

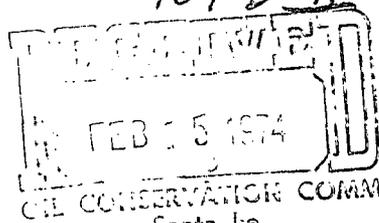


CITIES SERVICE OIL COMPANY

Box 4906
Midland, Texas 79701
Telephone: 915 684-7131

February 7, 1974

NSP-942
Due Mar 18
104 D II



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

NE 1/4 SW 1/4 Sec 3 T22S R37E

ATTN: Mr. A. L. Porter, Jr.

Brunson B Well #2 K

RE: Rededication of Acreage For
Non-Standard Gas Proration
Units, Blinbry Gas Pool,
Brunson B Lease, Lea County,
New Mexico

Gentlemen:

Cities Service Oil Company requests administrative approval to a rededication of acreage for two non-standard gas proration units on the Brunson B Lease, Sec. 3-T22S-R37E, Lea County, New Mexico.

In support of this request, the following data is submitted:

1. Revised plat showing requested acreage dedication.
2. Agreement between Sinclair Oil and Gas Company now Atlantic Richfield, and Cities Service Oil Company to form a gas proration unit to cover the SW/4 of Sec. 4-T22S-R37E, Lea County, New Mexico.

Very truly, yours,

E. Y. Wilder
Region Operations Manager
Southwest Region
E & P Division

EYW/JME/dmr

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

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

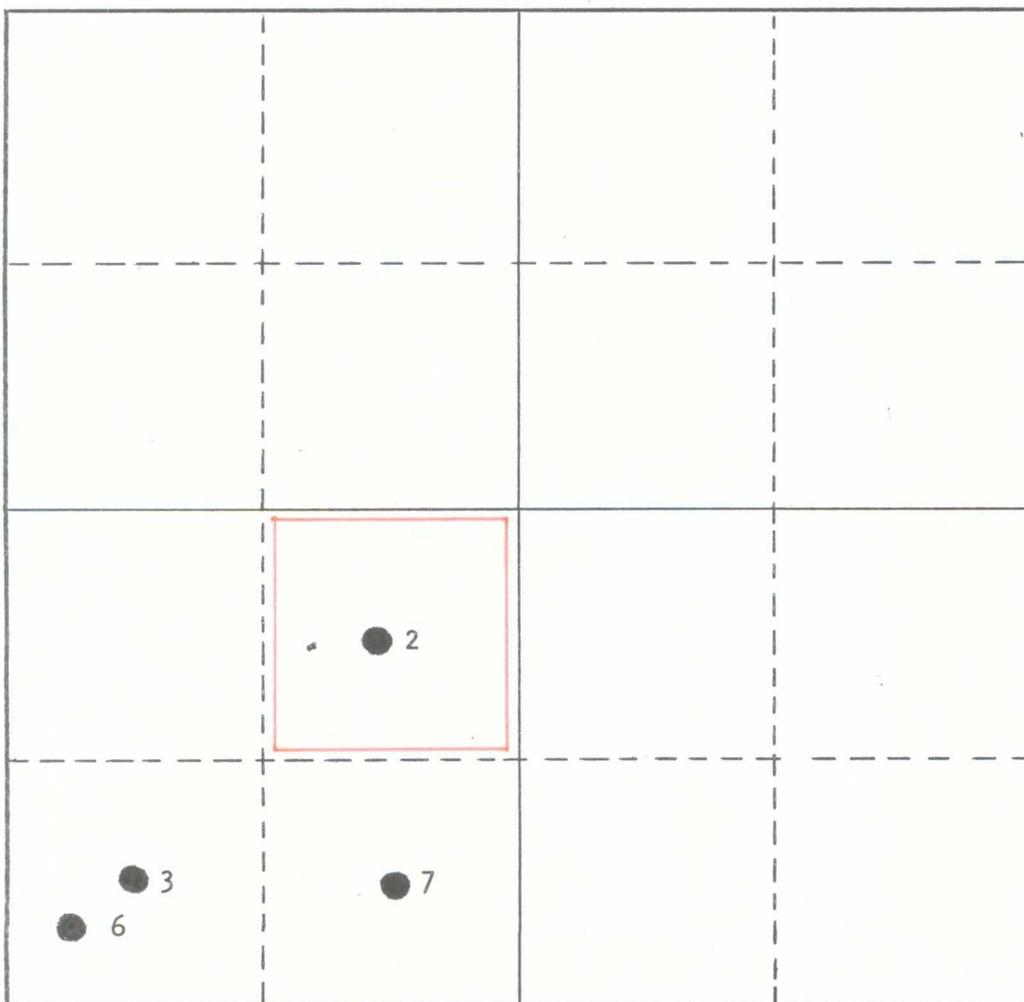
Operator Cities Service Oil Company			Lease Brunson B		Well No. 2
Unit Letter K	Section 3	Township 22S	Range 37E	County Lea	
Actual Footage Location of Well: 1912 feet from the South line and 1912 feet from the West line					
Ground Level Elev: 3420'	Producing Formation Blinebry		Pool Blinebry Gas	Dedicated Acreage: 40 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

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

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

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



CERTIFICATION

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

Name E. Spiller
 Position Region Operation Manager
 Company Cities Service Oil Company
 Date February 7, 1974

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

Date Surveyed _____
 Registered Professional Engineer and/or Land Surveyor

Certificate No. _____



SUPPLEMENTAL OPERATING AGREEMENT

THIS AGREEMENT, made and entered into this 15th day of March, 1956, by and between CITIES SERVICE OIL COMPANY, a corporation with offices in the Cities Service Building, Bartlesville, Oklahoma, and SINCLAIR OIL & GAS COMPANY, a corporation with offices in the Fair Building, Fort Worth, Texas,

WITNESSETH THAT:

WHEREAS, said parties own jointly the oil and gas rights below the depth of 3,850 feet under a valid and subsisting oil and gas lease dated March 21, 1927, executed by Rollon L. Brunson and Mary T. Brunson, his wife, as Lessors, to M. W. Coll, as Lessee, recorded in Book 8, Page 196 of the records of Lea County, New Mexico, covering among other lands, the following described land, to-wit:

The Northeast Quarter of the Southwest Quarter (NE $\frac{1}{4}$ SW $\frac{1}{4}$) and the South Half of the Southwest Quarter (S $\frac{1}{2}$ SW $\frac{1}{4}$) of Section Three (3), Township Twenty Two (22) South, Range Thirty Seven (37) East, Lea County, New Mexico,

and

WHEREAS, by virtue of that certain Unit Drilling and Operating Contract dated October 6, 1936, Cities Service Oil Company, hereinafter referred to as "Operator", is presently operating producing oil wells on said lands for the benefit of the joint account of said parties, both of said parties with respect to such joint leasehold ownership and operations being hereinafter referred to jointly as "First Party",

and

WHEREAS, the oil and gas rights under the above described lease insofar as it covers the Northwest Quarter of the Southwest Quarter (NW $\frac{1}{4}$ SW $\frac{1}{4}$) of Section Three (3), Township Twenty Two (22) South, Range Thirty Seven (37) East, Lea County, New Mexico, are owned by Sinclair Oil & Gas Company, said company with respect to its leasehold ownership of said forty (40) acre tract, being hereinafter referred to as "Second Party",

and

WHEREAS, the parties hereto desire to form a 160 acre gas unit comprised of the above described lands and enter into a supplemental agreement whereby Operator will attempt to dually complete a well or wells on said Unit for the production of gas.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and advantages herein contained, the parties hereto do enter into the following agreement:

I.

The gas rights of the parties hereto in the Blinebry Gas Pool at approximately 5,600 feet and in the Tubb Gas Pool at approximately 6,200 feet under the Southwest Quarter (SW $\frac{1}{4}$) of Section Three (3), Township Twenty-two (22) South, Range Thirty-seven (37) East, Lea County, New Mexico, shall comprise the "Unit" as referred to herein; it being the intent of the parties hereto that this agreement shall apply to dry gas and associated liquid hydrocarbons produced and capable of being produced from a gas well as defined by the Oil Conservation Commission of New Mexico and situated upon the Unit and that this agreement shall not include or affect in any manner whatsoever any of the production of hydrocarbons from any oil well located on the Unit or any of the production of hydrocarbons from other than a Gas Pool as defined by the Oil Conservation Commission of New Mexico.

II.

Except as herein expressly provided, all operations conducted hereunder shall be in accordance with the terms and conditions of said Unit Drilling and Operating Contract of October 6, 1936, and all costs, expenses and liabilities accruing or resulting from the development and operation of the Unit pursuant to this agreement shall be determined, shared and borne by "First Party" in the proportions of the interests set forth therein, and any benefits received shall be owned by First Party in such proportions.

III.

Operator will undertake to dually complete the Mary Brunson "B" No. 6 well located in the Southwest Quarter of the Southwest Quarter (SW $\frac{1}{4}$ SW $\frac{1}{4}$) of said Section Three (3), as a gas well from which dry gas and associated liquid hydrocarbons from the Blinebry Gas Pool will be produced. If for any reason, Operator should be unable to dually complete said well, then in that event, this agreement shall terminate and be of no further force and effect, provided, however, Operator may, at First Party's discretion, undertake to utilize any other well owned by First Party within the Unit Area as the Unit Well.

It is understood and agreed that the parties hereto are contemplating the attempted dual completion of another well on the Unit covered hereby for the production of gas from the Tubb formation and at a time to be mutually agreed upon

by said parties, Operator shall attempt to dually complete such well, as selected by First Party, as a gas well from which dry gas and associated liquid hydrocarbons from the Tubb Gas Pool will be produced, in which event the terms and conditions contained herein shall be applicable to such well and the production therefrom.

IV.

It is understood and agreed that Second Party will not own or be entitled to own any interest in any Unit well or in the material and equipment therein and thereon, nor be responsible for any part of the cost of drilling, completing, testing, equipping, producing, re-working or plugging any such well.

In consideration for the services performed and to be performed by Operator at First Party's expense, in developing and operating the Unit, First Party, in addition to the proceeds of production attributable to tracts owned by it in the Unit, shall be entitled to receive one-fourth of eight-eighths ($1/4$ of $8/8$) of the proceeds of all dry gas and associated liquid hydrocarbons produced and marketed from the Unit insofar as said production is attributable to the tract of Second Party. Said one-fourth of eight-eighths ($1/4$ of $8/8$) to be a net amount to First Party and shall not be chargeable with any taxes levied upon the production or upon the leasehold interest out of which it is payable, nor with any royalties attributable to Second Party's interest.

Second Party shall be entitled to receive three-fourths of eight-eighths ($3/4$ of $8/8$) of the proceeds of the sale of dry gas and associated liquid hydrocarbons produced and marketed from the Unit insofar as said production is attributable to the tract of Second Party. Second Party's interest shall be subject to payment of the entire royalty attributable to Second Party's leasehold interest and the taxes levied upon or against or measured by the production of dry gas and associated liquid hydrocarbons allocated to the tract owned by Second Party within the Unit, including the ad valorem taxes based upon the value of production.

V.

Operator shall render and pay such ad valorem taxes as may be due under existing laws and which may be due under future laws, imposing such ad valorem taxes upon the leasehold interest under the Unit covered hereby. Operator shall bill Second Party for its proportionate share of such tax payments. Second Party agrees to promptly reimburse Operator for all such taxes upon receipt of such statements.

VI.

Operator shall have a lien upon the interest of Second Party which is subjected to this agreement, the gas thereon, and the proceeds thereof to secure Operator in payment of any sum due to First Party hereunder from Second Party. The lien herein provided for shall not extend to any royalty rights attributable to Second Party's interest.

VII.

First Party will not be liable for any injury or damage resulting from operations upon any part of the Unit Area not under the control of Operator. Second Party will not be liable for any injury or damage resulting from First Party's operations upon the Unit.

It is expressly agreed that it is not the purpose or intention of this agreement to create nor shall the operations hereunder be construed or considered as a joint venture or as any kind of partnership. Each of the parties hereby elects to be excluded from the application of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, pursuant to the provisions of Section 761 (a) of said Subchapter K.

VIII.

This agreement shall be effective as of the date upon which an allowable production allocated to the entire Unit is first produced and shall remain in full force and effect for a period of one (1) year and so long thereafter as dry gas with or without associated liquid hydrocarbons is produced from any part of the Unit in paying quantities.

IX.

This agreement shall extend to and bind the respective administrators, successors and assigns of the parties hereto.

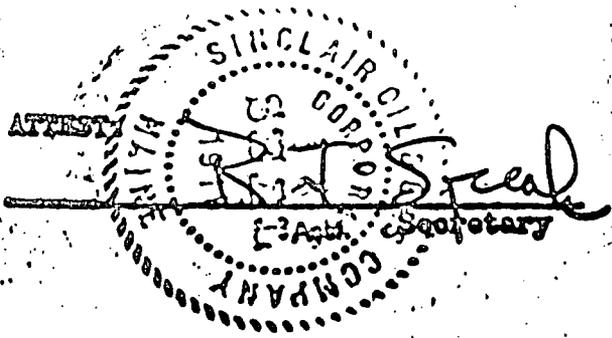
IN WITNESS WHEREOF, the parties hereto have signed this agreement the day and year first above written.

CITIES SERVICE OIL COMPANY

By [Signature]
Attorney-in-Fact

SINCLAIR OIL & GAS COMPANY

By [Signature]
President



APPROVED AS TO SUBSTANCE
COT
J. M. O. R.
Law



File NSP-942

OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

June 20, 1975

I. R. TRUJILLO
CHAIRMAN
LAND COMMISSIONER
PHIL R. LUCERO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

Cities Service Oil Co.
P. O. Box 1919
Midland, Texas 79701

Attention: Mr. E. F. Motter

Gentlemen:

Reference is made to your letter dated June 13, 1975, wherein you request approval for a standard 160-acre proration unit in the Blinebry Oil and Gas Pool, said unit to comprise the SW/4 of Section 3, Township 22 South, Range 37 East, NMPM, and to be simultaneously dedicated to your Brunson "B" Wells Nos. 2 and 6, located in Units K and M, respectively, of said Section 3.

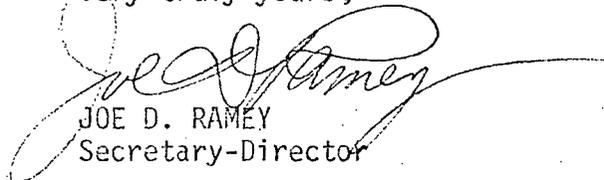
Inasmuch as each of these wells is currently classified as a gas well, and each has a non-standard gas proration assigned to it (the NE/4 SW/4 of Section 3 to Well No. 2, and the W/2 SW/4 and SE/4 SW/4 to Well No. 6) approval for the standard unit to be dedicated to the two wells can be given even though their locations do not conform to the requirements of Rule 2(b) of the Blinebry Oil and Gas Pool Rules.

Cities Service Oil Company is therefore hereby authorized to simultaneously dedicate the SW/4 of Section 3, Township 22 South, Range 37 East, NMPM, to the aforesaid two wells, and the production status of the 160-acre unit shall be the combined status of the two previously authorized proration units.

Please file new Forms C-102 dedicating 160 acres to the two wells.

Administrative Orders NSP-941 and NSP-942, which authorized said units are hereby cancelled.

Very truly yours,



JOE D. RAMEY
Secretary-Director

DSN/JDR/dr

cc: Oil Conservation Commission - Hobbs
J. E. Kapteina, OCC - Santa Fe



NSP-942

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

March 1, 2006

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

OXY USA WTP Limited Partnership
P. O. Box 50250
Midland, Texas 79710-0250

Attention: David Stewart
Senior Regulatory Analyst
david_stewart@oxy.com

Administrative Order NSP-1897 (L) (SD)

Dear Mr. Stewart:

Reference is made to the following: (i) your application (***administrative application reference No. pTDS0-603752812***) dated February 1, 2006 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on February 6, 2006; (ii) a voice-mail message for Mr. Michael E. Stogner, Engineer with the Division in Santa Fe, from Ms. Elizabeth S. Bush-Ivie, Regulatory Team Leader, with OXY USA WTP Limited Partnership's ("OXY") in Houston, Texas, on Monday afternoon, February 6, 2006, checking on the status of your application; (iii) your telephone conversation with Mr. Stogner on Thursday morning, February 16, 2006, concerning past Blinebry gas production within the immediate area that is the subject of your application; and (iv) the Division's records in Hobbs and Santa Fe, including the files on Division Administrative Orders NSP-941, NSP-942, NSL-24, and NSL-680: all concerning OXY's request for a 120-acre non-standard gas spacing and proration unit ("GPU") consisting of the following acreage in the Blinebry Oil and Gas Pool (72480):

LEA COUNTY, NEW MEXICO
TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM
Section 3: NE/4 SW/4 and S/2 SW/4.

Further, OXY seeks to simultaneously dedicate this 120-acre GPU to the following two described wells located at locations considered to be "unorthodox" pursuant to Rule 2 (b) 1 of the "*Special Rules and Regulations for the Blinebry Oil and Gas Pool*," as promulgated by Division Order No. R-8170, as amended:

- (1) Brunson "B" Well No. 2 (API No. 30-025-12573), located 1912 feet from the South and West lines (Unit K) of Section 3; and

March 1, 2006

Page 1

(2) Brunson "B" Well No. 7 (API No. 30-025-09980), located 622 feet from the South line and 1990 feet from the West line (Unit N) of Section 3 [*this well was the subject of Division Administrative Order NSL-680, dated September 17, 1974, which order approved this location for the Tubb Oil and Gas Pool (86440)*].

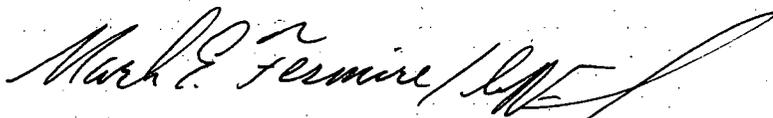
Your application has been duly filed under the provisions of: (i) Division Rules 104.D (2), 104.F, 605.B, and 1210.A (2) [formerly Rule 1207.A (2)]; and (ii) the special pool rules currently governing the Blinebry Oil and Gas Pool (*Division Order No. R-8170, as amended*).

By the authority granted me under the provisions of Division Rules 104.D (2), 104.F (2) and 605.B (2), and the applicable provisions of the special Blinebry Oil and Gas pool rules, the above-described 120-acre non-standard GPU and unorthodox Blinebry gas well locations for the Brunson "B" Wells No. 2 and 7 are hereby approved.

This newly established 120-acre GPU is to be simultaneously dedicated to the above-described Brunson "B" Wells No. 2 and 7, with allowable assigned thereto in accordance with Rule 5 of the special Blinebry Oil and Gas pool rules based upon the unit size of 120 acres.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
Ms. Elizabeth S. Bush-Ivie, OXY USA WTP LP - Houston, TX (elizabeth_bush@oxy.com)
Files: NSL-680
NSL-24
NSP-941
NSP-942