

NSL 11/3/97

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
ANTHONY F. MEDEIROS
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
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SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

October 14, 1997

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RECEIVED

OCT 14 1997

Oil Conservation Division

Re: *Application of Cobra Oil & Gas Corporation for Administrative Approval of an Unorthodox Well Location for its Cobra Oil & Gas Corporation Gainer Unit #1 Well, 1294 feet from the North line and 37 feet from the West line of Section 22, Township 10 South, Range 36 East, N.M.P.M., Lea County, New Mexico.*

Dear Mr. LeMay:

Cobra Oil & Gas Corporation ("Cobra"), hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2) of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division") revised by Division Order No. R-10533, issued by the New Mexico Oil Conservation Division in Case 11,351 on January 18, 1996, of an unorthodox well location for its Cobra Oil & Gas Corporation Gainer Unit # 1 Well to be drilled at an unorthodox well location 1294 feet from the North line and 37 feet from the West line of Section 22, Township 10 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

This location in the Devonian formation, South Crossroads-Devonian Pool, is unorthodox because this pool is governed by the General Rules and Regulations of the Division that provide for wells to be located no closer than 330 feet to the nearest boundary of the dedicated spacing or proration unit.

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources

October 14, 1997

Page 2

This well must be drilled at this location due to geographical conditions. The proposed well location is situated on the structural crest of the South Crossroads feature. Due to 3D seismic control and subsurface mapping, it is apparent that this is the optimum location for recovering the maximum reserves in the most efficient manner, thereby preventing the drilling of unnecessary locations. A subsurface structure map showing the proposed location in relation to the South Crossroads feature is attached hereto as Exhibit "A".

There are no affected parties to whom notice of this application should be given.

Your attention to this application is appreciated.

Very truly yours,



WILLIAM F. CARR

PAUL R. OWEN

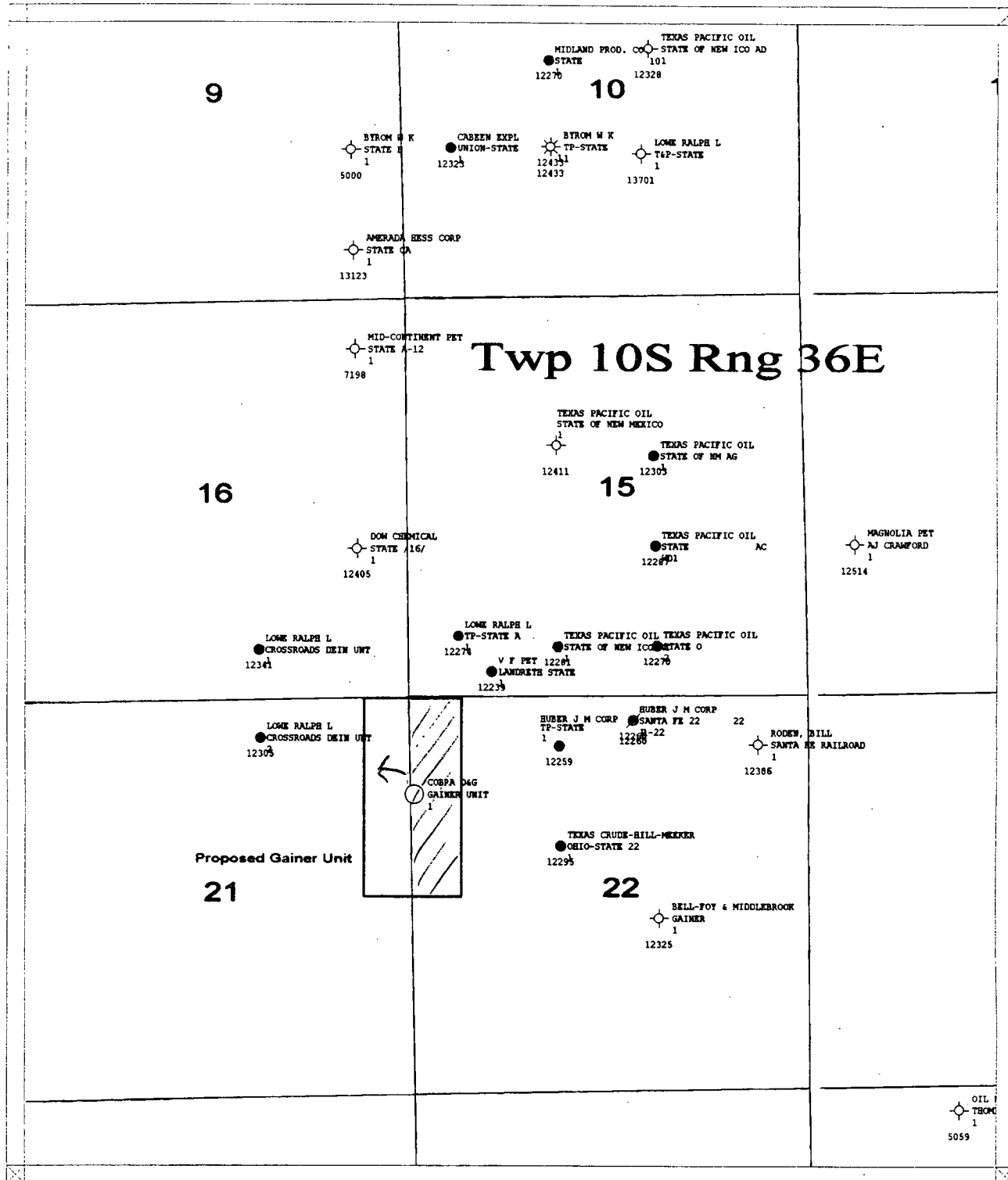
WFC/PRO:mlh

Attorneys for Cobra Oil & Gas Corporation.

Enclosures

cc: Mr. Phil Rugeley
Cobra Oil & Gas Corporation
Post Office Box 8206
Wichita Falls, TX 76307-8206

Oil Conservation Division
District I
Box 1980
Hobbs, New Mexico 88240




BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 11780 Exhibit No. 4

Submitted by: Cobra Oil & Gas Corporation

Hearing Date: May 15, 1997

 Cobra Oil & Gas Corporation		
Proposed Gainer Unit Exhibit 4 Base Map (Well T.D. noted)		
GAINER.GPF		
GEO: Frank Wilson	1"=2,000'	5/12/1997

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October 14, 1997

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Application of Cobra Oil & Gas Corporation for an Unorthodox Well
Location, Lea County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is an Application of Cobra Oil & Gas Corporation in the above-referenced case as well as a legal advertisement. Cobra Oil & Gas Corporation respectfully requests that this matter be placed on the docket for the November 6, 1997 Examiner hearings.

Very truly yours,



WILLIAM F. CARR
PAUL R. OWEN
WFC:mlh

Enclosures

cc: Mr. Phil Rugeley (w/enclosures)
Cobra Oil & Gas Corporation
Post Office Box 8206
Wichita Falls, TX 76307-8206

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF COBRA OIL & GAS CORPORATION,
FOR AN UNORTHODOX WELL LOCATION,
LEA COUNTY, NEW MEXICO.

1 1997
CASE NO. 11873

APPLICATION


COMES NOW COBRA OIL & GAS CORPORATION ("Cobra"), through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an exception to the provisions of General Rule 104.C (2) (b) for an unorthodox well location, and in support thereof states:

1. Cobra is the operator of the W/2 of Section 22, Township 10 South, Range 36 East, N.M.P.M., Lea County, New Mexico, on which it proposes to drill its Cobra Oil & Gas Corporation Gainer Unit #1 Well to the Devonian formation, South Crossroads-Devonian Pool, at a location 1294 feet from the North line and 39 feet from the West line of said Section 22. The location is unorthodox in the Devonian formation.
2. The proposed well is to be the initial test well in the Gainer Unit, which was approved by the Division on July 2, 1997, Order No. R-10829.
3. Approval of this application will be in the best interest of conservation, the protection of correlative rights and the prevention of waste.

WHEREFORE, Cobra Oil & Gas Corporation requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on November 6, 1997, and that, after notice and hearing as required by law and the rules of the Division, this application be granted.

Respectfully submitted,

CAMPBELL, CARR & BERGE, P.A.

By: 
WILLIAM F. CARR
PAUL R. OWEN
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR COBRA OIL
& GAS CORPORATION

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

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April 17, 1997

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87503

RECEIVED

APR 17 1997

Oil Conservation Division

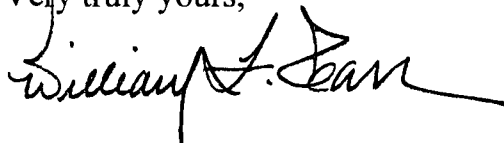
11780

Re: Application of Cobra Oil & Gas Corporation for Approval of a Unit
Agreement, Lea County, New Mexico

Dear Mr. LeMay:

Enclosed in triplicate is the Application of Cobra Oil & Gas Corporation in the above-referenced case as well as a copy of the legal advertisement. Cobra respectfully requests that this matter be placed on the docket for the May 15, 1997 Examiner hearings.

Very truly yours,



WILLIAM F. CARR

WFC:mlh
Enclosures

cc: Mr. Phil R. Rugeley
Land Manager
Cobra Oil & Gas Corporation
Post Office Box 8206
Wichita Falls, TX 76307-8206

RECEIVED

BEFORE THE

APR 17 1997

OIL CONSERVATION DIVISION

Oil Conservation Division

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF COBRA OIL & GAS CORPORATION
FOR APPROVAL OF A UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO.

CASE NO. 11780

APPLICATION

COBRA OIL & GAS CORPORATION, through its undersigned attorneys, hereby makes application for an order approving its Gainer Unit Agreement and in support of this application would show the Division:

1. That the proposed Unit consists of 80-acres, more or less, of State lands, situated in Lea County, New Mexico. The horizontal limits of said unit are described as follows:

Township 10 South, Range 36 East, N.M.P.M.

Section 21: E/2 E/2 NE/4
Section 22: W/2 W/2 NW/4

2. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

3. The Applicant, Cobra Oil & Gas Corporation, is designated as Unit Operator in said Unit Agreement and all oil and gas in any and all formations is unitized.

4. The proposed Unit Area covers all, or substantially all, of the geological structures or anomaly involved.

5. Prior to hearing the proposed Unit Agreement will be reviewed with the Commissioner of Public Lands for its approval as to form and content.

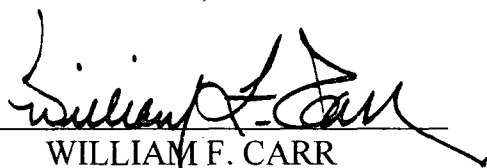
6. Said Unit Agreement and the unitized operation and management of the Unit Area will be in the interest of conservation and the prevention of waste, and that it will protect the correlative rights of all parties concerned.

WHEREFORE, Cobra Oil & Gas Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on May 15, 1997 that notice be given as required by law and the rules of the Division, and that the Gainer Unit Agreement be approved.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By:



WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR COBRA OIL
& GAS CORPORATION

CASE NO. 11780 Application of Cobra Oil & Gas Corporation for a Unit Agreement, Lea County, New Mexico. Applicant seeks approval of the Gainer Unit Agreement for an area comprising 80-acres of State lands in portions of Sections 21 and 22, Township 10 South, Range 36 East, which is located approximately _____ miles _____ of _____, New Mexico.

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Oil Conservation Division

May 29, 1997

ORIGINAL DRILLING TITLE OPINION - State of New Mexico Lease No. V-4402, covering the N/2 of Section 21, and State of New Mexico Lease No. V-4206, covering the NW/4 of Section 22, all in T-10-S, R-36-E, NMPM, containing 480 acres, more or less, LEA COUNTY, NEW MEXICO

Cobra Oil & Gas Corporation
P. O. Box 8206
Wichita Falls, TX 76307-8206

Attn: Dale L. Harvey
Contract Landman

RE: STATE COM 22 #1 Well

Gentlemen:

In accordance with your request, we have examined the following:

MATERIALS EXAMINED

Abstracts:

a) Abstract of Title No. 6662, compiled by Schutz Abstract Company, Inc., certified as covering all instruments noted of record and on file in the Office of the Commissioner of Public Lands of the State of New Mexico, affecting the oil and gas mineral rights to the N/2 of Section 21, since inception of the records to November 8, 1995, at 8:00 a.m., containing 27 pages.

b) Abstract of Title No. 6915, compiled by Schutz Abstract Company, Inc., certified as covering all instruments noted of record and on file in the Office of the Commissioner of Public Lands of the State of New Mexico, affecting the oil and gas mineral rights to the N/2 of Section 21, since November 8, 1995, at 8:00 a.m., to April 9, 1997, at 8:00 a.m., containing 14 pages.

c) Abstract of Title No. 6914, compiled by Schutz Abstract Company, Inc., certified as covering all instruments noted of record and on file in the Office of the Commissioner of Public Lands of the State of New Mexico, affecting the oil and gas mineral rights to the NW/4 of Section 22, since inception of the records to April 9, 1997, at 8:00 a.m., containing 38 pages.

d) Supplemental Abstract of Title No. 95-1107-L, compiled by Caprock Title Company, certified as covering all instruments filed in the offices of the County and District Clerks of Lea County, New Mexico, affecting the mineral title to the N/2 of Section 21, since July 1, 1994, at 7:00 a.m. to November 3, 1995, at 7:00 a.m., and affecting the surface title to the N/2 of Section 21, since inception of the records to November 3, 1995, at 7:00 a.m., containing 317 pages.

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COBRA LAND EXPL

002

STUBBEMAN, McRAE, SEALY, LAUGHLIN & BROWDER, INC.

ATTORNEYS AT LAW

MIDLAND, TEXAS

FASKEN CENTER • TOWER TWO

550 WEST TEXAS AVENUE, SUITE 800 • 79701

P.O. BOX 1540 • 79702

915/682-1616

FACSIMILE 915/682-1351

FACSIMILE 915/682-4864

STEVEN C. HOFER

BOARD CERTIFIED

OIL, GAS AND MINERAL LAW

FARM AND RANCH REAL ESTATE LAW

TEXAS BOARD OF LEGAL SPECIALIZATION

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f) Abstract of Title No. 97-0404-L, compiled by Caprock Title Company, certified as covering all instruments filed in the offices of the County and District Clerks of Lea County, New Mexico, affecting the surface and mineral title to the NW/4 of Section 22, since inception of the records to April 25, 1997, at 7:00 a.m., containing 697 pages.

Instruments:

Copy of Deferred Bonus Payment Agreement dated November 1, 1995, by and between Energypro, Inc., and Charles L. House.

PATENT INFORMATION

The surface estate in captioned land was patented to Mattie Price, Ruby Baum, Georgia Duncan, Tommy Price, Peggy June Price, and Lela Belle Gainer on August 10, 1991, by State of New Mexico Patent No. 3878, recorded in Volume 11, Page 2378, State Record of Patents. In this Patent, the State of New Mexico reserved all minerals including oil and gas, the right to execute leases for geothermal development and operation and the right to prospect for, mine, produce and remove the same, and perform any and all reasonable acts necessary in connection therewith.

DIVISION OF INTEREST

Based upon examination of the foregoing and subject to the Requirements and Comments hereinafter made, we find title to captioned land to be vested as follows:

FEE TITLE

SURFACE:

Section 21: NW/4

Betty Baum Cooper, separate property 1/2

Iva Lee Thompson, separate property 1/2

Section 21: NE/4

Tom Ray Gainer and Claryce M.
Gainer, as joint tenants with right of
survivorship, subject to a 60% life
estate owned by Lela Belle Gainer All

Section 22: NW/4

Tom Ray Gainer and Claryce M.
Gainer, as joint tenants with right of
survivorship, subject to a 60% life
estate owned by Lela Belle Gainer All

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COBRA LAND EXPL

003

Cobra Oil & Gas Corporation
May 29, 1997
Page 2

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e) Supplemental Abstract of Title No. 97-0404-L1, compiled by Caprock Title Company, certified as covering all instruments filed in the offices of the County and District Clerks of Lea County, New Mexico, affecting the surface and mineral title to the N/2 of Section 21, since November 3, 1995, at 7:00 a.m. to April 25, 1997, at 7:00 a.m., containing 100 pages.

Extended Page

*Subject to State of New Mexico Oil and Gas Lease No. V-4402 analyzed below, which provides for royalty on oil and gas at the rate of 1/6.

Section 22: NW/4

State of New Mexico**

All

**Subject to State of New Mexico Oil and Gas Lease No. V-4206 analyzed below, which provides for royalty on oil and gas at the rate of 1/6.

OIL AND GAS LEASEHOLD ESTATE

OVERRIDING ROYALTY INTERESTS:

All of the Captioned Land

John D. Kullman	-----1/2 of 1% of 8/8-----	.00500000
Sam L. Pfister	-----1/2 of 7.33% of 8/8-----	.03665000
Don C. Pfister	-----1/2 of 7.33% of 8/8-----	.03665000

RECORD TITLE AND OPERATING RIGHTS:

All of the Captioned Land

Charles L. House	-----	All of 75.503333%
------------------	-------	-------------------

OIL AND GAS LEASES

Lease No. 1:

Serial No.:	VO4402
Date:	July 1, 1994
Lessor:	State of New Mexico, acting by and through its Commissioner of Public Lands
Lessee:	Energypco, Inc.
Land Covered:	N/2 of Section 21, T-10-S, R-36-E, Lea County, New Mexico, containing a total of 320 acres, more or less
Primary Term:	5 years from date
Royalties:	1/6 on oil and gas measured in the manner described in the lease
Rentals:	\$.50 per acre per year is payable on or before July 1 of each year. (The abstract examined reflects that the annual rentals have been paid to

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COBRA LAND EXPL

004

Cobra Oil & Gas Corporation
May 29, 1997
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MINERALS:

Section 21: N/2

State of New Mexico*

Extended Page

lease but not less than \$320 per well per year, provided, however, that any such annual royalty for any year beginning on or after 10 years from the date hereof shall equal 4 times the annual rental due by the lessee under the terms of this lease, but not less than \$2,000 per well per year. This royalty is to be paid on or before the annual rental paying date next ensuing after the expiration of 90 days from the date said well was shut-in and on or before said rental date thereafter. However, this lease shall not be continued after 5 years from the lease date for any period of more than 10 years by the payment of said annual royalty.

Discovery form

Lease Form:

Lease No. 2:

Serial No.:

V-4206

Date:

October 1, 1993

Lessor:

State of New Mexico, acting by and through its Commissioner of Public Lands

Lessee:

Energypro, Inc.

Land Covered:

NW/4 of Section 22, T-10-S, R-36-E, Lea County, New Mexico, containing a total of 160 acres, more or less

Primary Term:

5 years from date

Royalties:

1/6 on oil and gas measured in the manner described in the lease

Rentals:

\$.50 per acre per year is payable on or before October 1 of each year. (The abstract examined reflects that the annual rentals have been paid to October 1, 1997, as evidenced by payment dated October 2, 1996.)

Shut-In Gas Royalties:

Payable in an amount equal to twice the annual rental due by the lessee under the terms of the lease but not less than \$320 per well per year, provided, however, that any such annual royalty for any year beginning on or after 10 years from the date hereof shall equal 4 times the annual rental due by the lessee under the terms of this lease, but not less than \$2,000 per well per year. This royalty is to be paid on or before the annual rental paying date next ensuing after the expiration of 90 days from the date said well was shut-in and on or before said rental date thereafter. However, this lease shall not be continued after 5 years from the lease date for any period of more than 10 years by the payment of said annual royalty.

Discovery form

Lease Form:

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COBRA LAND EXPL

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Cobra Oil & Gas Corporation
May 29, 1997
Page 4

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Shut-In Gas Royalties:

July 1, 1997, as evidenced by payment dated June 17, 1996.)

Payable in an amount equal to twice the annual rental due by the lessee under the terms of the lease but not less than \$320 per well per year

... to State of New Mexico Lease Nos. V-4402 and V-4206 for a period of two years from November 17, 1995, and as long thereafter as oil, gas or associated hydrocarbons are produced or are capable of being produced in paying quantities or any operation is conducted, or condition exists which continues the assignment in force as provided for in the assignment. At the expiration of the term, the assignment will terminate as to all lands not included in a proration unit assigned to a producing or drilling well or a shut-in gas well. However, at the end of the primary term, this assignment shall remain in full force and effect as to all lands covered by the leases, as long as continuous drilling operations are performed by the assignee on the leased premises, or on lands pooled therewith. "Continuous drilling operations" is defined as the commencement of actual drilling of an oil or gas well within 180 days after the expiration of the primary term and the commencement of actual drilling of another oil or gas well within a period of 180 days from the date of the commencement of actual drilling of the previous oil or gas well. In the event that the assignee should fail to commence continuous drilling operations, or if assignee, after commencement of such drilling operations, should fail to continue the same, the lease will terminate as to all lands not included in a proration unit assigned to a producing well, and as to all depths below 100 feet below total depth drilled in any producing well.

Unless otherwise maintained as provided in the assignment, one year prior to the expiration of the primary term of each separate lease listed in the assignment, the assignment is to terminate as to each such lease that does not then contain a well capable of producing oil or gas in paying quantities, whether shut-in or actually producing, or a drilling well, or a shut-in gas well.

Assignee is to pay all rentals and/or minimum royalties which may be due and payable under the terms of the lease. Such payment shall be made at least 30 days prior to the due date thereof and assignee shall notify assignor, in writing, of such payment.

If the assignee determines that a producing well is no longer capable of producing in paying quantities and elects to abandon same and plug the hole, assignee shall give written notice to assignor of its intention to so plug and abandon said well at least 30 days prior to the abandonment. Within 15 days from receipt of such notice, assignor may notify assignee in writing of its desire to purchase assignee's interest in the well and all equipment thereon. If assignor elects to so purchase, then upon assignor's tendering to assignee the salvage value of assignee's interest in the equipment and well, assignee shall thereupon tender to assignor a valid assignment, free of liens and encumbrances, assigning assignor's interest in said well and equipment, and all of assignee's working interest under the lease in so much of the land surrounding the well as is then allocated to it for production allowable purposes by the New Mexico Oil and Gas Conservation Commission.

In the event of subsequent assignment of the lease by assignee, assignee agrees to promptly provide assignor with a copy of such recorded assignment, along with the address and telephone number of any such subsequent assignee.

Assignee agrees to provide assignor with one copy of any seismic or other geological data that is acquired on the referenced land by or on behalf of assignee within six months of such acquisition unless prohibited by any licensing agreement.

Assignee agrees to provide assignor with one copy of all logs, well reports, regulatory forms, geological prognoses, drilling prognoses, surveys, sample descriptions, core analyses, completion reports, and drill stem test reports.

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COBRA LAND EXPL

008

Cobra Oil & Gas Corporation
May 29, 1997
Page 5

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ASSIGNMENT

By term assignment dated November 17, 1995, approved January 23, 1996, recorded in Book 525, Page 643, Oil and Gas Records, Energypro, Inc., conveyed to Charles L. House all record title to State of New Mexico Lease Nos. V-4402 and V-4206 for a period of two

The interests in the surface owned by Tom Ray Gainer, Claryce M. Gainer and Lela Belle Gainer are subject to three mortgages held by Western Commerce Bank as follows:

- a) Mortgage dated November 1, 1991, recorded Book 569, Page 618, Mortgage Records, from Tom Ray Gainer, Claryce M. Gainer and Lela Belle Gainer to Western Commerce Bank securing a promissory note in the original amount of \$241,000.
- b) Mortgage dated November 1, 1991, recorded Book 569, Page 622, Mortgage Records, from Tom Ray Gainer, Claryce M. Gainer and Lela Belle Gainer to Western Commerce Bank securing a promissory note in the original amount of \$162,000.
- c) Mortgage dated November 1, 1991, recorded Book 569, Page 626, Mortgage Records, from Tom Ray Gainer, Claryce M. Gainer and Lela Belle Gainer to Western Commerce Bank securing a promissory note in the original amount of \$36,000.

RIGHTS-OF-WAY

- a) Right-of-Way dated December 4, 1962, recorded Book 271, Page 441, Deed Records, from Mattie Price, individually, and as Independent Executrix of the Estate M. R. Anderson to Sinclair Oil and Gas Company, covering the NW/4 of Section 22. This right-of-way is owned of record by Warren Petroleum Corporation.
- b) Right-of-Way dated March 16, 1963, recorded Book 276, Page 6, Deed Records, from Mattie Price, et al, to Magnolia Pipe Line Company, covering portions of Section 22. This right-of-way is owned of record by Mobil Pipe Line Company.
- c) Right-of-Way dated April 30, 1964, recorded Book 282, Page 420, Deed Records, from Mattie Price, Independent Executrix of the Estate of M. R. Anderson, to Magnolia Pipe Line Company, covering portions of Sections 21 and 22. This right-of-way is owned of record by Mobil Pipe Line Company.

TAXES

Ad valorem taxes are not assessed against mineral interests owned by the State of New Mexico. No information concerning ad valorem taxes assessed against the surface estate has been furnished, and we assume you are not concerned with the status of ad valorem tax assessed against the surface estate.

REQUIREMENTS

1.

We direct your attention to the necessity of paying annual rentals for the State of New Mexico Leases described above regardless of whether drilling operations or production are occurring on the leased premises. Materials examined reflect that annual rentals have been paid to July 1, 1997 for Lease No. V-4402, and October 1, 1997 for Lease No. V-4206. Rental payments will be due for these leases by July 1, 1997, and October 1, 1997, respectively.

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COBRA LAND EXPL

007

Cobra Oil & Gas Corporation
May 29, 1997
Page 6

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ENCUMBRANCES

No encumbrances affecting the oil and gas leasehold estate were reflected in the materials examined.

should secure and record an appropriate assignment from Charles L. House (joined by his spouse) to Cobra Oil & Gas Corporation.

COMMENTS

1.

You have indicated that parts of captioned land will be communitized. The abstracts examined do not contain a copy of a communitization agreement or reflect that a communitization agreement has been submitted to the Commissioner of Public Lands for approval. If you desire our comments regarding the same, submit a copy of your proposed communitization agreement for our examination.

2.

You should ensure that the relevant company personnel are thoroughly familiar with each of the provisions contained in the term assignment described above.

3.

The materials examined revealed the following issues concerning the surface of captioned land:

(a) Ruby E. Baum owned all of the interest in State Purchase Contract No. 4910 insofar as it covers the surface of the NW/4 of Section 21 at her death. Ruby Anderson Baum died September 21, 1998, and her Will was probated in the Fifth Judicial District Court of Lea County, Cause No. PB-88-121FR. We cannot confirm that Ruby Anderson Baum is the same individual as Ruby E. Baum. The transcript of the probate proceedings for the Estate of Ruby Anderson Baum contains an inventory which appears to be inaccurate insofar as captioned land is concerned. Additionally, the Deed of Distribution dated February 20, 1991, appears to be defective.

(b) By Deed dated January 29, 1986, recorded Book 426, Page 478, Deed Records, Mattie M. Price, et al, conveyed to Lela Belle Gainer all interest in State Land Purchase Contract No. 4910 insofar as it cover the surface of the NE/4 of Section 21, as well as conveying all interest in the surface estate of the NW/4 of Section 22. We have credited this interest to Tom Ray Gainer and Claryce M. Gainer, as joint tenants with right of survivorship, subject to a 60% life estate in Lela Belle Gainer. However, two inartfully drafted deeds create an ambiguity regarding the exact interest owned by Lela Belle Gainer.

We have generalized as to the nature of these defects in the title to the surface of captioned land and have pointed out the defects for information purposes only; if you are concerned with curing such title defects, we will make appropriate requirements at your request.

4.

Supplement Abstracts of Title Nos. 95-1107-L and 97-0404-L1 cover instruments affecting surface title to the N/2 of Section 21 from inception of the records to April 25, 1997, at 7:00 a.m., and instruments affecting mineral title to the N/2 of Section 21 from July

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COBRA LAND EXPL

008

Cobra Oil & Gas Corporation
May 29, 1997
Page 7

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2.

We have not examined any instruments whereby Cobra Oil & Gas Corporation acquired an interest in Lease Nos. V-4402 and V-4206. If Cobra Oil & Gas Corporation acquires, or has acquired, an interest in record title or operating rights in either lease, you

...these abstracts is acceptable, and you must be willing to assume the risk of reliance upon these limited abstracts.

5.

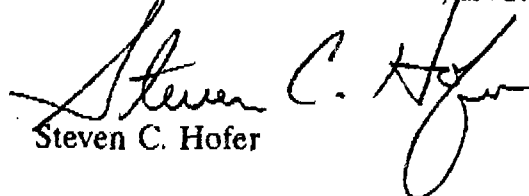
We do not cover herein questions of surveys, rights of parties in possession, unrecorded instruments or production purchase contracts, errors or omissions of abstractors or public officials, compliance with or enforcement of any regulations or orders of governmental authorities having jurisdiction, the depths or locations of any wells, issues relating to the condition or contamination of the premises or the existence of NORM, matters regarding access to the premises, or any other matters not covered by the materials examined or which could be determined only by an investigation upon the ground or by a survey of the land. This opinion is rendered solely and exclusively for the use and benefit of Cobra Oil and Gas Corporation and for no other party, and may be relied upon only by it.

Subject to the foregoing Requirements and Comments, TITLE IS APPROVED FOR DRILLING PURPOSES.

The abstracts examined are returned herewith.

Very truly yours,

STUBBEMAN, MCRAE, SEALY,
LAUGHLIN & BROWDER, INC.


Steven C. Hofer

mds/bl
Enclosure

06/16/97 11:33 8177165190

COBRA LAND EXPL

009

Cobra Oil & Gas Corporation
May 29, 1997
Page 8

WORK COPY

1, 1994, at 7:00 a.m. to April 25, 1997, at 7:00 a.m. Thus, the abstracts examined do not cover instruments filed in the Offices of the County and District Clerks of Lea County, New Mexico, prior to July 1, 1994, affecting the mineral title to the N/2 of Section 21. Since you provided the abstracts for the N/2 of Section 21, we assume that a title opinion based only on these abstracts is acceptable, and you must be willing to assume the risk of reliance upon

COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5793

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772



State of New Mexico
Commissioner of Public Lands

Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5760

LEGAL
(505)-827-5713

PLANNING
(505)-827-5752

June 19, 1997

Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

Attn: Mr. William F. Carr

Re: Preliminary Approval
Proposed Gainer Unit
Lea County, New Mexico

RECEIVED
JUN 19 1997
CAMPBELL, CARR, et al.

BEFORE EXAMINER STOGNER

OIL CONSERVATION DIVISION

Cobra EXHIBIT NO. 8

FILE NO. 11780

Dear Mr. Carr:

This office has received the unexecuted copy of the unit agreement which you have submitted on behalf of Cobra Oil & Gas Corporation for the proposed Gainer Unit area, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to Rule 1.045, applications for approval shall contain a statement of facts showing:
 - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.

- c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
- d. That such unit agreement is in other respects for the best interest of the trust.
- 3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
- 4. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
- 5. Please submit two copies of the Unit Agreement.
- 6. A copy of the Unit Operating Agreement (if applicable).
- 7. The filing fee for a Unit Agreement is thirty (\$30.00) dollars for every section or partial section thereof. Please submit a filing fee in the amount of \$60.00 dollars.
- 8. On Page 5 of the agreement, Article 17, Effective Date & Term, please fill in the term (5 years and so long as).
- 9. Copies of all the well records for the initial unit well.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director
Oil/Gas and Minerals Division
(505) 827-5744

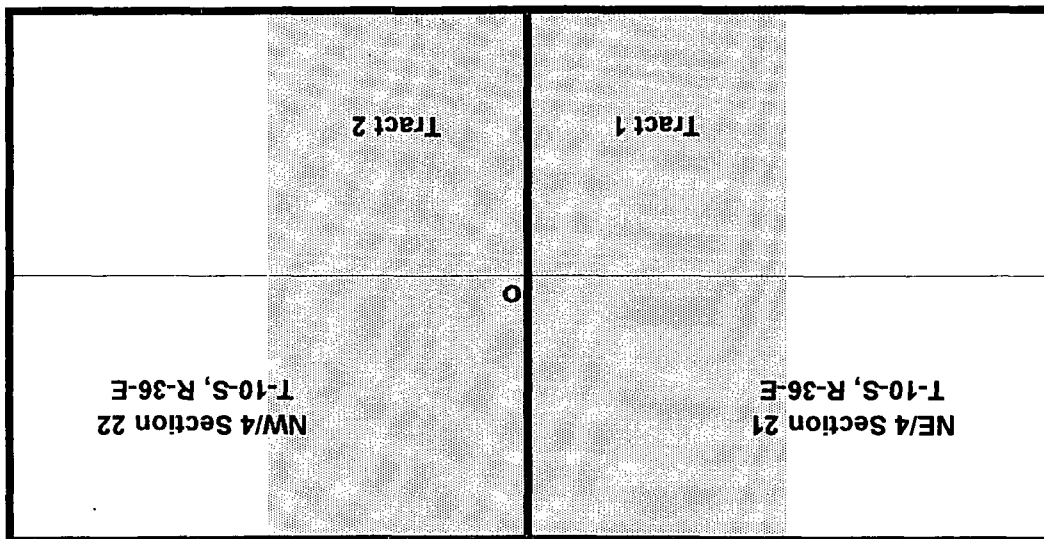
RP/JB/cpm

cc: Reader File

OCD—Attention: Mr. Roy Johnson
Mr. William F. Carr

EXHIBIT "A" MAP OF UNIT AREA

GAINER EXPLORATORY UNIT
LEA COUNTY, NEW MEXICO



TRACT 1: E/2 NE/4 Sec. 21 T-10-S, R-36-E (80 acres)
TRACT 2: W/2 NW/4 Sec. 22 T-10-S, R-36-E (80 acres)

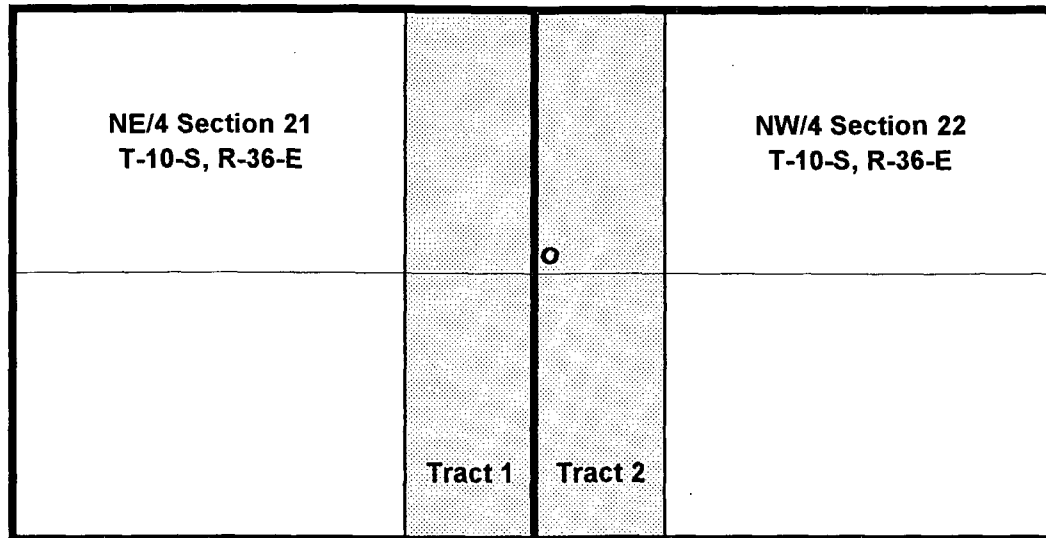


UNIT ACREAGE:
FEDERAL LANDS: 0 acres
STATE LANDS: 160 acres
FEE LANDS: 0 acres

PROPOSED WELL LOCATION: 1294 feet from North Line and 39 feet from West Line of Section 22, T-10-S, R-36-E, Lea County, New Mexico

EXHIBIT "A" MAP OF UNIT AREA

GAINER EXPLORATORY UNIT LEA COUNTY, NEW MEXICO



TRACT 1: E/2 E/2 NE/4 Sec. 21 T-10-S, R-36-E (40 acres)

TRACT 2: W/2 W/2 NW/4 Sec. 22 T-10-S, R-36-E (40 acres)

UNIT ACREAGE:



FEDERAL LANDS: 0 acres

STATE LANDS: 80 acres

FEE LANDS: 0 acres

PROPOSED WELL LOCATION: 1294 feet from North Line and 39 feet from West Line
of Section 22, T-10-S, R-36-E, Lea County, New Mexico

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

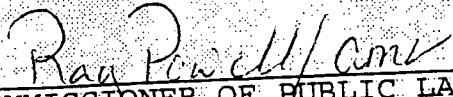
COBRA OIL & GAS CORPORATION
GAINER UNIT
LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Unit Agreement for the development and operation of acreage which is described within the referenced Agreement, dated MAY 9, 1997, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 28TH day of JULY, 1997.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

11780

COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5793

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

State of New Mexico
Commissioner of Public Lands

Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5713

PLANNING
(505)-827-5752

July 28, 1997

Permian Basin Land Associates
P.O. Box 3715
Midland, Texas 79702

Attn: Mr. Charles House

Re: Final Approval
Gainer Unit Agreement
Lea County, New Mexico

Dear Mr. House:

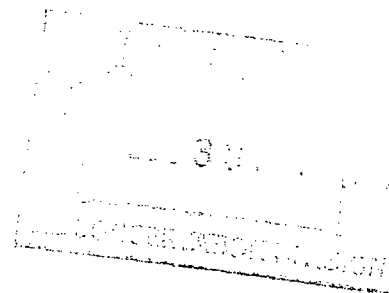
This office is in receipt of your letter of July 21, 1997, wherein on behalf of Cobra Oil Gas Corporation, you have requested final approval of the Gainer Unit Agreement, Lea County, New Mexico.

Please be advised that the Commissioner of Public Lands has this date granted final approval to the Gainer Unit Agreement, Lea County, New Mexico. The effective date of the Gainer Unit is July 28, 1997.

Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Enclosed are Five (5) Certificates of Approval. Your filing fee in the amount of \$60.00 has been received.

Please submit a copy of the New Mexico Oil Conservation Division well records reflecting the drilling and spud date of the Gainer Unit Well No. 1.



Permian Basin Land Associates

July 28, 1997

Page 2

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWER, MS, D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: *For Anthony H. Neal*
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

Enclosure

cc: Reader File

OCD-Roy Johson

(EXPLORATORY)

UNIT AGREEMENT: GAINER UNIT
OPERATOR: COBRA OIL & GAS CORPORATION
LEA COUNTY, NEW MEXICO

DATE APPROVED	OCC CASE NO. OCC ORDER NO.	TOTAL ACREAGE	STATE	FEDERAL	FEE	SEGREGATION CLAUSE	TERM
EFFECTIVE 7/28/97	CASE NO. 11780 ORDER NO. R-10829	160.00	160.00	0	0	STRICT	5 YEARS SO LONG AS

APPROVALS

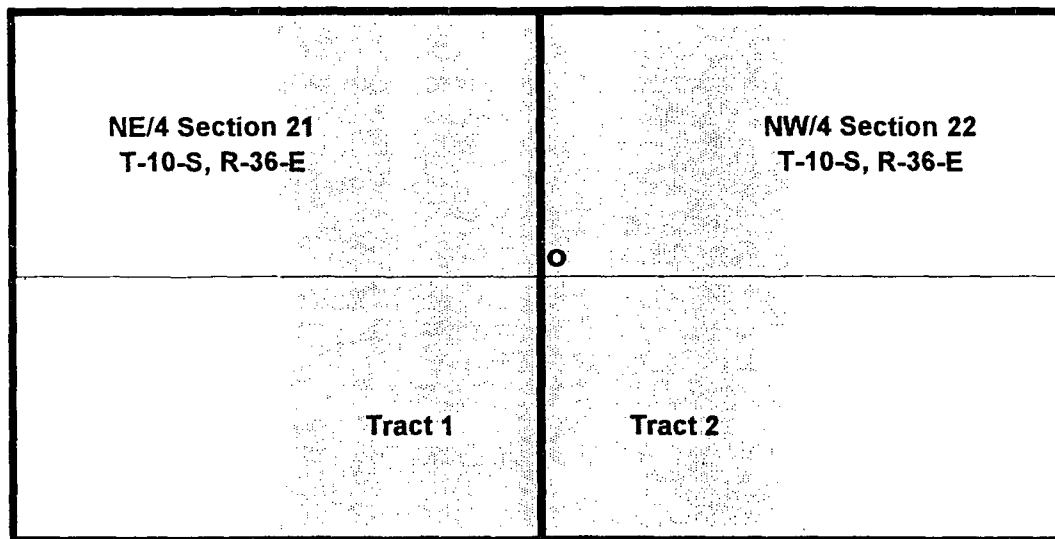
SLO--7-28-97
OCD--7-02-97

TOWNSHIP 10 SOUTH, RANGE 36 EAST

SECTION 21: E/2NE/4
SECTION 22: W/2NW/4

EXHIBIT "A" MAP OF UNIT AREA

GAINER EXPLORATORY UNIT
LEA COUNTY, NEW MEXICO



TRACT 1: E/2 NE/4 Sec. 21 T-10-S, R-36-E (80 acres)

TRACT 2: W/2 NW/4 Sec. 22 T-10-S, R-36-E (80 acres)

UNIT ACREAGE:

FEDERAL LANDS: 0 acres

STATE LANDS: 160 acres

FEE LANDS: 0 acres

PROPOSED WELL LOCATION: 1294 feet from North Line and 39 feet from West Line
of Section 22, T-10-S, R-36-E, Lea County, New Mexico

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
Within the GAINER EXPLORATORY UNIT
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LANDS	ACRES	SERIAL NO. and EXPIRATION DATE	BASIC ROYALTY PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY PERCENTAGE	WORKING INTEREST PERCENTAGE	BENEFICIARY
1	E/2 NE/4 Sec. 21 T-10-S, R-36-E	80	V-4402 - 2 Exp. 7/1/99	16.6667%	Cobra Exploration Company	8.3333%	75.0000%	N. M. Tech
2	W/2 NW/4 Sec. 22 T-10-S, R-36-E	80	V-4206 - 2 Exp. 10/1/98	16.6667%	Cobra Exploration Company	8.3333%	75.0000%	N. M. Tech

RECAPITULATION

160	Acres of State of New Mexico Lands	100%
	Acres of Fee Lands	%
	Acres of Federal Lands	%
Total	160	100%

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

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

CASE NO. 11780
ORDER NO. R-10829

APPLICATION OF COBRA OIL & GAS CORPORATION FOR A UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 15, and June 26, 1997, at Santa Fe, New Mexico, before Examiners David R. Catanach and Michael E. Stogner.

NOW, on this 2nd day of July, 1997, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) The applicant, Cobra Oil & Gas Corporation, seeks approval of the Gainer Unit Agreement for all oil and gas in any and all formations underlying the following described 160 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 10 SOUTH RANGE 36 EAST NMPM

Section 21: E/2 NE/4

Section 22: W/2 NW/4

(3) No interested party appeared and objected to the proposed unit agreement.

(4) All plans of development and operation, and creations, expansions or contractions of participating areas, or expansions or contractions of the unit area should be submitted to the Director of the Division for approval.

(5) Approval of the proposed unit agreement should promote the prevention of waste and protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Gainer Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following described 160 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 36 EAST, NMPM

Section 21: E/2 NE/4

Section 22: W/2 NW/4

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; in the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All plans of development and operation, all unit participating areas and expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

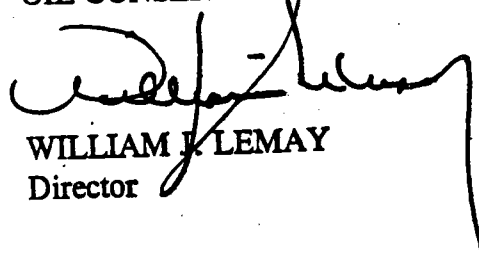
(5) This order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; this order shall terminate ipso facto upon the termination of said unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 11780
Order No. R-10829
Page 3

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

SEAL

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

10/21/97 15:02:19
OGOMES -EMD7
PAGE NO: 1

Sec : 22 Twp : 10S Rng : 36E Section Type : NORMAL

D 40.00 NMT V04206 2 10/98 COBRA EXPLORATION U	C 40.00 NMT V04206 2 10/98 COBRA EXPLORATION	B 40.00 Fee owned	A 40.00 Fee owned
E 40.00 NMT V04206 2 10/98 COBRA EXPLORATION U	F 40.00 NMT V04206 2 10/98 COBRA EXPLORATION	G 40.00 Fee owned	H 40.00 Fee owned

PF01 **HELP**
PF07 **BKWD**

PF02
PF08 **FWD**

PF03 **EXIT**
PF09 **PRINT**

PF04 **GoTo**
PF10 **SDIV**

PF05
PF11

PF06
PF12

GMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

10/21/97 15:03:05
OGOMES -EMD7
PAGE NO: 2

Sec : 22 Twp : 10S Rng : 36E Section Type : NORMAL

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M 40.00 Federal owned	N 40.00 Federal owned	O 40.00 Federal owned	P 40.00 Federal owned

PF01 HELP
PF07 BKWD

PF02
PF08 FWD

PF03 EXIT
PF09 PRINT

PF04 GoTo
PF10 SDIV

PF05
PF11

PF06
PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

10/21/97 15:03:22
OGOMES -EMD7
PAGE NO: 1

Sec : 21 Twp : 10S Rng : 36E Section Type : NORMAL

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E 40.00 NMT V04402 2 07/99 COBRA EXPLORATION	F 40.00 NMT V04402 2 07/99 COBRA EXPLORATION	G 40.00 NMT V04402 2 07/99 COBRA EXPLORATION	H 40.00 NMT V04402 2 07/99 COBRA EXPLORATION U

PF01 **HELP**
PF07 **BKWD**

PF02
PF08 **FWD**

PF03 **EXIT**
PF09 **PRINT**

PF04 **GoTo**
PF10 **SDIV**

PF05
PF11

PF06
PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

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OGOMES -EMD7
PAGE NO: 2

Sec : 21 Twp : 10S Rng : 36E Section Type : NORMAL

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

PF01 **HELP**
PF07 **BKWD**

PF02
PF08 **FWD**

PF03 **EXIT**
PF09 **PRINT**

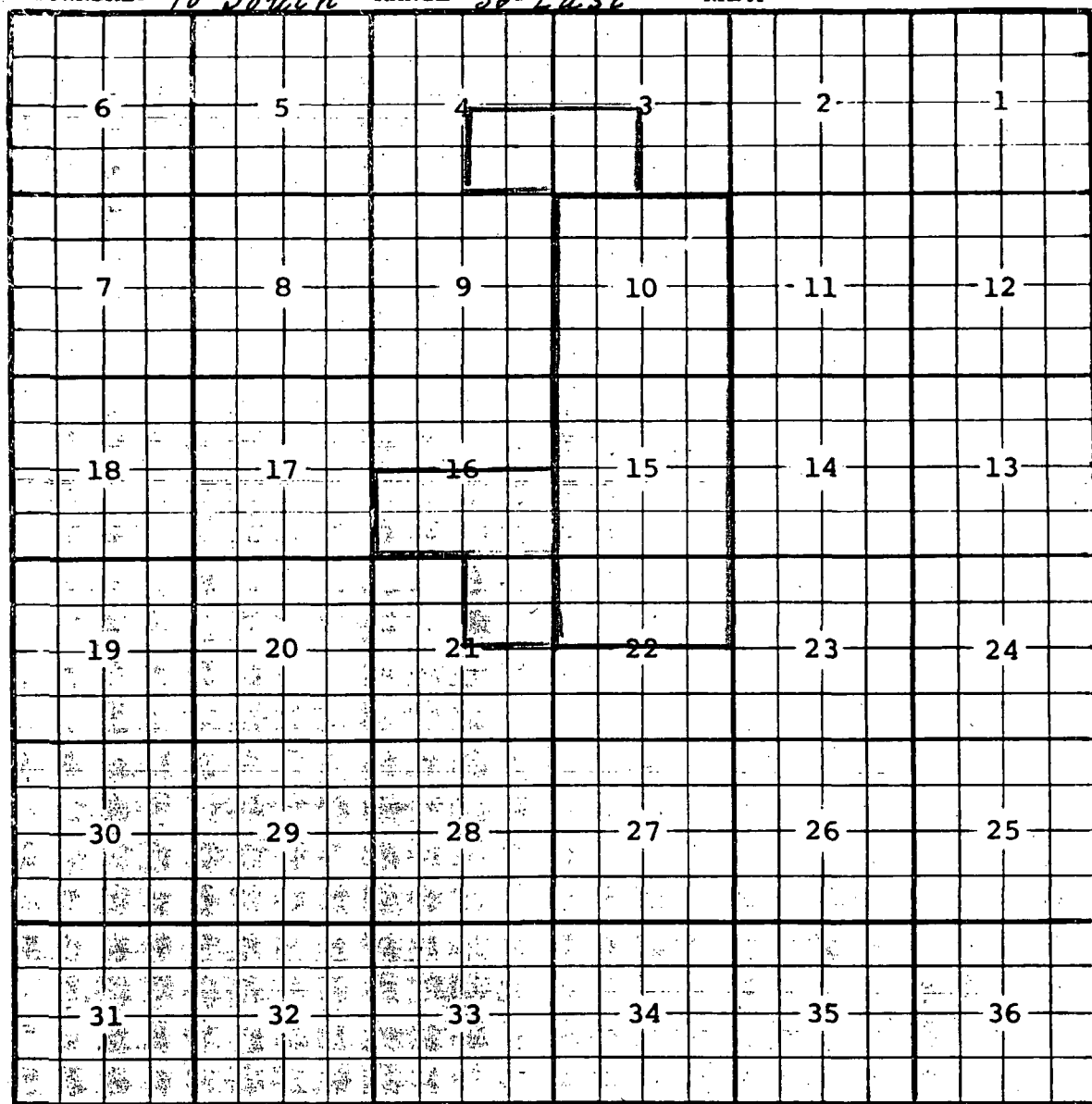
PF04 **GoTo**
PF10 **SDIV**

PF05
PF11

PF06
PF12

COUNTY Lea POOL South Crossroads-Devonian

TOWNSHIP 10-South RANGE 36-East NMPM



Description: All Sec. 10, (R-584, 2-14-55) ^{Ext} $\frac{1}{2}$ Sec. 15, (R-787, 4-16-56) - $\frac{1}{2}$ Sec. 22, (R-2119, 12-1-61) - $\frac{1}{2}$ Sec. 15, (R-2306, 9-1-62) 9-62 - $\frac{1}{2}$ Sec. 16, $\frac{NE}{4}$ Sec. 21 (R-2742, 8-1-64) EXT. $\frac{SW}{4}$ Sec. 3, $\frac{SE}{4}$ Sec. 4 (R-10776, 2-28-97)

STATE/FEE
EXPLORATORY UNIT

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

_____ GAINER _____ UNIT AREA

_____ LEA _____ COUNTY, NEW MEXICO

NO. _____

BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 11780 Exhibit No. 1

Submitted by: Cobra Oil & Gas Corporation

Hearing Date: May 15, 1997

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

 GAINER UNIT AREA
 LEA COUNTY, NEW MEXICO
NO.

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19. <u>APPEARANCES</u>	5
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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE

GAINER UNIT AREA
LEA COUNTY, NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 9th day of May
19 97, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil or gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 19, Art. 10, Sec. 45, N.M. Statutes 1978 Annot.), to consent to and approve the development or operation of State Lands under agreements made by lessees of State Land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162), (Laws of 1951, Chap. 19, Art. 10, Sec. 47, N.M. Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State Lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field, or area; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico (hereinafter referred to as the "Division"), is authorized by an Act of the Legislature (Chap. 72, Laws 1935, as amended, being Section 70-2-1 et seq. New Mexico Statutes Annotated, 1978 Compilation) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Gainer Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 10 South, Range 36 East, N.M.P.M.

Sections: 21: E/2 E/2 NE/4 and 22: W/2 W/2 NW/4

Containing 80 acres, more or less,

Lea County, New Mexico

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibit "A" and "B" shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner" or the Oil Conservation Division, hereinafter referred to as the "Division".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: Cobra Oil & Gas Corporation
whose address is P. O. Box 8206, Wichita Falls, Texas 76307 is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner and the Division.

The resignation or removal of the unit operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of wells.

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five percent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election, with notice to the Division, may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to attain the ~~top of the~~ base of the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 12,500 feet. Until a discovery of a deposit of unitized substances

capable of being produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area, the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter, file a report with the Commissioner and Division of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units, but in such event, the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees or record in the manner prescribed by (Sec. 19-10-20 N.M. Statutes 1978 Annotated), of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by (Sec. 19-10-23 N.M. Statutes 1978 Annotated), and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

Notwithstanding any of the provisions of this Agreement to the contrary, all undeveloped regular well spacing or proration unit tracts within the unit boundaries embracing lands of the State of New Mexico shall be automatically eliminated from this Agreement and shall no longer be a part of the unit or be further subject to the terms of this agreement unless at the expiration of five (5) years after the first day of the month following the effective date of this agreement diligent drilling operations are in progress on said tracts.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tracts of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due to the State

of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due to the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty share in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Division as conforming to good petroleum engineering practices; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms, conditions and provision of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the terms of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offset to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico of which only a portion is committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as two separate leases as to such segregated portions, commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced within the unitized area and committed to this agreement, in accordance with the terms of this agreement. If oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease which part is committed to this agreement at the expiration of the fixed term of such lease, such production shall not be considered as production from lands embraced in such lease which are not within the unitized area, and which are not committed thereto, and drilling or reworking operations upon some part of the lands embraced within the unitized area and committed to this agreement shall be considered as drilling and reworking operations only as to lands embraced within the unit agreement and not as to lands embraced within the lease and not committed to this unit agreement; provided, however, as to any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto upon which oil and gas, or either of them, has been discovered is discovered upon that portion of such lands not committed to this agreement, and are being produced in paying quantities prior to the expiration of the fixed term of such lease, such production in paying quantities shall serve to continue such lease in full force and effect in accordance with its terms as to all of the lands embraced in said lease.

14. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder to the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty, or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and the Division and shall terminate in 5 years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced in paying quantities from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered are being produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interests, signatory hereto, with the approval of the Commissioner and with notice to the Division. Likewise, the failure to comply with the drilling requirements of Section 8 hereof, may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION: All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by the Division, and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES: Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby, before the Commissioner of Public Lands and the Division, and to appeal from orders issued under the regulations of the Commissioner or Division, or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Division; provided, however, that any other interest party shall also have the right at his own expense to appear and to participate in any such proceedings.

20. NOTICES: All notices, demands, or statements required hereunder to be given or rendered to the parties hereto, shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses, set forth in connection with the signatures hereto or to the ratification or consent hereof, or to such other address as any such party may have furnished in writing to party sending the notice, demand, or statement.

21. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail, and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement, or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working, or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof, without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit Operator, as such, is relieved from any responsibility for any defect or failure of any title hereunder.

22. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto, prior to the submission of the agreement for final approval by the Commissioner and the Division, may be committed hereto by the owner or owners of such rights, subscribing or consenting to this agreement, or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development, and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Division of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties, before participating in any benefits hereunder, shall be required to assume and pay to unit operator, their proportionate share of the unit expenses incurred prior to such party's or parties joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

23. COUNTERPARTS: This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

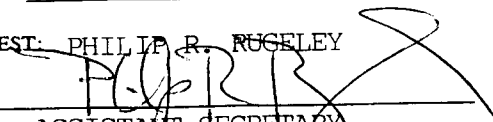
UNIT OPERATOR AND WORKING INTEREST OWNER

Cobra Oil & Gas Corporation

OPERATOR

DATE: 5-9-97

ATTEST: PHILIP R. RUGELEY

BY: 
ASSISTANT SECRETARY
OTHER WORKING INTEREST OWNERS

DATE: 5-9-97

BY:  ^{fm}
Jeff R. Dillard PRESIDENT

Cobra Exploration Company ^{fm}
COMPANY

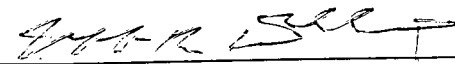
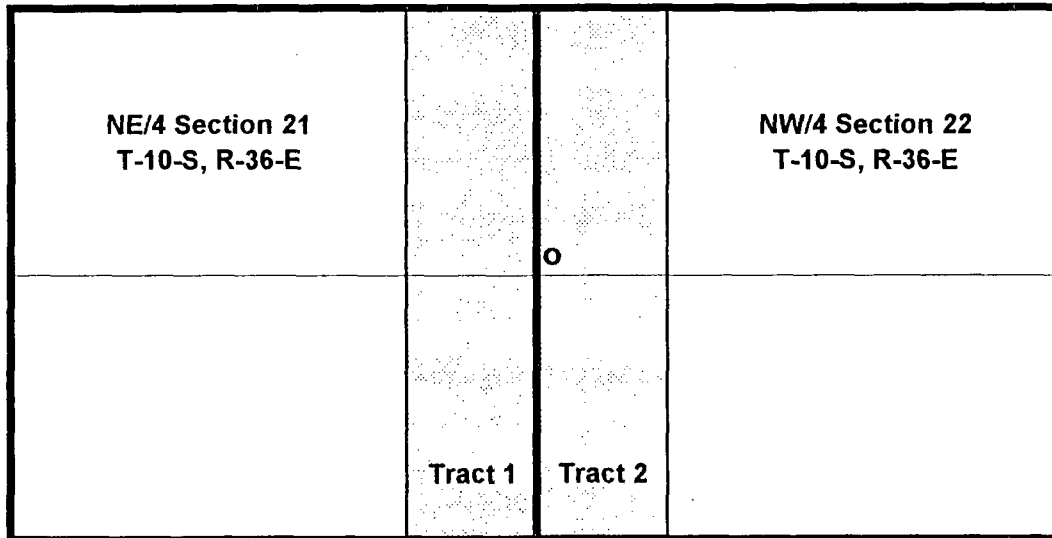
BY: 
Jeff R. Dillard, a Managing Partner

EXHIBIT "A" MAP OF UNIT AREA

GAINER EXPLORATORY UNIT
LEA COUNTY, NEW MEXICO



TRACT 1: E/2 E/2 NE/4 Sec. 21 T-10-S, R-36-E (40 acres)

TRACT 2: W/2 W/2 NW/4 Sec. 22 T-10-S, R-36-E (40 acres)

UNIT ACREAGE:



FEDERAL LANDS: 0 acres

STATE LANDS: 80 acres

FEE LANDS: 0 acres

PROPOSED WELL LOCATION: 1294 feet from North Line and 39 feet from West Line
of Section 22, T-10-S, R-36-E, Lea County, New Mexico

EXHIBIT "B" SCHEDULE OF OWNERSHIP

Schedule Showing All Lands and Leases
Within the GAINER EXPLORATORY UNIT
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LANDS	ACRES	SERIAL NO. and EXPIRATION DATE	BASIC ROYALTY PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY PERCENTAGE	WORKING INTEREST PERCENTAGE	BENEFICIARY
1	E/2 E/2 NE/4 Sec. 21 T-10-S, R-36-E	40	V-4402 Exp. 7/1/99	16.6667%	Cobra Exploration Company	8.3333%	75.0000%	N. M. Tech
2	W/2 W/2 NW/4 Sec. 22 T-10-S, R-36-E	40	V-4206 Exp. 10/1/98	16.6667%	Cobra Exploration Company	8.3333%	75.0000%	N. M. Tech

RECAPITULATION

80	Acres of State of New Mexico Lands	100%
	Acres of Fee Lands	%
	Acres of Federal Lands	%
Total 80		100%


EXHIBIT "C" SCHEDULE OF TRACT PARTICIPATION

Schedule Showing Working Interest Ownership by Tract
Within the GAINER EXPLORATORY UNIT
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LANDS	SERIAL NO. and EXPIRATION DATE	LESSEE OF RECORD	ALLOCATED WORKING INTEREST PERCENTAGE
1	E/2 E/2 NE/4 Sec. 21 T-10-S, R-36-E	V-4402 Exp. 7/1/99	Cobra Exploration Company	50.0000%
2	W/2 W/2 NW/4 Sec. 22 T-10-S, R-36-E	V-4206 Exp. 10/1/98	Cobra Exploration Company	50.0000%

TOTAL 100.0000%

5-1-38
VA-887
1406



(W.O.)
 Union 31
 SA
 Disc.
 Pioneer Prod.
 SA
 (T.P.C. Ed-Union)
 (Crossroads Unit)
 LOWE
 T5, H54
 1613701
 MA 6-14-63

LG-5011 (PA 176-35)
\$108.21
Store # 85112
Rob Lewis (5)

EnergyPro
 10-1-98
 V-4204
 3750

"St. of N.M." 15

Longfeth, Dev
St Dix
Tex Pac (Tex Pac)
St Dix
Maralo
TP-St A
20

36
S1010
Lela Gainer (5)

Geo Trac Ener 1/2
Santa Fe Ener

Cabrera et al

TR Gainer et al (S) 11/12/94
Exxon 8-1-94 57544
U.S. M/L
12/23/94

Exxon
8-1-94

BEFORE THE
CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 1780 Exhibit No. 2

Cobra Oil & Gas Corporation

Dated: May 15, 1997

Case No. 11780 Exhibit No. 2
 Submitted by: Cobra Oil & Gas Corporation
 Hearing Date: May 15, 1997

10-30 96

San ta Fe
80. Crossroads
TD 5100
JJC Maxw
DASCO Ltd. Car

Oil
person

Scott Expl.
10 30 98

Oil
9

24 Gulf W. M. G. Hordling Burr

1. W. Lovelady &
A.J. Crawford
DASCO Ltd Corp

Geo Trac Ener. 1/8
Santo Fe Ener

Cobra Oil & Gas Corporation

Proposed Gainer Unit #1

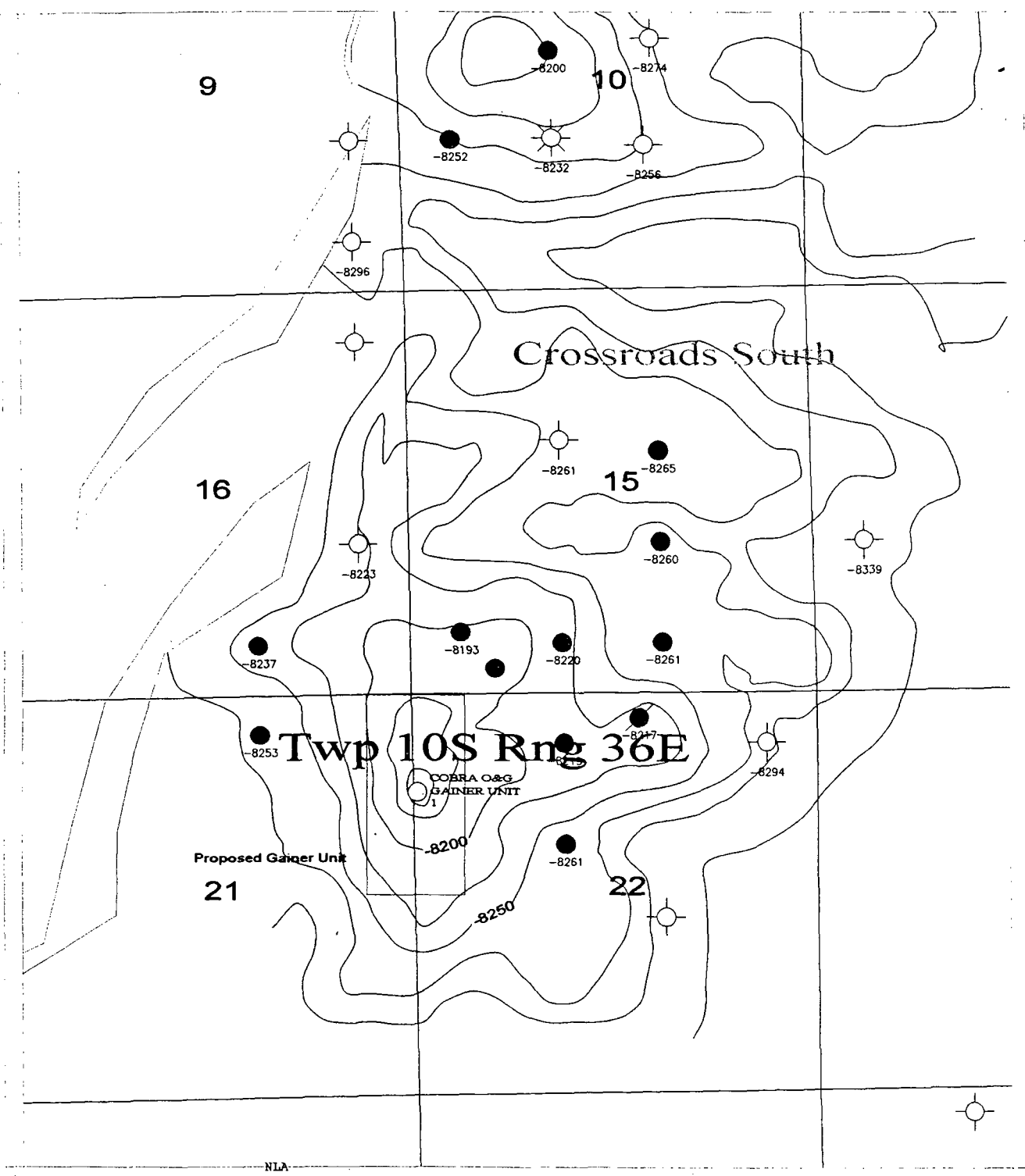
Table of Contents

Exhibit 4 : Base Map

Exhibit 5: Base of Woodford / Top of Devonian Structure Map

Exhibit 6: Type Log and scout ticket

Exhibit 7: Geologic Summary




**BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico**

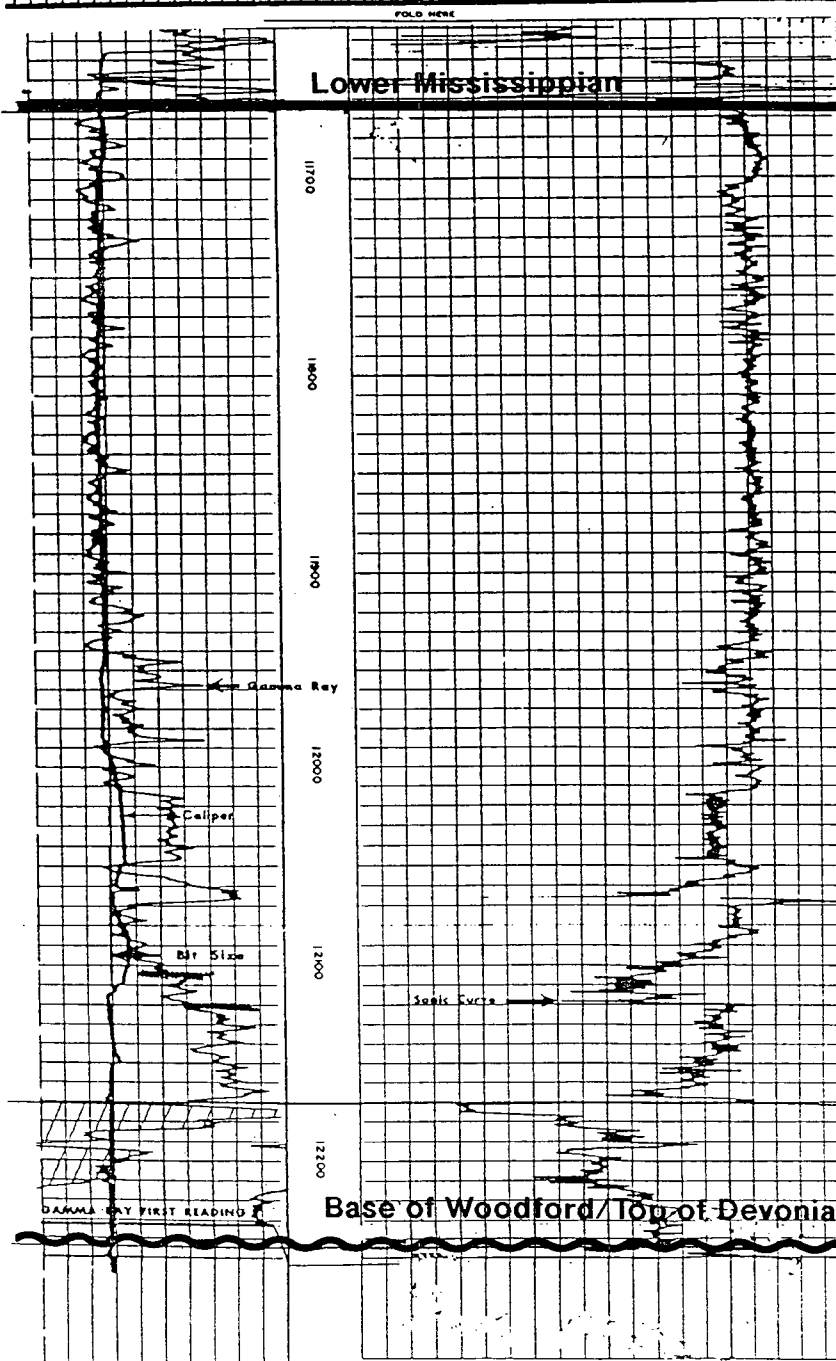
Case No. 11780 Exhibit No. 5

Submitted by: Cobra Oil & Gas Corporation

Hearing Date: May 15, 1997

 Cobra Oil & Gas Corporation		
Proposed Gainer Unit Exhibit 5 Base of Woodford Structure		
GEO: Frank Wilson	1"=2,000'	GAINER.GPF 5/12/97

Hearing Date: May 15, 1997



Cobra Oil & Gas Corporation

Proposed Gainer Unit
Exhibit 6
Type Log

GEO: Frank Wilson

GAINER, LGF

5/11/97

SCOUT TICKET

STATE New Mexico

COUNTY Lea

FIELD South Crossroads-Devonian

OPERATOR Hill & Meeker

LEASE T-P-State "22"

WELL NO. 1

LOCATION 660' FNL & 1980' FWL

Elev. 4027.0F

SEC. 22 T. 10S R. 36E

Elev.

SPUD 12-23-61 COMP 2-25-62 TD 12,260 PB

Contract Depth 12,300 Method

FORMATION

SPL TOP

ELEC TOP

Contractor

Devonian

12245

Casing Record

@ 325 w/ 300 SX
 13% @ 4208 w/ 250 SX
 10% @ 12248 w/ 500 SX
 9% @ 12248 w/ 500 SX
 8% @ 12248 w/ 500 SX
 7% @ 12248 w/ 500 SX
 5 1/2 @ 12248 w/ 500 SX

Liner

PAY & INTERVAL	F OR P	AMOUNT	WTR	HRS	GOR	GTY	CHK	CP	TP	TREATMENT
12248-260 (Open Hole)	F	324		24	thru 10/64" chk	GOR 525, gty 52,				
					CP Pkr, TP 845#.					

Date

Natural.

SIM 12259=12260

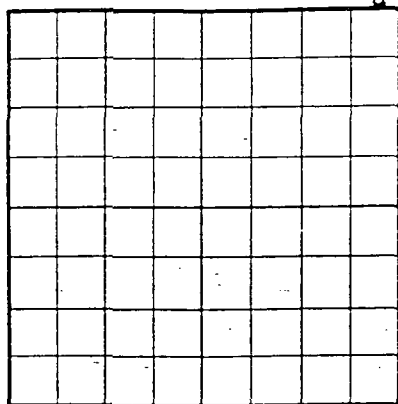
THE SUBSURFACE LIBRARY ®

P. O. BOX 942

MIDLAND, TEXAS

SCOUT TICKET

MAR 7 1962



COUNTY Lea FIELD S. Crossroads
 SECTION 22 TWP. 10-S RANGE 36-E
 SEC. BLK. SUR. ABST.
 OPERATOR Hill & Meeker
 WELL NUMBER #1 FARM NAME T. P. State
 FEET FROM LINE N 660' E S W 1980'
 ELEVATION 4027 DF METHOD
 CONTRACTOR SCOUT C. A. Schellinger

CASING	DEPTH	CEMENT
13 3/8	313	300
8 5/8	4208	250
5 1/2	12248	500

SHOT & ACID RECORD		PERFORATIONS
QTS.	TO	OH 12248-259
QTS.	TO	
QTS.	TO	
GALS.		
GALS.		
GALS.		
Lse: N/2 NW		
F/O fr. T.P.C. & O.		
12,300' Dev.		

MARKERS

"5"

SA	4180
Glo	5630
Abd	7760
Miss ls	11700
Wdf	12180
Dev	12246
The Subsurface Library	
P	Box 942
	d, Texas

COMPLETION DATA

TD	12259	PB
TP	12248 (Dev)	BP
IP	FLOW 324 Bbl, 24 hr	
	PUMP	
CHOKES	10/64"	
GAS		
GOR	525	
TBG. PRES.	825	CSG. PRES. PKR
BHP		GRAVITY 42
D & A		
COMPLETED	2-22-62	

DATE		DATE	
	FIRST REPORT: 12-20-61	FEB 21	TD 12259 ft, OH 12248-59
	SPUDDING: 12-23-61		F/20,620, 9/64", 24 hr TP 900
	LOC.		NAT
JAN 3 1962	44561 ls	FEB 28	TP - si storage
JAN 10	47205 ls		F/28180, 24 hr TP 850
JAN 17	48728 ls		F/24280, 19 hr TP 900
JAN 24	49849 ls	MAR 7	F/28980, 24 hr 9/64", TP 900, 455
JAN 31	411020 ls		
FEB 7	41712 ls sketch		
FEB 14	TP 12259 ft Prep log		
	DST 12125-159 (600' WB) 1' 14"		
	GTS 30" WB 1556", GTS 1104"		
	Fwd 25 Bbl PA, 1/4", 10"		
	SFP 600		
	Ro full oil		
	Rev 500' oil bed sub, no (M)		
	30"/4625 SFP 1570-4050		
	30"/4560		

Exhibit 7

Geological Summary

Frank E. Wilson

The Cobra Oil & Gas Corporation Gainer Unit #1 is to be drilled in September 1997 at a location of 1294' FNL & 39' FWL of Section 22 -Township 10S - Range 36 E. Due to 3D seismic control and subsurface mapping, it is apparent that this is the optimum location for recovering the maximum reserves in the most efficient manner and thereby prevent the drilling of unnecessary locations.

The Gainer Unit location is situated on the structural crest of the South Crossroads feature. The Gainer well will penetrate the Devonian at approximately -8145' subsea. Although there are minor discrepancies, the approximate original oil water contact on this feature was -8275'. Subsequent production would have raised the water contact and the current anticipated oil/water contact is above -8500'. Due to this fact, it is imperative that the Gainer unit well be drilled on the crest of the structure.

In the interest of preventing waste and protecting the correlative rights of all parties involved, this area is best produced under a unit plan. Under Cobra's suggested unit boundary, it will only be necessary to drill one well to recover the maximum recoverable oil.

BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 11780 Exhibit No. 7

Submitted by: Cobra Oil & Gas Corporation

Hearing Date: May 15, 1997

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

IN THE MATTER OF THE HEARING CALLED BY)	
THE OIL CONSERVATION DIVISION FOR THE)	
PURPOSE OF CONSIDERING:)	CASE NO. 11,780
)	
APPLICATION OF COBRA OIL AND GAS)	
CORPORATION FOR A UNIT AGREEMENT,)	
LEA COUNTY, NEW MEXICO)	
)	

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

June 12th, 1997

Santa Fe, New Mexico

RECEIVED

JUN 26 1997

Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, June 12th, 1997, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

June 12th, 1997
Examiner Hearing
CASE NO. 11,780

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REPORTER'S CERTIFICATE

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 8:21 a.m.:

3 MR. CARR: Mr. Examiner, Case 11,780 on the first
4 page is an Application of Cobra Oil and Gas Corporation for
5 a unit agreement.

6 As you may recall, this case was presented you
7 four weeks ago, and there was a disagreement between us and
8 the Land Office as to what was the appropriate acreage for
9 the unit.

10 I do have an amended unit agreement, which will
11 provide for a larger unit. I have not yet received a
12 letter from the Land Office concurring, however, in the
13 expanded unit, and so for that purpose I would request that
14 the case be continued for an additional two weeks. We
15 believe at that time we can present to you a letter from
16 the State Land Office agreeing to a larger unit area.

17 EXAMINER CATANACH: Okay, Mr. Carr, at your
18 request Case 11,780 will be continued to June 26th.

19 (Thereupon, these proceedings were concluded at
20 8:22 a.m.)

21 * * *

22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the Examiner hearing of Case No. 11780,
25 heard by me on June 12 1987.
David R. Catanach, Examiner
Oil Conservation Division

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL June 13th, 1997.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

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

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:) CASE NO. 11,780
)
APPLICATION OF COBRA OIL AND GAS)
CORPORATION FOR A UNIT AGREEMENT,)
LEA COUNTY, NEW MEXICO)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

RECEIVED

June 26th, 1997

JUL 1 1997

Santa Fe, New Mexico

Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, June 26th, 1997, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

June 26th, 1997
Examiner Hearing
CASE NO. 11,780

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* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 8	4	5

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at
2 8:16 a.m.:

3 EXAMINER STOGNER: For the record, I'm Michael
4 Stogner, appointed Hearing Examiner for today's docket,
5 which is Number 18-97. Please note today's date, Thursday,
6 June 26th, 1997.

7 At this time I will call Case Number 11,780.

8 MR. CARROLL: Application of Cobra Oil and Gas
9 Corporation for a unit agreement, Lea County, New Mexico.

10 EXAMINER STOGNER: Call for appearances.

11 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
12 the Santa Fe law firm of Kellahin and Kellahin, appearing
13 in association with William F. Carr of the Campbell, Carr,
14 Berge and Sheridan law firm of Santa Fe, New Mexico. We
15 are representing the Applicant in this case.

16 EXAMINER STOGNER: No other appearances?

17 Mr. Kellahin, could you bring me up to date on
18 this case, 11,780?

19 MR. KELLAHIN: Yes, Mr. Examiner.

20 Mr. Carr presented this with Cobra's witness to
21 Examiner Catanach on May 15th.

22 At the time that case was presented, Mr. Carr
23 advised Examiner Catanach that discussions with the
24 Commissioner of Public Lands have resulted in a request by
25 the Commissioner to increase the size of the acreage to be

1 dedicated to the unit.

2 If you have a copy of the case file there, and if
3 you would turn your attention to Exhibit Number 2, it will
4 give you a plat which illustrates the change.

5 EXAMINER STOGNER: Exhibit Number 2. It appears
6 to be a blow-up copy of the Midland Map Company?

7 MR. KELLAHIN: Yes, sir.

8 EXAMINER STOGNER: Okay.

9 MR. KELLAHIN: At the time the case was filed,
10 the 80-acre standup unit configuration outlined in blue was
11 the proposal. As a result of the request from the
12 Commissioner of Public Lands, the area was expanded to
13 include the 160 acres outlined in red, and that was the
14 change.

15 The case was readvertised and continued for a
16 month to today's docket in order to change the exhibits
17 attached to the operating agreement and the unit agreement,
18 and to obtain a letter of preliminary approval from the
19 Commissioner of Public Lands.

20 Those things have been accomplished, and I have
21 as a supplemental exhibit for today's hearing what I've
22 marked as Cobra Exhibit 8, which is the approval from the
23 Commissioner of Public Lands.

24 Here is a -- I'm going to hand you an information
25 sheet to supplement the statements I've just made and to

1 support the fact that the change does not change the
2 identity of the parties or the type of acreage to be
3 committed to the unit. It still is state lands, and the
4 only parties involved are Cobra as the record title lessee
5 of both the leases involved and the Commissioner of Public
6 Lands. We believe the case is now complete and ready to
7 take under advisement for the issuance of an order.

8 EXAMINER STOGNER: At this time I'll admit
9 Exhibit Number 8 as evidence in this case. That additional
10 information will be made part of this record.

11 I'll just state also for the record, I don't
12 remember seeing an unorthodox location application, and
13 this is beyond that particular rule exception to the OCD
14 rules and regs. Perhaps when that is ready to be submitted
15 by Cobra, if they'll just refer to this case, because a lot
16 of the questions required for such an exception are already
17 covered in this, and it would make the processing of that
18 kind of application much easier.

19 MR. KELLAHIN: Mr. Examiner, I was unable to talk
20 to Mr. Carr about that topic. His case file does not
21 reflect what's occurring on that. It's obviously an
22 unorthodox location. I'll bring it to his attention when
23 he returns, and he may proceed to deal with that.

24 EXAMINER STOGNER: And it would make my
25 processing easier, as with his and yours.

1 Okay, is there anything further in Case Number
2 11,780?

3 MR. KELLAHIN: No, sir.

4 EXAMINER STOGNER: Then Case Number 11,780 will
5 be taken under advisement at this time.

6 (Thereupon, these proceedings were concluded at
7 8:19 a.m.)

8 * * *

9
10
11
12
13
14
15
16 I do hereby certify that the foregoing is
17 a complete record of the proceedings in
18 the Examiner hearing of Case No. 11780
19 heard by me on 26 June 1997.
20 M. J. VED, Examiner
21 Off Conservation Division
22
23
24
25

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL June 26th, 1997.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

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

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

CASE NO. 11,780

APPLICATION OF COBRA OIL AND GAS)
CORPORATION FOR A UNIT AGREEMENT,)
LEA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

RECEIVED

May 15th, 1997

JUN 12 1997

Santa Fe, New Mexico

Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, May 15th, 1997, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

May 15th, 1997
 Examiner Hearing
 CASE NO. 11,780

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<u>FRANK WILSON</u> (Geologist)	
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* * *

E X H I B I T S

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE APPLICANT:

CAMPBELL, CARR, BERGE and SHERIDAN, P.A.
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 9:09 a.m.:

3 EXAMINER CATANACH: At this time we'll call Case
4 11,780.

5 MR. CARROLL: Application of Cobra Oil and Gas
6 Corporation for a unit agreement, Lea County, New Mexico.

7 EXAMINER CATANACH: Appearances in this case?

8 MR. CARR: May it please the Examiner, my name is
9 William F. Carr with the Santa Fe law firm Campbell, Carr,
10 Berge and Sheridan. We represent Cobra Oil and Gas
11 Corporation in this matter, and I have two witnesses.

12 Additional appearances?

13 Please swear in the witnesses.

14 (Thereupon, the witnesses were sworn.)

15 MR. CARR: May it please the Examiner, in
16 meetings yesterday with the Land Office, we were requested
17 to expand the unit.

18 As you will see from our initial exhibits, it's
19 originally proposed as an 80-acre unit. They believe it
20 should be expanded to be 160-acre, which would be comprised
21 of four 40-acre tracts that straddle a section line.

22 With your permission, since the witnesses are
23 here and this change will affect nothing in the
24 presentation except the description of the acreage, I would
25 request permission to go forward today.

1 We're talking about unitizing a portion of two
2 state leases that have a common beneficiary institution for
3 both of the leases, and the well is very, very close to the
4 center line because, as it seems to always be, that's where
5 the top of the small Devonian structure happens to be.

6 So with your permission, we'd like to present the
7 case today, continue it for four weeks, which will require
8 readvertisement and a resubmission to you of the unit
9 agreement.

10 EXAMINER CATANACH: Okay, so the case will be
11 continued and readvertised to June 12th; is that your
12 understanding?

13 MR. CARR: And I will send a new advertisement
14 and a unit with a revised description at that time.

15 EXAMINER CATANACH: Okay, let's go ahead with the
16 case.

17 CHARLES L. HOUSE,
18 the witness herein, after having been first duly sworn upon
19 his oath, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. CARR:

22 Q. Would you state your name for the record, please?

23 A. Charles L. House.

24 Q. And Mr. House, where do you reside?

25 A. Midland, Texas.

1 Q. By whom are you employed?

2 A. I'm a self-employed landman.

3 Q. And in this case are you working for Cobra Oil
4 and Gas Corporation?

5 A. That is correct. I'm a consultant.

6 Q. Have you previously testified before this
7 Division?

8 A. Yes, I have.

9 Q. At the time of that testimony, were your
10 credentials as a petroleum landman accepted and made a
11 matter of record?

12 A. Yes, they were.

13 Q. Are you familiar with the Application filed in
14 this case on behalf of Cobra Oil and Gas Corporation?

15 A. Yes, I am.

16 Q. And are you familiar with the proposed Gainer
17 exploratory unit?

18 A. Yes.

19 MR. CARR: Are the witness's qualifications
20 acceptable?

21 EXAMINER CATANACH: Yes, they are.

22 Q. (By Mr. Carr) Would you briefly summarize for
23 the Examiner what it is Cobra seeks with this Application?

24 A. Cobra seeks approval of Gainer exploratory unit,
25 a voluntary exploratory unit containing now 160 acres of

1 state land, Lea County, New Mexico.

2 Q. Have you prepared certain exhibits for
3 presentation in this case?

4 A. Yes, I have.

5 Q. Let's go to what has been marked for
6 identification as Cobra Exhibit Number 1. Would you
7 identify that for Mr. Catanach?

8 A. This is a unit agreement for the development and
9 operation of the Gainer unit area.

10 Q. And this is on the state form for a voluntary
11 state/fee exploratory unit; is that correct?

12 A. Yes.

13 Q. Let's look at Exhibit Number 2, which is the plat
14 that is also attached to the unit agreement, and would you
15 simply review that for Mr. Catanach?

16 A. This is just a copy of the Midland Map Company
17 map outlining the affected leases, and then in blue we're
18 showing the unit outline, proposed unit outline.

19 Q. And that blue outline will be expanded to include
20 the west half of the northwest quarter of Section 22 and
21 the east half of the northeast quarter of Section 21; is
22 that correct?

23 A. Yes.

24 Q. We're looking at two state leases; is that right?

25 A. That's correct.

1 Q. And does Cobra -- Is Cobra the lessee on both of
2 those leases?

3 A. Technically, I'm the lessee of record. However,
4 Monday of this week I did forward to the State Land Office
5 assignments into Cobra. I'm waiting on approved copies.

6 Q. Let's go to Exhibit B to the unit agreement, and
7 I'd ask you to review the status of the ownership of the
8 acreage in the proposed unit.

9 A. The two leases are -- two state leases are still
10 in their primary term, now owned by Cobra Exploration
11 Company.

12 The royalty percentage on both is identical, the
13 overriding royalty percentage on both is identical, the
14 beneficiary is identical in both cases.

15 Cobra owns 100 percent of the cost-bearing
16 interest, and it would be a 75-percent net revenue
17 interest.

18 Q. And when you amend the unit, you anticipate being
19 able to provide Mr. Catanach the State Land Office's
20 preliminary approval for the proposed unit; is that
21 correct?

22 A. That is correct.

23 Q. And under the unit agreement, Cobra is designated
24 operator of the unit?

25 A. Yes.

1 Q. Does this agreement provide for the filing of
2 periodic plans of development?

3 A. Yes, it does.

4 Q. And those plans will be filed with the Oil
5 Conservation Division at the same time they're filed with
6 other agencies?

7 A. Yes.

8 Q. You file initial plan how soon after creation of
9 the unit?

10 A. We show the initial plan to be filed in six
11 months, with subsequent plans in twelve months.

12 Q. In fact, this is probably, what's left, a one-
13 well reservoir; isn't that right?

14 A. That's correct.

15 Q. And your geological witness will review that
16 portion of this case?

17 A. Yes.

18 Q. Were Exhibits 1 and 2 prepared by you?

19 A. Yes, they were.

20 MR. CARR: Mr. Catanach, at this time we'd move
21 the admission into evidence of Cobra Exhibits 1 and 2.

22 EXAMINER CATANACH: Exhibits 1 and 2 will be
23 admitted as evidence.

24 MR. CARR: And that concludes my examination of
25 Mr. House.

EXAMINATION

BY EXAMINER CATANACH:

Q. Mr. House, does this unit agreement cover all formations?

A. It would cover all formations, all depths. The primary target would be the Devonian.

Q. Okay. Cobra is the only interest owner --

A. That's correct.

Q. -- in this proposed unit?

Do you -- Or do you plan to submit a revised unit agreement that shows the additional acreage --

A. Yes.

Q. -- in this unit?

And it's my understanding that the unit will now comprise the east half of the northeast quarter of 21?

A. That's correct.

Q. And the west half of the northwest of 22?

A. Yes.

Q. Okay. 160 acres. And that won't change the ownership at all?

A. No, sir.

Q. Have you obtained preliminary approval from the State Land Office?

A. We have not at this time. We discussed it with them and are waiting to hear back.

1 Q. Did they indicate that there would be any problem
2 with giving you --

3 A. No, they did not. I specifically asked that
4 question, if they had any problem with it, and the answer
5 was no.

6 EXAMINER CATANACH: I have nothing further of
7 this witness.

8 MR. CARR: At this time we would call Frank
9 Wilson.

10 FRANK WILSON,
11 the witness herein, after having been first duly sworn upon
12 his oath, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. CARR:

15 Q. Would you state your name for the record, please?

16 A. Frank Wilson.

17 Q. Where do you reside?

18 A. Wichita Falls, Texas.

19 Q. By whom are you employed?

20 A. I'm self-employed.

21 Q. And are you a petroleum geologist?

22 A. Yes.

23 Q. And are you employed in this matter by Cobra --

24 A. Yes, I am.

25 Q. -- to provide geological services for this unit?

1 A. Yes.

2 Q. Have you previously testified before the New
3 Mexico Oil Conservation Division?

4 A. No, I have not.

5 Q. Could you briefly review for Mr. Catanach your
6 educational background?

7 A. I graduated from the University of Alabama in
8 1993, with a bachelor of science in geology.

9 Q. And since graduation, for whom have you worked?

10 A. Cobra Oil and Gas, basically as a consulting
11 petroleum geologist.

12 Q. Have you made a geological study of the area
13 surrounding the proposed Gainer exploratory unit?

14 A. Yes, I have.

15 Q. And are you prepared to share the results of that
16 study --

17 A. Yes, sir.

18 Q. -- with the Examiner?

19 MR. CARR: Mr. Catanach, we tender Mr. Wilson as
20 an expert witness in petroleum geology.

21 EXAMINER CATANACH: He is so qualified.

22 Q. (By Mr. Carr) What formations are we unitizing
23 in the proposed Gainer exploratory unit?

24 A. All formations.

25 Q. Primary objective is, as Mr. House stated, the

1 Devonian?

2 A. That's correct.

3 Q. And what pool will this well actually be located?

4 A. The South Crossroads-Devonian.

5 Q. Are there any secondary objectives in the pool?

6 A. No.

7 Q. Or in the unit?

8 A. No, sir.

9 Q. Let's go to what has been marked for
10 identification as Cobra Exhibit Number 4, and I'd ask you
11 to identify that and review it for Mr. Catanach.

12 A. This is a base map I've prepared showing the
13 wells in the area with their TDs marked. Notice there are
14 approximately 14 producing Devonian wells within these four
15 sections. All of those are in the South Crossroads-
16 Devonian Pool.

17 Q. Let's go to Exhibit Number 5, your structure map.
18 Would you review that for us?

19 A. Okay. I prepared the structure map from
20 subsurface geology. As you can see, there's a structural
21 high point in the northwest quarter of Section 22,
22 northeast quarter of Section 21.

23 The original oil-water contact in this field was
24 about 8275. Subsequent drilling has shown that the oil-
25 water contact has moved up to above 8200.

1 The Landreth well, which is drilled 330 from the
2 south line and 11 feet from the west line of Section 15 is
3 probably the most recent well, closest to our feature.
4 That well produced 90-percent water and 10-percent oil on
5 the test.

6 Q. Is that well no plugged and abandoned?

7 A. Yes, sir, I believe so.

8 Q. So basically what you've got is a Devonian
9 feature. Is it a bottom water drive?

10 A. It's definitely a bottom water drive.

11 Q. And what we've got is just a little attic left in
12 the reservoir, and you're attempting to drill at the top of
13 the structure --

14 A. That's correct.

15 Q. -- to reach the remaining reserves?

16 A. Yes, sir.

17 Q. And that happens to be right on the section line?

18 A. Yes.

19 Q. Let's go to Exhibit Number 6. Can you tell me
20 what this is?

21 A. Exhibit Number 6 is a type log. This is the Hill
22 and Meeker State 22 well. It's located 1990 from the west
23 line and 660 from the north.

24 This is -- well was drilled in 1962 and came on
25 flowing for a rate of 324 barrels out of the Devonian

1 formation.

2 Q. Is Exhibit Number 7 a summary of your geologic
3 presentation?

4 A. Yes.

5 Q. What conclusions basically have you reached from
6 your study?

7 A. Based on the structural position and the apparent
8 oil-water contact on this feature, it becomes apparent the
9 structural crest of the feature's optimum location to
10 recover reserves on -- that are left in attic oil here.

11 Q. In your opinion, is this area one that can now be
12 best produced under a unit plan?

13 A. Yes, sir.

14 Q. How soon do you propose to drill the initial test
15 well?

16 A. We are planning to drill it September 1st of
17 1997.

18 Q. You have a two-year term assignment on the
19 property?

20 A. Yes, sir.

21 Q. In your opinion, would approval of this
22 Application and the development of the remaining reserves
23 in this Devonian pool under a unit plan be in the best
24 interest of conservation, the prevention of waste and the
25 protection of correlative rights?

1 A. Yes, sir.

2 Q. Were Exhibits 4 through 7 prepared by you?

3 A. They were.

4 MR. CARR: At this time, Mr. Catanach, I would
5 move the admission into evidence of Cobra Exhibits 4
6 through 7.

7 EXAMINER CATANACH: Exhibits 4 through 7 will be
8 admitted as evidence.

9 MR. CARR: That concludes my examination of Mr.
10 Wilson.

11 EXAMINATION

12 BY EXAMINER CATANACH:

13 Q. Mr. Wilson, have you guys determined a well
14 location for your proposed well?

15 A. Yes, sir, it's 1294 from the north, 39 feet from
16 the west line of Section 22.

17 Q. I'm sorry, 39 feet --

18 A. Yes.

19 Q. -- from the west line of Section 22.

20 What geologic data did you use to map that
21 structure?

22 A. We have 3-D seismic control across the area and
23 the subsurface.

24 Q. This is the first well that Cobra has drilled in
25 this Devonian field?

1 A. In this field, yes, sir.

2 Q. I believe you testified that the oil-water
3 contact is now at a point of minus 8200 feet?

4 A. Slightly above there. The well that's located in
5 the southwest quarter of 15, 330 from the section line, was
6 drilled in 1977.

7 That well produced -- I believe it was
8 approximately 22,000 barrels of oil, but it was making 90-
9 percent water cut at that time. So the oil-water contact
10 is above that point at this time.

11 Q. Is that the well that's marked minus 8193?

12 A. No, that's the well just south of it. I do not
13 have a log on that well. It was never released. It was
14 drilled by VF Petroleum.

15 Q. Are the -- Are generally the wells in this field
16 still producing?

17 A. No, sir.

18 Q. Is there any well still producing?

19 A. I don't believe so. These wells were drilled in
20 the period from 1952 to, say, 1970.

21 Q. Is it possible that that well you will drill,
22 will, in fact, drain that 160 acres?

23 A. Yes, sir, it is possible. Based on my mapping, I
24 think the structure is a little smaller, about 160 acres.
25 But recoverable oil is less than 160 acres, as you can see

1 from the map.

2 Q. Is spacing on -- Is this on 40 acres out here?

3 A. No, I believe the field was on 80 acres at the
4 time.

5 EXAMINER CATANACH: 80-acre spacing. Okay. I
6 have nothing further of this witness.

7 MR. CARR: That concludes our presentation in
8 this case. We will file a revised unit agreement with
9 preliminary Land Office approval.

10 EXAMINER CATANACH: Okay.

11 MR. CARR: And I would request the case be
12 continued for four weeks.

13 EXAMINER CATANACH: Okay, the case will be
14 continued and readvertised for the June 12th hearing.

15 (Thereupon, these proceedings were concluded at
16 9:26 a.m.)

17 * * *

18
19 I do hereby certify that the foregoing is
20 a complete record of the proceedings in
the Examiner hearing of Case No. 1780,
21 heard by me on May 15 1987.

22 David R. Catanch, Examiner
Oil Conservation Division

23

24

25

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL May 18th, 1997.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

DOCKET: EXAMINER HEARING - THURSDAY - JUNE 26, 1997

8:15 AM - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 20-97 and 21-97 are tentatively set for July 10, 1997 and July 24, 1997. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 11780: (Continued from June 12, 1997, Examiner Hearing.)

Application of Cobra Oil & Gas Corporation for a unit agreement, Lea County, New Mexico. Applicant seeks approval of the Gainer Unit Agreement for an area comprising 80 acres, more or less, of State lands in portions of Sections 21 and 22, Township 10 South, Range 36 East, which is located approximately 12 miles northeast of Tatum, New Mexico.

CASE 11801: (This Case will be continued to the July 10, 1997, Examiner Hearing.)

Application of OXY USA Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 of Section 32, Township 19 South, Range 29 East, forming a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the West Parkway-Morrow Gas Pool. Said unit is to be dedicated to its OXY Pearl State Com Well No. 1 to be drilled and completed at a standard gas well location in Unit I of said Section 32. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs 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. Said unit is located approximately 12 miles northeast of Carlsbad, New Mexico.

CASE 11802: Application of Xeric Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Abo formation underlying the SW/4 SW/4 of Section 19, Township 20 South, Range 39 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing, including but not limited to the D-K-Abo Pool. Said unit is to be dedicated to its Carter Well No. 1 to be drilled and completed at a standard well location in Unit M of said Section 19. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs 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. Said unit is located approximately 10 miles southeast of Hobbs, New Mexico.**CASE 11639:** (Continued from May 15, 1997, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Abo formation to the base of the Morrow formation underlying the N/2 of Section 8, Township 18 South, Range 28 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing. Applicant proposes to dedicate this pooled unit to its Scoggin Draw "8" State Well No. 1, to be drilled at an orthodox location 660 feet from the North line and 2250 feet from the East line (Unit B) of said Section 8. 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 the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 11 miles southwest of Artesia, New Mexico.

CASE 11774: (Reopened)

Application of Marathon Oil Company to reopen Case No. 11774 to amend its proposed unorthodox gas well location, Eddy County, New Mexico. Applicant seeks to reopen Case 11774 concerning an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2, the SE/4 and the SE/4 SE/4 of Section 11, Township 18 South, Range 28 East, to be dedicated to its Jim Bowie "11" Federal Well No. 1 and to amend its proposed unorthodox gas well location 1000 feet from the South line and 700 feet from the East line to a new unorthodox gas well location 990 feet from the South and East lines (Unit P) of said Section 11. Said unit is located approximately 15 miles southeast of Artesia, New Mexico.

DOCKET NO. 17-97

DOCKET: EXAMINER HEARING - THURSDAY - JUNE 12, 1997

8:15 AM - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 18-97 and 19-97 are tentatively set for June 26, 1997 and July 10, 1997. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 117/14: (Continued from May 29, 1997, Examiner Hearing.)

Application of Layton Enterprises Inc. for a waterflood project, Lea County, New Mexico. Applicant seeks authority to institute a waterflood project within an area encompassing all or portions of Sections 1, 2, 10 and 11, Township 9 South, Range 36 East, Lea County, New Mexico, and portions of Sections 36, Township 8 South, Range 36 East, Roosevelt County, New Mexico, by the injection of water into the Bough "C" member of the Pennsylvanian formation, Allison-Penn Pool, in its Fox "A" State Well No. 5 located 2310 feet from the North line and 2070 feet from the West line (Unit F) of Section 2. Applicant further seeks authority to complete this injection well unconventionally by leaving both the Bough "C" and Devonian formations open in the wellbore below a packer and allowing Devonian formation water to flow freely into the Bough "C" formation to expedite reservoir fill up. This project is located approximately 8 miles northeast of Crossroads, New Mexico.

CASE 117/15: (Continued from May 29, 1997, Examiner Hearing.)

Application of Plains Petroleum Operating Company to Amend Order No. R-10474 by Expanding its Hill-Cayless McKee Pressure Maintenance Project, and Qualification of this Expanded Area for the Recovered Oil Tax Rate Pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico. Applicant seeks authority to expand its Hill-Cayless McKee Pressure Maintenance Project, previously approved by Division Order No. R-10474, and which currently comprises the SE/4 of Section 34 and the SW/4 of Section 35, both in Township 23 South, Range 37 East, to include the S/2 NE/4 of Section 34 and the S/2 NW/4 of Section 35, Teague (Simpson) Pool. The applicant further seeks to qualify this expanded area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act". This project is located approximately 9 miles north of Jal, New Mexico.

CASE 117/14: Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco formation underlying the E/2 of Section 3, Township 19 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit any formations and/or pools developed on 320-acre spacing within said vertical extent. Said unit is to be dedicated a well to be drilled at a standard gas well 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. Said unit is located approximately 7.5 miles northeast of Lakewood, New Mexico

CASE 117/11: (Continued from May 15, 1997, Examiner Hearing.)

Application of Cobra Oil & Gas Corporation for a unit agreement, Lea County, New Mexico. Applicant seeks approval of the Gainer Unit Agreement for an area comprising 80 acres, more or less, of State lands in portions of Sections 21 and 22, Township 10 South, Range 36 East, which is located approximately 12 miles northeast of Tatum, New Mexico.

CASE 117/12: Application of Enron Oil & Gas Company for compulsory pooling and unorthodox well location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Devonian formation underlying the E/2 of Section 7 for all formations developed on 320-acre spacing, including the South Bell Lake Morrow-Gas Pool, under the SE/4 of said Section 7 for all formations developed on 160-acre spacing, including Bell Lake-Devonian Gas Pool, and under the NW/4 SE/4 of said Section 7 for all formations developed on 40-acre spacing, Township 24 South, Range 34 East. Applicant proposes to dedicate this pooled unit to its Bell Lake Unit 7 Well No. 1 to be drilled at an unorthodox location 2276 feet from the South line and 1863 feet from the East line (Unit J) of said Section 7. 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. Said area is located approximately 20 miles southwest of Eunice, New Mexico.

RECEIVED

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT 1987
OIL CONSERVATION DIVISION

Oil Conservation Division

IN THE MATTER OF THE APPLICATION
OF COBRA OIL & GAS CORPORATION
FOR A UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO.

CASE NO. 11780

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A.,
as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Cobra Oil & Gas Corporation
Post Office Box 8206
Wichita Falls, TX 76307-8206
Attn: Phil R. Rugeley
(817) 716-5117

ATTORNEY

William F. Carr, Esq.
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

OPPOSITION OR OTHER PARTY

ATTORNEY

name, address and phone number

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefor.)

Cobra Oil & Gas Corporation, applicant in the above-captioned cause, seeks approval of the Gainer Unit Agreement for an area comprising 80 acres, more or less, of State lands in portions of Sections 21 and 22, Township 10 South, Range 36 East, Lea County, New Mexico.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

APPLICANT

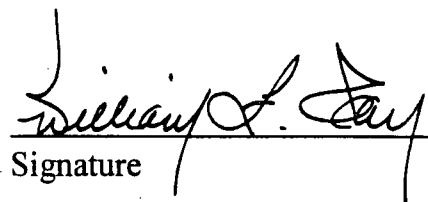
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
<u>Charles House</u> Landman	10 min.	Approximately <u>5</u>
<u>Frank Wilson</u> Geologist	10 min.	Approximately <u>3</u>

OPPOSITION

WITNESSES	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing)



Signature

CASE 11772: (Continued from May 1, 1997, Examiner Hearing.)

Application of Richardson Operating Company for downhole commingling and an unorthodox coal gas well location, San Juan County, New Mexico. Applicant seeks approval to downhole commingle conventional Pictured Cliffs/Fruitland Sand formations gas production (Twin Mounds Fruitland Sand-Pictured Cliffs Pool) to be dedicated to a standard 160-acre spacing unit comprising the SE/4 with coal gas production from the Basin-Fruitland Coal Gas Pool to be dedicated to a standard 320-acre gas spacing unit comprising the E/2 of Section 6, Township 29 North, Range 14 West, within the wellbore of its proposed Bushman "6" Federal Well No. 1 to be located 1041 feet from the South line and 1136 feet from the East line (Unit P) of said Section 6. Said well is considered to be located at an unorthodox "off-pattern" coal-gas well location. Said well is located 1/3 of a mile east of the intersection of County Road 6446 and Jennefer Street, Kirtland, New Mexico.

CASE 11780: Application of Cobra Oil & Gas Corporation for a unit agreement, Lea County, New Mexico. Applicant seeks approval of the Gainer Unit Agreement for an area comprising 80 acres, more or less, of State lands in portions of Sections 21 and 22, Township 10 South, Range 36 East, which is located approximately 12 miles northeast of Tatum, New Mexico.

CASE 11764: (Continued from May 1, 1997, Examiner Hearing.)

Application of Louis Dreyfus Natural Gas Corp. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NE/4 SW/4 of Section 29, Township 22 South, Range 26 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing, including but not limited to the Happy Valley-Delaware Pool and the West Carlsbad-Delaware Pool. Said unit is to be dedicated to its Happy Valley "29" Well No. 23 to be drilled and completed at a standard location in Unit K of said Section 29. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 6 miles southwest of Carlsbad, New Mexico.

CASE 11774: (Continued from May 1, 1997, Examiner Hearing.)

Application of Marathon Oil Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2 of Section 11, Township 18 South, Range 28 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently may include but is not necessarily limited to the South Empire-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the SE/4 of said Section 11 for any and all formations/pools developed on 160-acre gas spacing, and forming a standard 40-acre oil spacing and proration unit underlying the SE/4 SE/4 of said Section 11 for any and all formations/pools developed on 40-acre oil spacing. Said units are to be dedicated to its Jim Bowie "11" Federal Well No. 1 to be drilled and completed at an unorthodox gas well location 1000 feet from the South line and 700 feet from the East line (Unit P) of said Section 11. 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. Said unit is located approximately 15 miles southeast of Artesia, New Mexico.

CASE 11781: Application of Yates Petroleum Corporation for downhole commingling, Lea County, New Mexico. Applicant seeks approval to downhole commingle production from the Queen, Grayburg and San Andres formations, West Reeves-Queen Gas Pool and Wildcat Grayburg and San Andres Pools, within the wellbore of its Pawnee "APW" State Well No. 1, located 660 feet from the North and East lines (Unit A) of Section 20, Township 18 South, Range 35 East. Said well is located approximately 14 miles northwest of Monument, New Mexico.

CASE 11649: (Continued from April 17, 1997, Examiner Hearing.)

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the N/2, in all formations developed on 160-acre spacing underlying the NE/4, in all formations developed on 80-acre spacing underlying the N/2 NE/4, and in all formations developed on 40-acre spacing underlying the NW/4 NE/4 from the surface to the base of the Morrow formation, Cemetery-Morrow Gas Pool, of Section 26, Township 19 South, Range 25 East. Said units are to be dedicated to its Morris 26B Well No. 1 which will be drilled at a standard location 660 feet from the North line and 1650 feet from the East line (Unit B) of said Section 26. 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 the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 4 1/2 miles west of Lakewood, New Mexico.