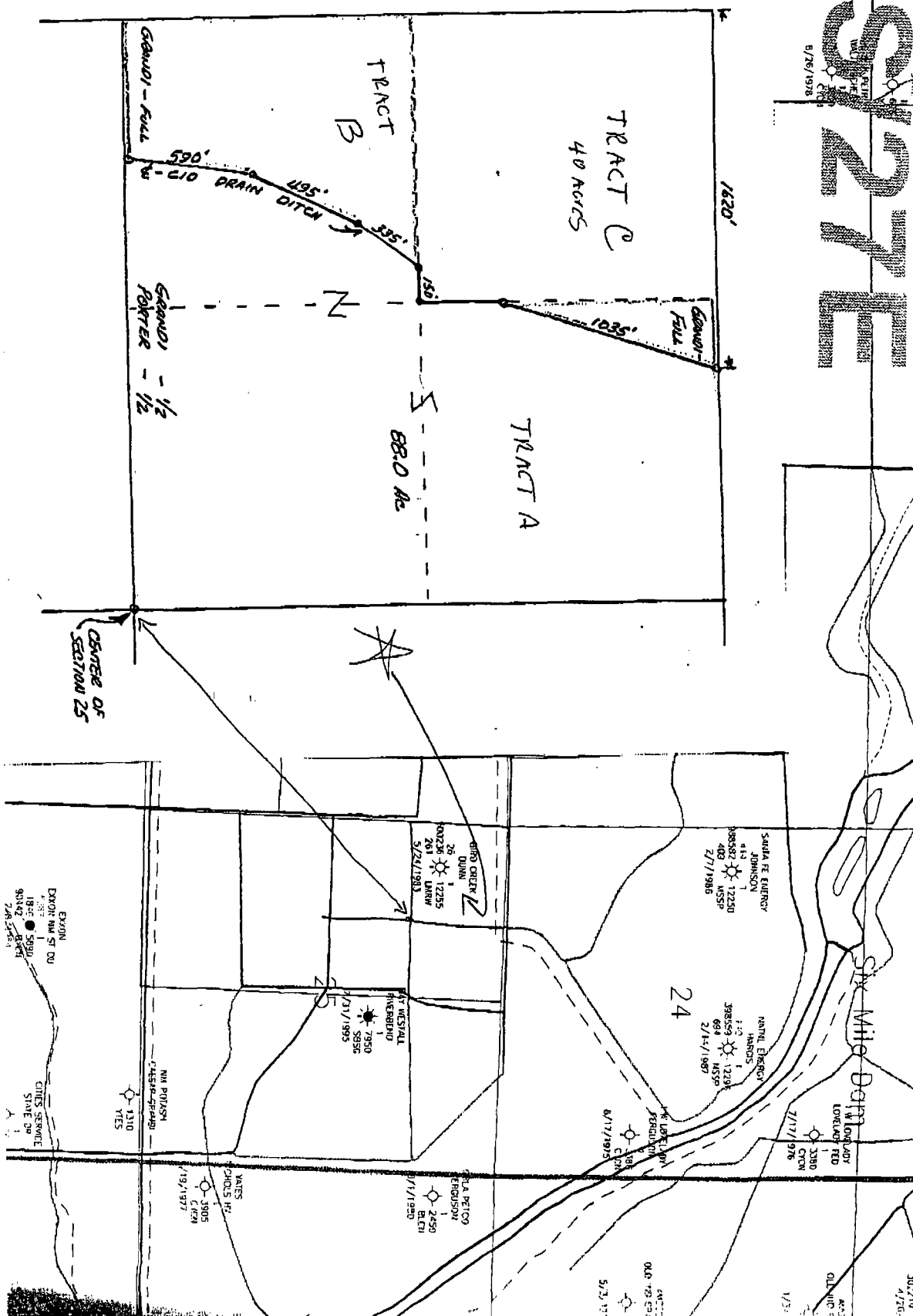
Southern Canal

27

26

1

4/7/1982
 10:11 AM
 M5SP
 8/26/1978



OIL CONSERVATION DIVISION
ARTESIA, NEW MEX. 88210

TO: Mike Stagner

FROM: Bryan Arant

DATE: 2-4-97

NUMBER OF SHEETS (INCLUDING TRANSMITTAL SHEET) 2

IF YOU HAVE ANY PROBLEMS WITH THIS TRANSMISSION, PLEASE CALL 505-748-1283.

FAX NUMBER (505) 748-9720



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

January 29, 1997

Bird Creek Resources, Inc.
1412 South Boston - Suite 550
Tulsa, Oklahoma 74119-3628
Attention: William S. Michalak

Administrative Order NSL-3765

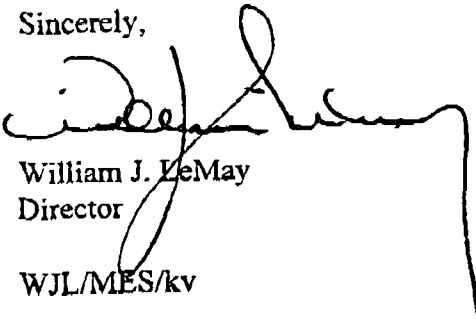
Dear Mr. Michalak:

Reference is made to your application dated January 27, 1997 for a non-standard oil well location for the proposed Dunn Well No. 2 to be drilled 1077 feet from the North line and 578 feet from the East line (Unit D) of Section 25, Township 22 South, Range 27 East, NMPM, Undesignated Herradura Bend-Delaware Pool, Eddy County, New Mexico. The NW/4 NW/4 of said Section 25 is to be dedicated to said well to form a standard 40-acre oil spacing and proration unit for said pool.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

By the authority granted me under the provisions of Division General Rule 104.F(2), the above-described unorthodox oil well location is hereby approved.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Artesia

Mike, Can you review this & get back
w/me concerning the above? I think East should
be west. Thanks, Bryan