



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



January 8, 1993

BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Naumann Oil & Gas Inc.
P.O. Box 10159
Midland, Texas 79702

Attention: H. Jack Naumann

Administrative Order NSL-3216

Dear Mr. Naumann:

Reference is made to your application dated December 4, 1992 for a non-standard Strawn gas well location for your existing Inexco Federal Com Well No. 1 which was drilled in 1975 and completed in the Burton Flat Morrow Gas Pool at a previously approved unorthodox gas well location (Division Order No. R-5078, dated August 12, 1975) 1650 feet from the South line and 660 feet from the East line (Unit I) of Section 12, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico.

It is my understanding that the Morrow gas zone will be properly plugged back and said well will be recompleted to the Undesignated West Burton Flat - Straw Gas Pool, which pursuant to Division General Rule 104.C(2)(b), is unorthodox. Further the S/2 of said Section 12 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit for said pool.

By the authority granted me under the provisions of General Rule 104.F(1), the above-described unorthodox gas well location is hereby approved.

Sincerely,

WILLIAM J. LEMAY
Director

WJL/MES/jc

cc: Oil Conservation Division - Artesia
U.S. BLM - Carlsbad

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 8535
Order No. R-7899

APPLICATION OF SLAYTON OIL CORPORATION
FOR A NON-STANDARD PRORATION UNIT,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on March 27, 1985, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 25th day of April, 1985, 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, Slayton Oil Corporation, seeks approval of a 70.57-acre, more or less, non-standard oil proration unit in the Cha Cha-Gallup Oil Pool comprising the following portions of Section 18, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico: Lots 8 (29.51 acres) and 9 (28.00 acres) and 13.06 acres, more or less of the river bed lying south of the middle of the channel of the San Juan River, as the same is shown and designated on the United States Government Land Office Plat of Survey dated August 31, 1882 (which is the last official land survey for Township 29 North, Range 14 West) and being riparian to said Lots 8 and 9.

(3) The above-described non-standard oil proration unit is to be dedicated to the existing Northwest Cha Cha Unit "18" Well No. 32 located at a previously approved unorthodox oil well location 2200 feet from the North and East lines of said Section 18.

(4) Said well is located in the Northwest Cha Cha Unit Area which is comprised of 100% Navajo Tribal Lands.

(5) Determination of the exact boundary of the Navajo Indian Reservation in the area is somewhat complex.

(6) Executive Order of January 6, 1880, signed by President Rutherford B. Hayes extended the existing boundary of the Navajo Indian Reservation as follows:

"Commencing in the middle of the channel of the San Juan River, where the east line of the Navajo Reservation in the Territory of New Mexico, as established by the treaty of June 1, 1868 (15 Stat. 667), crosses said river; thence up and along the middle channel of said river to a point fifteen miles due east of the eastern boundary line of said reservation; thence due south to a point due east of the present southeast corner of said reservation; thence due south six miles; thence due west to the one hundred and tenth degree of west longitude; thence north along said degree to the southwest corner of said reservation in the Territory of Arizona, as defined by Executive Order, dated October 29th, 1878, be, and the same is hereby, withdrawn from sale and settlement and set apart as an addition to the present Navajo Reservation in said Territories."

(7) Executive Order of May 17, 1884, signed by President Chester A. Arthur excluded from the Navajo Indian Reservation:

"...all those portions of townships 29 north, ranges 14, 15, and 16 west of the New Mexico principal meridian, south of the San Juan River, in the Territory of New Mexico."

(8) Executive Order of April 24, 1886, signed by President Grover Cleveland extended the Navajo Indian Reservation to include:

"...all of those portions of township 29 north, ranges 14, 15, and 16 west of the New Mexico principal meridian, south of the San Juan River, be, and the same is hereby, withdrawn from sale and settlement and set apart as an addition to the Navajo Indian Reservation."

(9) The San Juan River in said Section 18 has changed course since the 1882 survey and is presently located further south.

(10) Lease No. 14-20-603-2200 issued by the United States Department of Interior Bureau of Indian Affairs describes the parcel of land in said Section 18 contained within its terms as follows:

"All south of mid-Channel of the San Juan River - 368 acres."

(11) The aforesaid Northwest Cha Cha Unit Area Argeement includes all of said Section 18 south of the Mid-Channel of the San Juan River based on the 1882 survey plus 25.59 acres in the riverbed lying south of the San Juan River being riparian to said Section 18.

(12) The New Mexico Oil Conservation Division has issued various orders approving non-standard proration units based on said 1882 survey on the Northern boundary of the Navajo Indian Reservation (see Division Order Nos. R-1967, R-2311, and R-7483).

(13) No party appeared and objected to the proposed non-standard oil proration unit.

(14) Inasmuch as the aforesaid non-standard oil proration unit is sought for the purpose of continuing the orderly development along the Northern boundary of the Navajo Indian Reservation in this area, the subject application should be granted.

(15) For purposes of this Order, the northern boundary line of said non-standard oil proration unit should coincide with the Northern boundary of the Navajo Indian Reservation which is assumed to be the centerline of the San Juan River according to the aforesaid U. S. Government Land Office Plat of Survey dated August 31, 1882, until such time as and when it is established by a final determination of a court of competent jurisdiction, or otherwise established to the satisfaction of all parties, that the Northern boundary of the Navajo Indian Reservation is otherwise.

(16) The entire non-standard oil proration unit as described in Finding Paragraph No. (2) above, may reasonably be presumed productive of oil from the Cha Cha-Gallup Oil Pool and said entire non-standard oil proration unit can be efficiently and economically drained and developed by the aforesaid well.

(17) Approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the oil in the Cha Cha-Gallup Oil Pool, will prevent the economic loss caused by the drilling of unnecessary wells,

avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Slayton Oil Corporation is hereby approved for a 70.57-acre, more or less, non-standard oil proration unit in the Cha Cha-Gallup Oil Pool comprising the following portions of Section 18, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico: Lots 8 (29.51 acres) and 9 (28.00 acres) and 13.06 acres, more or less, of the river bed lying south of the middle of the channel of the San Juan River, as the same is shown and designated on the United States Government Land Office Plat of Survey dated August 31, 1882, and being riparian to said Lots 8 and 9.

(2) The northern boundary of the subject non-standard oil proration unit shall coincide with the Northern boundary of the Navajo Indian Reservation which shall be the centerline of the San Juan River according to said 1882 survey until such time as and when it is established by a final determination of a court of competent jurisdiction, or otherwise established to the satisfaction of all parties that the Northern boundary of the Navajo Indian Reservation is otherwise.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


R. L. STAMETS,
Director

S E A L

File

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J. RANDY TURNER
MEMBER TEXAS
AND NEW MEXICO BARS

February 9, 1990

ORIGINAL DRILLING TITLE OPINION

TXO Production Corp.
415 W. Wall, Suite 900
Midland, Texas 79701-4468

Attention: Mr. Richard H. Coats

Re: The mineral estate only in the following-described land situated in Eddy County, New Mexico:

Township 21 South, Range 26 East, N.M.P.M.
Section 12: S/2

containing 320 acres, more or less.

ENTERED MAY 25 1990

Gentlemen:

We have examined the following:

ABSTRACTS

1. Abstract No. 44021, certified by Federal Abstract Company as covering the Plat Book Records, Historical Index Records, Serial Record and Case File for NM 3606 and NM 15461, in the United States Department of the Interior, Bureau of Land Management State Office at Santa Fe, New Mexico, pertaining to the S/2 of Section 12 from inception of the records to December 27, 1989/at 9:00 a.m., containing 220 pages.

2. Abstract No. 89,599, in four volumes, certified by Currier Abstract Company as covering the mineral estate only in captioned land from inception of the records to January 19, 1990 at 8:00 a.m., containing 734 pages.

INSTRUMENT

Copy of Federal Oil and Gas Lease NM 83053, analyzed as Lease No. 1, below.

Based upon examination of the foregoing and subject to the title requirements hereinafter made, we find title to the mineral estate only in captioned land vested as follows:

FEE TITLE

Minerals:

The SE/4 and E/2 SW/4 of Section 12, that portion of the SW/4 SW/4 of Section 12 lying East of the middle of the Pecos River, and all of the NW/4 SW/4 of Section 12 except the 5.03-acre tract described below:

The United States of America All

TXO Production Corp.

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5.03 acres out of the NW/4 SW/4 of Section 12, apparently lying West of the Pecos River and lying outside the boundaries of Reservoir No. 2, as described by a map of said Reservoir No. 2 dated September 6, 1895:

Kerr-McGee Corporation All

That portion of the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River:

Olive S. Boyd 1/6

Olive S. Boyd and Carlsbad National Bank, Trustees under the Will of Judson Boyd, Sr. 1/6

Bettye M. Gissiner, as her separate property 1/9

Virginia Thornton, as her separate property 1/9

Lois Thornton, as her separate property 1/9

Jeannie Stennis Howard, as her separate property . . . 1/12

Samuel Y. Stennis, as his separate property 1/12

Hampton J. Stennis, as his separate property 1/12

Shirley Stennis, as her separate property 1/12

Leasehold Estate:

The NE/4 SE/4 of Section 12:

Record Title and Operating Rights:

TXO Production Corp. 100%¹

¹ This interest must bear the 12.5% royalty provided for in Lease No. 1 analyzed below.

The SE/4 SE/4, W/2 SE/4 and E/2 SW/4 of Section 12:

Record Title:

Bonneville Fuels Corporation All

Operating Rights:

From the surface down to the base of the Delaware Sand Formation:

Bonneville Fuels Corporation 50%²

Tenneco Oil Company 50%^{2, 3}

From the base of the Delaware Sand Formation down to 100 feet below the stratigraphic equivalent of 11,361 feet beneath the surface:

Bonneville Fuels Corporation 50%²

EM Nominee Partnership Company 50%^{2, 3}

TXO Production Corp.

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Below 100 feet below the stratigraphic equivalent of 11,361 feet beneath the surface:

Bonneville Fuels Corporation 100%²

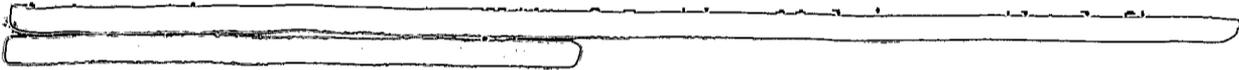
² These interests must bear their proportionate share of the 12.5% royalty provided for in Lease No. 2 analyzed below and an overriding royalty interest equal to 4% of production, owned by the following parties in the percentages set forth opposite their names:

Gilbert E. Behlen 1%

The Devisees under the Will of
E. Irene Behlen 1%

Carol Ann Hoffman 2%

³ These interests must bear an overriding royalty interest equal to 4% of production, owned by Verde Energy Corporation.



Record Title:

Western Reserves Oil Company All

Operating Rights:

From the surface down to the base of the Delaware Sand Formation:

Tenneco Oil Company 100%⁴

From the base of the Delaware Sand Formation down to a depth of 11,475 feet beneath the surface:

EM Nominee Partnership Company 100%⁴

Below a depth of 11,475 feet beneath the surface:

Western 74 100%⁴

⁴ These interests must bear the 12.5% royalty provided for in Lease No. 3 analyzed below and overriding royalty interests aggregating 6.25% of production, owned by the following parties in the percentages set forth opposite their names:

Judy Carr 1%

The Heirs or Devisees of
R. M. Moran 3.25%

R. C. Beveridge 2%

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That portion of the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River:

From the surface down to the base of the Delaware Sand Formation:

Chevron USA Inc.	33.33333% ⁵
Tenneco Oil Company	66.66667% ⁶

From the base of the Delaware Sand Formation to a depth of 11,361 feet beneath the surface:

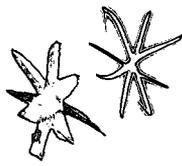
Chevron USA Inc.	33.33333% ⁵
EM Nominee Partnership Company	66.66667% ⁶

Below a depth of 11,361 feet beneath the surface:

Chevron USA Inc.	33.33333% ⁵
Hanagan and Hanagan	66.66667% ⁶

⁵ This interest must bear the 3/16 royalty provided for in Lease No. 4 analyzed below.

⁶ These interests must bear the 3/16 royalty provided for in Lease Nos. 5 through 11 analyzed below and an overriding royalty interest equal to 2/3 of 3% of production, owned by Leonard T. May.



That portion of the NW/4 SW/4 of Section 12 lying West of the middle of the Pecos River and the E/2 of the channel of that portion of the Pecos River located in the W/2 SW/4 of Section 12:

UNLEASED All

EXISTING OIL AND GAS LEASES

Lease No. 1:

Serial No.: NM 83053.

Date: January 1, 1990.

Recorded: Unrecorded; however, it is not necessary to record this lease.

Lessor: The United States of America.

Lessee: TXO Production Corp.

Land Covered: Township 21 South, Range 26 East, N.M.P.M.
Section 12: NE/4 SE/4
Eddy County, New Mexico, containing 40 acres, more or less.

Primary Term: Five (5) years from date.

TXO Production Corp.

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Royalties: 12.5% of the production removed or sold from the leased lands, computed in accordance with the Federal Oil and Gas Regulations.

Minimum Royalty: Minimum royalty in lieu of rental of not less than the rental which otherwise would be required for that lease year shall be payable at the end of each lease year, beginning on or after a discovery in paying quantities.

Rentals: On or before January 1, 1991, and annually thereafter in the absence of a discovery in paying quantities, rentals in the sum of \$1.50 per acre (\$60.00) are payable to Lessor. After the expiration of the primary term, rentals will increase to \$2.00 per acre (\$80.00).

Status of Lease: Rentals have been paid up to January 1, 1991.

Lease Form: We are unable to determine the lease form based upon the materials examined.

Stipulations:

- (1) Portions of subject lands are within the Carlsbad Project, Avalon Reservoir; therefore, all drilling sites, storage sites, and above-ground structures must be located above elevation 3,190.0 and 1/4 mile in any direction from Avalon Reservoir.
- (2) The Lessee agrees to maintain, if required by the Lessor during the period of this lease, including any extension thereof, an additional bond with qualified sureties in such sum as the Lessor, if it considers that the bond required under Section 2(a) is insufficient, may at any time require:
 - (a) to pay for damages sustained by any reclamation homestead entryman to his crops or improvements caused by drilling or other operations by the Lessee, such damages to include the reimbursement of the entryman by the Lessee, when he uses or occupies the land of any homestead entryman, for all construction and operation and maintenance charges becoming due during such use or occupation upon any portion of the land so used and occupied;
 - (b) to pay any damage caused by any reclamation project or water supply thereof by the Lessee's failure to comply fully with the requirements of this lease; and

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(c) to recompense any nonmineral applicant, entryman, purchaser under the Act of May 16, 1930 (46 Stat. 367), or patentee for all damages to crops or to tangible improvements caused by drilling or other prospecting operations, where any of the lands covered by this lease are embraced in any non-mineral application, entry, or patent under rights initiated prior to the date of this lease, with a reservation of oil deposits, to the United States pursuant to the Act of July 17, 1914 (38 Stat. 509).

(3) As to any lands covered by this lease within the area of any government reclamation project, or in proximity thereto, the Lessee shall take such precautions as required by the Secretary to prevent any injury to the lands susceptible to irrigation under such project or to the water supply thereof; provided that drilling is prohibited on any constructed works or right-of-way of the Bureau of Reclamation, and provided, further, that there is reserved to the Lessor, its successors and assigns, the superior and prior right at all times to construct, operate and maintain dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone and telegraph lines, electric transmission lines, roadways, appurtenant irrigation structures and reclamation works, in which construction, operation, and maintenance, the Lessor, its successors and assigns, shall have the right to use any or all of the lands herein described without making compensation therefor, and shall not be responsible for any damage from the presence of water thereon or on account of ordinary, extraordinary, unexpected or unprecedented floods. That nothing shall be done under this lease to increase the cost of, or interfere in any manner with, the construction, operation, and maintenance of such works.

Lease No. 2:

Serial No.:	NM 3606.
Date:	November 1, 1967.
Recorded:	Unrecorded; however, it is not necessary to record this lease.
Lessor:	The United States of America.
Lessee:	Gilbert E. Behlen.

TXO Production Corp.

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Land Covered: Township 21 South, Range 26 East,
N.M.P.M.
 Section 2: Lot 28
 Section 3: Lots 32, 33, 34
 Section 4: Lots 27, 28, 29, 30, 35,
 36
 Section 9: Lot 1
 Section 10: Lots 1, 2, 3, 4, 5, 6, 7,
 8, 9, 10, 11
 Section 11: Lots 1, 2, 3, 4, 5, 6, 11
 Section 12: E/2 SW/4, W/2 SE/4, SE/4
 SE/4

Eddy County, New Mexico, containing
 1,369.59 acres, more or less.

Primary Term: Ten (10) years from date.

Royalties: 12.5% of the production removed or sold
 from the leased lands, computed in
 accordance with the Federal Oil and Gas
 Regulations.

Minimum Royalty: Commencing with the lease year
 beginning on or after a discovery on
 the leased land, to pay the Lessor, in
 lieu of rental, a minimum royalty of
 \$1.00 per acre or fraction thereof at
 the expiration of each lease year, or
 the difference between the actual
 royalty paid during the year, if less
 than \$1.00 per acre, and the prescribed
 minimum royalty of \$1.00 per acre,
 provided that if this lease is unit-
 ized, the minimum royalty shall be
 payable only on the participating
 acreage, and rentals shall be payable
 on the non-participating acreage as
 provided below.

Rentals: On or before November 1, 1968, and
 annually thereafter in the absence of
 a discovery, while the leased lands are
 wholly outside any known geologic
 structure, rentals in the sum of \$.50
 per acre (\$684.80) are payable to
 Lessor. Beginning with the first lease
 year after thirty (30) days' notice
 that all or a part of the land is
 included in such a structure and for
 each year thereafter, prior to discov-
 ery of oil or gas on the lands leased,
 rentals in the sum of \$2.00 per acre
 (\$2,739.18) are payable to Lessor.

Status of Lease: Portions of the land covered by this
 lease were included within known
 geologic structures effective July 16,
 1973, March 22, 1974, and August 21,
 1974. This lease is apparently held
 by production.

Lease Form: Form 3120-19 (4-1158) (September 1966)
 - Non-Competitive Lease Form.

TXO Production Corp.

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Modification:

By Decision dated November 14, 1983, the land covered by the lease was modified so as to cover the land set forth above.

Stipulations:

(1) The Lessee agrees to maintain, if required by the Lessor during the period of this lease, including any extension thereof, an additional bond with qualified sureties in such sum as the Lessor, if it considers that the bond required under Section 2(a) is insufficient, may at any time require:

(a) to pay for damages sustained by any reclamation homestead entryman to his crops or improvements caused by drilling or other operations by the Lessee, such damages to include the reimbursement of the entryman by the Lessee, when he uses or occupies the land of any homestead entryman, for all construction and operation and maintenance charges becoming due during such use or occupation upon any portion of the land so used and occupied;

(b) to pay any damage caused by any reclamation project or water supply thereof by the Lessee's failure to comply fully with the requirements of this lease; and

(c) to recompense any nonmineral applicant, entryman, purchaser under the Act of May 16, 1930 (46 Stat. 367), or patentee for all damages to crops or to tangible improvements caused by drilling or other prospecting operations, where any of the lands covered by this lease are embraced in any nonmineral application, entry, or patent under rights initiated prior to the date of this lease, with a reservation of oil deposits, to the United States pursuant to the Act of July 17, 1914 (38 Stat. 509).

(2) As to any lands covered by this lease within the area of any government reclamation project, or in proximity thereto, the Lessee shall take such precautions as required by the Secretary to prevent any injury to the lands susceptible to irrigation under such project or to the water supply thereof; provided that drilling is prohibited on any constructed works or right-of-way of the Bureau of Reclamation, and provided, further, that there is reserved to the Lessor, its successors and assigns, the superior

TXO Production Corp.

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and prior right at all times to construct, operate and maintain dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone and telegraph lines, electric transmission lines, roadways, appurtenant irrigation structures and reclamation works, in which construction, operation, and maintenance, the Lessor, its successors and assigns, shall have the right to use any or all of the lands herein described without making compensation therefor, and shall not be responsible for any damage from the presence of water thereon or on account of ordinary, extraordinary, unexpected or unprecedented floods. That nothing shall be done under this lease to increase the cost of, or interfere in any manner with, the construction, operation, and maintenance of such works. It is agreed by the Lessee that, if the construction of any or all of said dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone or telegraph lines, electric transmission lines, roadways, appurtenant irrigation structures or reclamation works across, over, or upon said lands should be made more expensive by reason of the existence of the improvements and workings of the Lessee thereon, said additional expense is to be estimated by the Secretary of the Interior, whose estimate is to be final and binding upon the parties hereto, and that within thirty (30) days after demand is made upon the Lessee for payment of any such sums, the Lessee will make payment thereof to the United States, or its successors, constructing such dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone and telegraph lines, electric transmission lines, roadways, appurtenant irrigation structures, or reclamation works, across, over, or upon said lands; provided, however, that subject to advance written approval by the United States, the location and course of any improvements or works and appurtenances may be changed by the Lessee; provided, further, that the reservations, agreements, and conditions contained in the within lease shall be and remain applicable notwithstanding any change in the location or course of said improvements or works of Lessee. The Lessee further agrees that the United States, its officers, agents, and employees, and its successors and assigns shall not be held liable for any damage to the improvements or workings of the Lessee resulting from the construction, opera-

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tion, and maintenance of any of the works hereinabove enumerated. Nothing in this paragraph shall be construed as in any manner limiting other reservations in favor of the United States contained in this lease.

(3) The Lessee further agrees that there is reserved to the Lessor, its successor and assigns, the prior right to use any of the lands herein leased, to construct, operate, and maintain dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone and telegraph lines, electric transmission lines, roadways, or appurtenant irrigation structures, and also the right to remove construction materials therefrom, without any payment made by the Lessor or its successors for such right, with the agreement on the part of the Lessee that if the construction of any or all of such dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone and telegraph lines, electric transmission lines, roadways, or appurtenant irrigation structures across, over, or upon said lands or the removal of construction materials therefrom, should be made expensive by reason of the existence of improvements or workings of the Lessee thereon, such additional expense is to be estimated by the Secretary of the Interior, whose estimate is to be final and binding upon the parties hereto, and that within thirty (30) days after demand is made upon the Lessee for payment of any such sums, the Lessee will make payment thereof to the United States or its successors constructing such dams, dikes, reservoirs, canals, wasteways, laterals, ditches, telephone and telegraph lines, electric transmission lines, roadways, or appurtenant irrigation structures across, over, or upon said lands or removing construction materials therefrom. The Lessee further agrees that the Lessor, its officers, agents, and employees and its successors and assigns shall not be held liable for any damage to the improvements or workings of the Lessee resulting from the construction, operation, and maintenance of any of the works herein above enumerated. Nothing contained in this paragraph shall be construed as in any manner limiting other reservations in favor of the Lessor contained in this lease.

(4) All rights under this lease are subordinate to the right of the United States to flood and submerge the lands,

TXO Production Corp.

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permanently or intermittently, in connection with the operation and maintenance of the Carlsbad (Avalon Reservoir) dam and reservoir project.

(5) All surface work performed by the Lessee on the lands shall be under the general supervision of the Regional Director, Bureau of Reclamation, in direct charge of the project, and subject to such conditions and regulations as he may prescribe. The plans and location for all structures, appurtenances thereto, and surface work on the leased lands shall be submitted to the said Regional Director for approval in advance of commencement of any surface work on the said lease lands. All oil or gas drilling and producing operations shall be under the supervision of the Regional Oil and Gas Supervisor, U.S. Geological Survey, in accordance with 30 CFR, Part 221. The authorized representatives of the Bureau of Reclamation and of the Geological Survey shall have the right to enter on the leased premises at any time to inspect both the installation and operational activities of the Lessee.

(6) No wells shall be drilled for oil or gas below the conservation pool elevation of 3,177.4 feet, except upon written permission of the Regional Director, provided, however, that there will be no objection to such drilling by directional methods from adjacent areas above the 3,177.4 foot elevation, on the condition that such drilling operations are subject to appropriate restrictions to prevent pollution of the reservoir, with operation and maintenance of the reservoir and to prevent interference.

(7) All storage tanks shall be constructed above elevation 3,194.0 feet, mean sea level, and shall be protected by firewalls or dikes of sufficient capacity to protect the reservoir from pollution.

(8) Drilling a well for oil or gas is prohibited within 2,640 feet of any dam, dike, or other major structure, unless otherwise approved by the Regional Director.

(9) All drilling operations shall be conducted in accordance with the applicable state laws relative to municipal water supplies.

TXC Production Corp.

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(10) To insure against the contamination of the waters of the Carlsbad (Avalon) Reservoir, Dam and Reservoir Project, State of New Mexico, the Lessee agrees that the following further conditions shall apply to all drilling and operations on lands covered by this lease, which lie within the flowage or drainage area of the Carlsbad (Avalon) Reservoir, as such area is defined by the Bureau of Reclamation:

(a) The drilling sites for any and all wells shall be approved by the Superintendent, Bureau of Reclamation, Carlsbad Project, before drilling begins. Sites for the construction of pipeline rights-of-way or other authorized facilities shall also be approved by the Superintendent before construction begins.

(b) All drilling or operation methods or equipment shall, before their employment, be inspected and approved by the Superintendent of the Carlsbad Project, and by the Supervisor of the U. S. Geological Survey having jurisdiction over the area.

LEASE NO. 15461:

Serial No.: NM-A 15461.
Date: July 1, 1972.
Recorded: Book 132, page 733, Miscellaneous Records.
Land Covered: Township 21 South, Range 26 East, N.M.P.M.
All that portion of the following lands lying and being on the left or the east bank of the Pecos River:
Section 3: Lots 13, 14, NE/4 SW/4, NW/4 SE/4, S/2 SE/4
Section 4: Lots 2, 7, 8, 9
Section 10: NE/4 NE/4
Section 11: N/2 N/2
Section 12: W/2 W/2, SE/4 NW/4
Eddy County, New Mexico, containing 564 acres, more or less.
Primary Term: Ten (10) years from date.
Royalty: 12.5% of the production removed or sold from the leased lands, computed in accordance with the Federal Oil and Gas Regulations.

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Minimum Royalty:

Commencing with the lease year beginning on or after a discovery on the leased land, to pay the Lessee, in lieu of rental, a minimum royalty of \$1.00 per acre or fraction thereof at the expiration of each lease year or the difference between the actual royalty paid during the year is less than \$1.00 per acre, and the prescribed minimum royalty of \$1.00 per acre, provided that if this lease is unitized, the minimum royalty shall be payable only on the participating acreage and rental shall payable on the non-participating acreage as provided below.

Rentals:

On or before July 1, 1973, and annually thereafter in the absence of a discovery, while the leased lands are wholly outside any known geologic structure, rentals in the sum of \$.50 per acre (\$282.00) are payable to Lessee. Beginning with the first lease year after thirty (30) days' notice that all or a part of the land is included in such a structure and for each year thereafter, prior to discovery of oil or gas on the lands leased, rentals in the sum of \$2.00 per acre (\$1,126.00) are payable to Lessor.

Status of Lease:

Portions of this lease were included within a known geologic structure effective January 7, 1973. This lease is apparently held by production.

Lease Form:

Form 3120-19 (May 1968) - Non-Competitive Lease Form.

Stipulations:

The stipulations for this lease are identical to the stipulations contained in Lease No. 2, above.

Lease No. 4:

Date:

February 14, 1974.

Recorded:

Book 119, page 590, Miscellaneous Records.

Lessor:

The Carlsbad National Bank and Olive S. Boyd, as Trustees under the Will of Judson Boyd; and Olive S. Boyd, Individually.

Lessee:

Gulf Oil Corporation.

Land Covered:

All that portion of the SE/4 SE/4 of Section 11 and the SW/4 SW/4 of Section 12, T-21-S, R-26-E, lying West of the middle of the Pecos River.

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Interest Covered: An undivided 1/3 mineral interest in that portion of the SW/4 SW/4 of Section 12 covered by the lease.

Primary Term: Five (5) years from date.

Delay Rentals: No longer applicable.

Royalty: 3/16 on oil and gas.

Shut-in Gas Well Royalties: Shut-in gas well royalties in the sum of \$91.80 (net payment - \$30.60) are payable on or before 90 days after the date the well is shut in, to Lessor or to Lessor's credit in the depository bank designated below.

Depository: The Carlsbad National Bank, Carlsbad, New Mexico.

Pooling: Lessee is given the right to pool the leased premises into oil or gas units not to exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or other lawful authority, plus a tolerance of 10%.

Lease Form: Producer's 88 - (Producer's Revised 1965) (New Mexico) Form 342.

Lease No. 5:

Date: March 5, 1974.

Recorded: Book 115, page 508, Miscellaneous Records.

Lessor: Samuel Y. Stennis.

Lessee: Leonard T. May.

Land Covered: All of that portion of the following-described land lying West of the middle of the Pecos River:

SE/4 SE/4 of Section 11; SW/4 SW/4 of Section 12; N/2 NE/4, SW/4 NE/4, SE/4 NW/4, NW/4 SE/4 and E/2 SW/4 of Section 14; E/2 W/2 of Section 23; and E/2 NW/4 of Section 26, all in T-21-S, R-26-E, Eddy County, New Mexico, containing 313.25 acres, more or less.

Interest Covered: An undivided 1/12 mineral interest in that portion of the SW/4 SW/4 of Section 12 covered by the lease.

Primary Term: Five (5) years from date.

Delay Rental: None; this is a paid-up lease.

Royalty: 3/16 on oil and gas.

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Shut-in Gas Well
Royalties:

Shut-in gas well royalties in the sum of \$1.00 per acre (net payment - \$26.11) are payable to Lessor.

Pooling:

Lessee is given the right to pool the leased premises into oil units of 40 acres each and gas units of 640 acres each.

Lease Form:

Producer's 88 Special, 4-64 (Paid-Up).

NOTE: Lease Nos. 6 through 11 are on the same form and contain the same terms and provisions as Lease No. 5, except as set forth below:

Lease No. 6:

Recorded:

Book 115, page 510, Miscellaneous Records.

Lessor:

Hampton J. Stennis.

Lease No. 7:

Recorded:

Book 115, page 512, Miscellaneous Records.

Lessor:

Jeannie Stennis Howard.

Lease No. 8:

Recorded:

Book 115, page 514, Miscellaneous Records.

Lessor:

Shirley Stennis.

Lease No. 9:

Recorded:

Book 115, page 518, Miscellaneous Records.

Lessor:

Bettye M. Gissiner.

Interest Covered:

An undivided 1/9 mineral interest in that portion of the SW/4 SW/4 of Section 12 covered by the lease.

Shut-in Gas Well
Royalties:

Shut-in gas well royalties in the sum of \$1.00 per acre (net payment - \$34.81) are payable to Lessor.

Lease No. 10:

Recorded:

Book 115, page 520, Miscellaneous Records.

Lessor:

Virginia Thornton.

Interest Covered:

An undivided 1/9 mineral interest in that portion of the SW/4 SW/4 of Section 12 covered by the lease.

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Shut-in Gas Well
Royalties:

Shut-in gas well royalties in the sum of \$1.00 per acre (net payment - \$34.81) are payable to Lessor.

Lease No. 11:

Recorded:

Book 115, page 522, Miscellaneous Records.

Lessor:

Lois Thornton.

Interest Covered:

An undivided 1/9 mineral interest in that portion of the SW/4 SW/4 of Section 12 covered by the lease.

Shut-in Gas Well
Royalties:

Shut-in gas well royalties in the sum of \$1.00 per acre (net payment - \$34.81) are payable to Lessor.

ASSIGNMENTS

1. By Assignment of Oil and Gas Lease dated June 16, 1972, approved effective September 1, 1972, recorded in Book 102, page 583, Miscellaneous Records, Gilbert E. Behlen and wife, E. Irene Behlen, assigned all of their interest in Lease No. 2 to Chalfant, Magee & Hansen, Inc., reserving an overriding royalty interest equal to 4% of production.

2. By Assignment Affecting Record Title dated June 23, 1972, approved effective August 1, 1972, recorded in Book 224, page 1093, Miscellaneous Records, Mrs. Judy Carr and husband, Leo C. Carr, assigned all of their interest in Lease No. 3 to Western Reserves Oil Company, reserving an overriding royalty interest equal to 2% of production.

3. By Assignment of Overriding Royalty Interest dated June 26, 1972, recorded in Book 92, page 442, Miscellaneous Records, Mrs. Judy Carr and husband, Leo C. Carr, assigned an overriding royalty interest equal to 1% of production from Lease No. 3 to R. M. Moran.

4. By Assignment of Oil and Gas Lease dated August 2, 1972, approved effective September 1, 1972, recorded in Book 102, page 586, Miscellaneous Records, Chalfant, Magee & Hansen, Inc. assigned all of their interest in Lease No. 2 to Inexco Oil Company.

5. By Assignment of Overriding Royalty Interest dated October 31, 1972, recorded in Book 104, page 742, Miscellaneous Records, Gilbert E. Behlen and wife, E. Irene Behlen, assigned an overriding royalty interest equal to 2% of production from Lease No. 2 to Carol Ann Hoffman.

6. By Assignment of Overriding Royalty Interest dated May 18, 1973, recorded in Book 102, page 645, Miscellaneous Records, Western Reserves Oil Company assigned an overriding royalty interest equal to 2.25% of production from Lease No. 3 to R. M. Moran and an overriding royalty interest equal to 2% of production from Lease No. 3 to R. C. Beveridge.

7. By Assignment of Oil and Gas Lease dated March 11, 1974, recorded in Book 115, page 524, Miscellaneous Records, Leonard T. May and wife, Louise May, assigned all of their interest in Lease

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No. 5 to Cities Service Oil Company, reserving an overriding royalty interest equal to 3% of production, proportionately reduced to the Lessor's interest in the land covered by Lease No. 5.

8. By Assignment of Oil and Gas Lease dated March 11, 1974, recorded in Book 115, page 526, Miscellaneous Records, Leonard T. May and wife, Louise May, assigned all of their interest in Lease No. 6 to Cities Service Oil Company, reserving an overriding royalty interest equal to 3% of production, proportionately reduced to the Lessor's interest in the land covered by Lease No. 6.

9. By Assignment of Oil and Gas Lease dated March 11, 1974, recorded in Book 115, page 528, Miscellaneous Records, Leonard T. May and wife, Louise May, assigned all of their interest in Lease No. 7 to Cities Service Oil Company, reserving an overriding royalty interest equal to 3% of production, proportionately reduced to the Lessor's interest in the land covered by Lease No. 7.

10. By Assignment of Oil and Gas Lease dated March 11, 1974, recorded in Book 115, page 530, Miscellaneous Records, Leonard T. May and wife, Louise May, assigned all of their interest in Lease No. 8 to Cities Service Oil Company, reserving an overriding royalty interest equal to 3% of production, proportionately reduced to the Lessor's interest in the land covered by Lease No. 8.

11. By Assignment of Oil and Gas Lease dated March 11, 1974, recorded in Book 115, page 534, Miscellaneous Records, Leonard T. May and wife, Louise May, assigned all of their interest in Lease No. 9 to Cities Service Oil Company, reserving an overriding royalty interest equal to 3% of production, proportionately reduced to the Lessor's interest in the land covered by Lease No. 9.

12. By Assignment of Oil and Gas Lease dated March 13, 1974, recorded in Book 115, page 536, Miscellaneous Records, Leonard T. May and wife, Louise May, assigned all of their interest in Lease No. 10 to Cities Service Oil Company, reserving an overriding royalty interest equal to 3% of production, proportionately reduced to the Lessor's interest in the land covered by Lease No. 10.

13. By Assignment of Oil and Gas Lease dated March 13, 1974, recorded in Book 115, page 538, Miscellaneous Records, Leonard T. May and wife, Louise May, assigned all of their interest in Lease No. 11 to Cities Service Oil Company, reserving an overriding royalty interest equal to 3% of production, proportionately reduced to the Lessor's interest in the land covered by Lease No. 11.

14. By Assignment of Oil and Gas Leases dated July 1, 1975, recorded in Book 130, page 537, Miscellaneous Records, Cities Service Oil Company assigned all of its interest in Lease Nos. 5 through 11, insofar as said leases cover that portion of the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River, to Hanagan & Hanagan.

15. By Conveyance of Operating Rights dated September 30, 1975, approved effective April 29, 1976, recorded in Book 131, page 587, Miscellaneous Records, Inexco Oil Company assigned to Hanagan Petroleum Corporation an undivided 50% interest in the operating rights in Lease No. 2, insofar as said lease covers the E/2 SW/4, W/2 SE/4 and SE/4 SE/4 of Section 12, from the surface down to 100 feet below the stratigraphic equivalent of 11,361 feet beneath the surface. The assignment is made subject to the terms of the operating agreement provided for in a farmout agreement between the parties dated July 10, 1975. The assignment also provides that Inexco Oil Company assigns all of its interest in production from the Inexco Federal No. 1 Well located in the E/2 SE/4 of Section

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12 to Hanagan Petroleum Corporation, reserving an overriding royalty interest equal to 6.25% of production, until payout of said well, at which time the interest of Inexco will automatically revert to an undivided 50% of the operating rights in Lease No. 2.

16. By Assignment of Operating Rights dated December 9, 1975, approved effective November 28, 1977, recorded in Book 132, page 767, Miscellaneous Records, Western Reserves Oil Company assigned to Western 74 all of the operating rights in Lease No. 3, insofar as said lease covers that portion of the W/2 SW/4 of Section 12 lying East of the Pecos River.

17. By Assignment of Overriding Royalty Interest dated October 7, 1977, recorded in Book 149, page 822, Miscellaneous Records, Hanagan Petroleum Corporation assigned to Verde Energy Corporation an overriding royalty interest equal to 4% of production from Lease No. 2, insofar as said lease covers the W/2 SE/4, SE/4 SE/4 and E/2 SW/4 of Section 12, from the surface down to 100 feet below the stratigraphic equivalent of 11,361 feet beneath the surface. This instrument has not been filed with the Bureau of Land Management.

18. By Assignment of Oil and Gas Lease dated July 3, 1979, recorded in Book 174, page 470, Miscellaneous Records, Hanagan & Hanagan assigned to Hanagan Petroleum Corporation all of its interest in Lease No. 5, insofar as said lease covers the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River, from the surface down to a depth of 11,361 feet beneath the surface.

19. By Assignment of Oil and Gas Lease dated July 3, 1979, recorded in Book 174, page 471, Miscellaneous Records, Hanagan & Hanagan assigned to Hanagan Petroleum Corporation all of its interest in Lease No. 6, insofar as said lease covers the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River, from the surface down to a depth of 11,361 feet beneath the surface.

20. By Assignment of Oil and Gas Lease dated July 3, 1979, recorded in Book 174, page 472, Miscellaneous Records, Hanagan & Hanagan assigned to Hanagan Petroleum Corporation all of its interest in Lease No. 7, insofar as said lease covers the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River, from the surface down to a depth of 11,361 feet beneath the surface.

21. By Assignment of Oil and Gas Lease dated July 3, 1979, recorded in Book 174, page 473, Miscellaneous Records, Hanagan & Hanagan assigned to Hanagan Petroleum Corporation all of its interest in Lease No. 8, insofar as said lease covers the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River, from the surface down to a depth of 11,361 feet beneath the surface.

22. By Assignment of Oil and Gas Lease dated July 3, 1979, recorded in Book 174, page 467, Miscellaneous Records, Hanagan & Hanagan assigned to Hanagan Petroleum Corporation all of its interest in Lease No. 9, insofar as said lease covers the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River, from the surface down to a depth of 11,361 feet beneath the surface.

23. By Assignment of Oil and Gas Lease dated July 3, 1979, recorded in Book 174, page 468, Miscellaneous Records, Hanagan & Hanagan assigned to Hanagan Petroleum Corporation all of its interest in Lease No. 10, insofar as said lease covers the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River, from the surface down to a depth of 11,361 feet beneath the surface.

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24. By Assignment of Oil and Gas Lease dated July 3, 1979, recorded in Book 174, page 469, Miscellaneous Records, Hanagan & Hanagan assigned to Hanagan Petroleum Corporation all of its interest in Lease No. 11, insofar as said lease covers the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River, from the surface down to a depth of 11,361 feet beneath the surface.

25. By Conveyance dated September 26, 1979, recorded in Book 176, page 407, Miscellaneous Records, Hanagan Petroleum Corporation assigned all of its interest in Lease No. 5 to Tenneco Oil Company.

26. By Conveyance dated September 26, 1979, recorded in Book 176, page 412, Miscellaneous Records, Hanagan Petroleum Corporation assigned all of its interest in Lease No. 6 to Tenneco Oil Company.

27. By Conveyance dated September 26, 1979, recorded in Book 176, page 417, Miscellaneous Records, Hanagan Petroleum Corporation assigned all of its interest in Lease No. 7 to Tenneco Oil Company.

28. By Conveyance dated September 26, 1979, recorded in Book 176, page 422, Miscellaneous Records, Hanagan Petroleum Corporation assigned all of its interest in Lease No. 8 to Tenneco Oil Company.

29. By Conveyance dated September 26, 1979, recorded in Book 176, page 392, Miscellaneous Records, Hanagan Petroleum Corporation assigned all of its interest in Lease No. 9 to Tenneco Oil Company.

30. By Conveyance dated September 26, 1979, recorded in Book 176, page 397, Miscellaneous Records, Hanagan Petroleum Corporation assigned all of its interest in Lease No. 10 to Tenneco Oil Company.

31. By Conveyance dated September 26, 1979, recorded in Book 176, page 402, Miscellaneous Records, Hanagan Petroleum Corporation assigned all of its interest in Lease No. 11 to Tenneco Oil Company.

32. By Conveyance dated September 26, 1979, approved effective July 1, 1979, recorded in Book 176, page 492, Miscellaneous Records, Hanagan Petroleum Corporation assigned all of its interest in Lease No. 2 to Tenneco Oil Company.

33. By Conveyance dated September 27, 1979, approved effective August 13, 1981, recorded in Book 176, page 4, Miscellaneous Records, Western 74 assigned to Tenneco Oil Company all of its interest in Lease No. 3, insofar as said lease covers the W/2 SW/4 of Section 12 lying East of the east bank of the Pecos River, from the surface down to a depth of 11,475 feet beneath the surface.

34. By Assignment and Conveyance dated October 18, 1979, recorded in Book 179, page 438, Miscellaneous Records, Tenneco Oil Company assigned all of its interest in Lease No. 5 to HUT Oil Company.

35. By Assignment and Conveyance dated October 18, 1979, recorded in Book 179, page 435, Miscellaneous Records, Tenneco Oil Company assigned all of its interest in Lease No. 6 to HUT Oil Company.

36. By Assignment and Conveyance dated October 18, 1979, recorded in Book 179, page 447, Miscellaneous Records, Tenneco Oil Company assigned all of its interest in Lease No. 7 to HUT Oil Company.

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37. By Assignment and Conveyance dated October 18, 1979, recorded in Book 179, page 573, Miscellaneous Records, Tenneco Oil Company assigned all of its interest in Lease No. 8 to HUT Oil Company.

38. By Assignment and Conveyance dated October 18, 1979, recorded in Book 179, page 603, Miscellaneous Records, Tenneco Oil Company assigned all of its interest in Lease No. 9 to HUT Oil Company.

39. By Assignment and Conveyance dated October 18, 1979, recorded in Book 179, page 600, Miscellaneous Records, Tenneco Oil Company assigned all of its interest in Lease No. 10 to HUT Oil Company.

40. By Assignment and Conveyance dated October 18, 1979, recorded in Book 179, page 456, Miscellaneous Records, Tenneco Oil Company assigned all of its interest in Lease No. 11 to HUT Oil Company.

41. By instrument dated October 19, 1979, recorded in Book 181, page 348, Miscellaneous Records, HUT Oil Company changed its name to GLM Oil and Gas Company.

42. By Transfer of Operating Rights dated February 24, 1984, approved effective April 1, 1984, Tenneco Oil Company assigned all of its interest in Lease No. 2 to GLM Oil and Gas Company. This instrument has not been recorded in Eddy County, New Mexico. However, by Assignment and Conveyance dated October 18, 1979, recorded in Book 179, page 509, Miscellaneous Records, Tenneco Oil Company assigned to HUT Oil Company an undivided 41.3% interest in the operating rights in Lease No. 2, insofar as said lease covers the E/2 SW/4, W/2 SE/4 and SE/4 SE/4 of Section 12 from the surface down to 100 feet below the stratigraphic equivalent of 11,361 feet beneath the surface, and by Assignment and Conveyance dated December 28, 1979, recorded in Book 180, page 990, Miscellaneous Records, Tenneco Oil Company assigned to GLM Oil and Gas Company an undivided 8.6667% interest in the operating rights in Lease No. 2, insofar as it covers the same land described in the Assignment and Conveyance to HUT Oil Company.

43. By Transfer of Operating Rights dated February 24, 1984, approved effective April 1, 1984, Tenneco Oil Company assigned all of its interest in Lease No. 3 to GLM Oil and Gas Company. This instrument has not been recorded in Eddy County, New Mexico. However, by instrument dated October 18, 1979, recorded in Book 180, page 943, Miscellaneous Records, Tenneco Oil Company assigned all of its interest in Lease No. 3 to GLM Oil and Gas Company.

44. By Transfer of Operating Rights dated May 21, 1984, approved effective July 1, 1984, GLM Oil and Gas Company assigned all of its interest in Lease No. 2, from below the base of the Delaware Sand Formation down to 100 feet below the stratigraphic equivalent of 11,361 feet beneath the surface, to EM Nominee Partnership Company. This instrument has not been recorded in Eddy County, New Mexico. However, by Assignment, Bill of Sale and Conveyance dated March 1, 1984, recorded in Book 233, page 345, Miscellaneous Records, GLM Oil and Gas Company assigned all of its interest in Lease No. 2, from below the base of the Delaware Sand Formation down to 100 feet below the stratigraphic equivalent of 11,361 feet beneath the surface, to EM Nominee Partnership Company.

45. By Transfer of Operating Rights dated May 21, 1984, approved effective July 1, 1984, GLM Oil and Gas Company assigned

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all of its interest in Lease No. 3, from below the base of the Delaware Sand Formation down to a depth of 11,475 feet beneath the surface, to EM Nominee Partnership Company. This instrument has not been recorded in Eddy County, New Mexico. However, by Assignment, Bill of Sale and Conveyance dated March 1, 1984, recorded in Book 233, page 345, Miscellaneous Records, GLM Oil and Gas Company assigned all of its interest in Lease No. 3, from below the base of the Delaware Sand Formation down to a depth of 11,475 feet beneath the surface, to EM Nominee Partnership Company.

46. By Assignment, Bill of Sale and Conveyance dated March 1, 1984, recorded in Book 233, page 345, Miscellaneous Records, GLM Oil and Gas Company assigned all of its interest in Lease Nos. 5 through 11, from below the base of the Delaware Sand Formation to the stratigraphic equivalent of 11,361 feet beneath the surface, to EM Nominee Partnership Company.

47. By Assignment and Conveyance dated March 1, 1984, recorded in Book 233, page 335, Miscellaneous Records, GLM Oil and Gas Company assigned all of its interest in Lease Nos. 2, 3, 5, 6, 7, 8, 9, 10 and 11, from the surface down to the base of the Delaware Sand Formation, to Tenneco Oil Company. This assignment has not yet been approved by the Bureau of Land Management.

48. By instrument dated July 1, 1985, recorded in Book 257, page 191, Miscellaneous Records, Chevron USA Inc. was merged into Gulf Oil Corporation, and Gulf Oil Corporation changed its name to Chevron USA Inc.

49. By Assignment, Bill of Sale and Conveyance dated July 27, 1989, recorded in Book 50, page 1008, Eddy County Records, Inexco Oil Company assigned all of its interest in Lease No. 2 to Bonneville Fuels Corporation. This assignment has not yet been approved by the Bureau of Land Management.

GAS PURCHASE CONTRACTS

The abstracts furnished for examination contain memoranda reflecting the existence of the following gas purchase contracts covering portions of captioned land:

- (a) Dated May 2, 1973, from Atlantic Richfield Company, as Seller, to Southern Union Gas Company, as Buyer, covering natural gas produced from that portion of the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River;
- (b) Dated July 26, 1976, from Pecos Irrigation Company, as Seller, to TUCO, Inc., as Buyer, covering natural gas produced from the NW/4 SW/4 of Section 12, from the surface down to the base of the lowest Pennsylvanian age formation;
- (c) Dated July 26, 1976, from Inexco Oil Company, as Seller, to TUCO, Inc., as Buyer, covering natural gas produced from the E/2 SW/4, W/2 SE/4 and SE/4 SE/4 of Section 12, from the surface down to the base of the lowest Pennsylvanian age formation;
- (d) Dated July 26, 1976, from Hanagan Petroleum Corporation, as Seller, to TUCO, Inc., as Buyer, covering natural gas produced from the SE/4, E/2 SW/4 and that portion of the W/2 SW/4 of Section 12 lying West of the Pecos River,

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from the surface down to the base of the lowest Pennsylvanian age formation; and

- (e) Dated July 26, 1976, from Western 74, as Seller, to TUCO, Inc., as Buyer, covering natural gas produced from that portion of the W/2 SW/4 of Section 12 lying East of the Pecos River, from the surface down to the base of the lowest Pennsylvanian age formation.

PATENT INFORMATION

The NW/4 SW/4 of Section 12 was patented to Thomas Fennessey by Patent dated March 16, 1885, recorded in Book A, page 9, Patent Records, as containing 40 acres, more or less.

The SW/4 SW/4 of Section 12 was patented to Bartolo Mes by Patent dated August 24, 1891, recorded in Book 1, page 61, Patent Records, as containing 40 acres, more or less.

The remainder of captioned land has not been patented by the United States of America.

ENCUMBRANCES

1. The interest of Kerr-McGee Corporation in captioned land is subject to the terms of a Mortgage of Oil and Gas Properties, Assignment of Production, Security Agreement and Financing Statement dated May 2, 1984, recorded in Book 348, page 596, Mortgage Records, from Delta Drilling Company, as Mortgagor, to InterFirst Bank Dallas, N.A., Citibank, N.A. and InterFirst Funding Corporation, as Mortgagees, securing the repayment of the following promissory notes:

- (a) Revolving Credit Note dated November 9, 1983, in the original principal sum of \$51,117,646.00, payable to InterFirst Bank Dallas, N.A., due June 30, 1984;
- (b) Revolving Credit Note dated November 9, 1983, in the original principal sum of \$40,117,648.00, payable to Citibank, N.A., due June 30, 1984;
- (c) Revolving Credit Note dated November 9, 1983, in the original principal sum of \$18,764,706.00, payable to InterFirst Funding Corporation, due June 30, 1984;
- (d) Primary Term Note dated November 9, 1983, in the original principal sum of \$27,882,354.00, payable to InterFirst Bank Dallas, N.A., due July 1, 1989;
- (e) Primary Term Note dated November 9, 1983, in the original principal sum of \$21,882,352.00, payable to Citibank, N.A., due July 1, 1989; and
- (f) Primary Term Note dated November 9, 1983, in the original principal sum of \$10,235,294.00, payable to InterFirst Funding Corporation, due July 1, 1989.

2. The interest of Bonneville Fuels Corporation in captioned land is subject to the terms of that certain Deed of Trust, Mortgage, Assignment, Security Agreement and Financing Statement dated July 28, 1989, recorded in Book 50, page 1024, Eddy County, Records, from Bonneville Fuels Corporation, as Mortgagor, to Chase Manhattan Bank, as Mortgagee. The copy of the Deed of Trust

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included in the abstract has been briefed by the abstracter, and we are unable to determine the exact amount of the indebtedness secured by the Deed of Trust. However, we were able to determine that the Deed of Trust secures the repayment of a promissory note dated July 26, 1989, in the original principal sum of \$20,000,000.00, due June 30, 1998, and a promissory note dated July 26, 1989, in the original principal sum of \$10,000,000.00, due June 30, 1994.

EASEMENTS

This opinion does not cover surface easements.

TAXES

The abstracts furnished for examination indicate that property taxes assessed against that portion of the SW/4 SW/4 of Section 12 lying West of the Pecos River have been paid through 1989. Property taxes are not assessed against lands owned by the United States of America.

TITLE REQUIREMENTS

1.

We note that Assignment Nos. 47 and 49 have not yet been approved by the Bureau of Land Management. We have credited the interests conveyed by these assignments as though they have been approved. However, it will be necessary for you to obtain approval thereof before they will be considered effective by the United States of America.

REQUIREMENT: Submit for examination approved copies of Assignment Nos. 47 and 49.

2.

We note that Assignment No. 17, an assignment of an overriding royalty interest, has not been filed with the Bureau of Land Management as required by federal regulations.

REQUIREMENT: Assignment No. 17 should be filed with the Bureau of Land Management.

3.

We have seen nothing to indicate that Lease Nos. 2 through 11 analyzed above have been maintained in effect beyond the expiration of their primary terms.

REQUIREMENT: You must satisfy yourselves that Lease Nos. 2 through 11 analyzed above have been maintained in effect beyond the expiration of their primary terms by drilling operations or production in commercial quantities, or in accordance with the Federal Oil and Gas Regulations.

4.

One of the assignors listed in the granting clause in Assignment No. 49 is Inexco Oil Company, as General Partner of Inexco Oil and Gas Funds, Ltd. 70-4, 71-1, 71-2, and New Inexco

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1973-A. At the time Assignment No. 49 was executed, Inexco Oil Company, in its individual capacity, was the record owner of the interests assigned. We note that Inexco Oil Company has executed the assignment in its individual capacity, despite the fact that it is not named as one of the assignors in the granting clause.

REQUIREMENT: Submit for examination a correction of Assignment No. 49 in which Inexco Oil Company, in its individual capacity, is listed as one of the assignors in the granting clause.

5.

We have credited the ownership of the minerals in a 5.03-acre tract out of the NW/4 SW/4 of Section 12 to Kerr-McGee Corporation. The NW/4 SW/4 of Section 12 was patented by the United States of America to Thomas Fennessey by Patent dated March 16, 1885, recorded in Book A, page 9, Patent Records. Title to the NW/4 SW/4 of Section 12 eventually passed to Pecos Irrigation Company of New Mexico. By Warranty Deed dated December 18, 1905, recorded in Volume 16, page 277, Deed Records, Pecos Irrigation Company of New Mexico conveyed all of its interest in that portion of the NW/4 SW/4 of Section 12 lying on the East bank of the Pecos River to the United States of America, in connection with the Carlsbad Project of the United States Reclamation Service. Pecos Irrigation Company of New Mexico also conveyed all of its interest in lands included within a reservoir known as Reservoir No. 2, located on Section 12 and other land.

* The effect of the above-referenced Warranty Deed was the subject of a quiet title suit styled United States of America v. Pecos Irrigation Company, being Cause No. CV 78-091 B, in the United States District Court for the District of New Mexico. In a Judgment entered August 7, 1980, the court indicated that the parties had stipulated that a map of Reservoir No. 2 dated September 6, 1895 was ratified and confirmed as properly locating the boundaries of Reservoir No. 2. The court also awarded Pecos Irrigation Company title to the minerals in a 5.03-acre tract out the NW/4 SW/4 of Section 12. This tract apparently represents that portion of the NW/4 SW/4 of Section 12 which lies West of the Pecos River and which is not included within the boundaries of Reservoir No. 2. The remainder of the NW/4 SW/4 of Section 12 is owned by the United States of America. We have examined a copy of the September 6, 1895 map of Reservoir No. 2, but it is insufficient for us to be able to accurately determine the location of the 5.03-acre tract awarded to Pecos Irrigation Company.

REQUIREMENT: Submit for examination a survey of that portion of the NW/4 SW/4 of Section 12 lying West of the Pecos River or other information sufficient for us to be able to describe by metes and bounds the 5.03-acre tract awarded to Pecos Irrigation Company in the above-referenced Judgment.

6.

* We note that neither Pecos Irrigation Company nor the United States of America have executed oil and gas leases covering that portion of the NW/4 SW/4 of Section 12 lying West of the Pecos River. We note also that Lease No. 3 analyzed above covers that portion of the W/2 SW/4 of Section 12 lying on the East or left bank of the Pecos River. It is the general rule that a conveyance of lands bounded by a non-navigable river includes the bed of the river to the river's centerline. However, the Department of the Interior has held that the lands underlying a non-navigable river

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1973-A. At the time Assignment No. 49 was executed, Inexco Oil Company, in its individual capacity, was the record owner of the interests assigned. We note that Inexco Oil Company has executed the assignment in its individual capacity, despite the fact that it is not named as one of the assignors in the granting clause.

REQUIREMENT: Submit for examination a correction of Assignment No. 49 in which Inexco Oil Company, in its individual capacity, is listed as one of the assignors in the granting clause.

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The effect of the above-referenced Warranty Deed was the subject of a quiet title suit styled United States of America v. Pecos Irrigation Company, being Cause No. CV 78-091 B, in the United States District Court for the District of New Mexico. In a Judgment entered August 7, 1980, the court indicated that the parties had stipulated that a map of Reservoir No. 2 dated September 6, 1895 was ratified and confirmed as properly locating the boundaries of Reservoir No. 2. The court also awarded Pecos Irrigation Company title to the minerals in a 5.03-acre tract out of the NW/4 SW/4 of Section 12. This tract apparently represents that portion of the NW/4 SW/4 of Section 12 which lies West of the Pecos River and which is not included within the boundaries of Reservoir No. 2. The remainder of the NW/4 SW/4 of Section 12 is owned by the United States of America. We have examined a copy of the September 6, 1895 map of Reservoir No. 2, but it is insufficient for us to be able to accurately determine the location of the 5.03-acre tract awarded to Pecos Irrigation Company.

REQUIREMENT: Submit for examination a survey of that portion of the NW/4 SW/4 of Section 12 lying West of the Pecos River or other information sufficient for us to be able to describe by metes and bounds the 5.03-acre tract awarded to Pecos Irrigation Company in the above-referenced Judgment.

6.

We note that neither Pecos Irrigation Company nor the United States of America have executed oil and gas leases covering that portion of the NW/4 SW/4 of Section 12 lying West of the Pecos River. We note also that Lease No. 3 analyzed above covers that portion of the W/2 SW/4 of Section 12 lying on the East or left bank of the Pecos River. It is the general rule that a conveyance of lands bounded by a non-navigable river includes the bed of the river to the river's centerline. However, the Department of the Interior has held that the lands underlying a non-navigable river

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are not covered by a federal oil and gas lease which describes only the adjacent uplands. ~~Therefore, it appears that in addition to that portion of the NW/4 SW/4 of Section 12 lying West of the Pecos River, that portion of the bed of the Pecos River located in the NW/4 SW/4 of Section 12 and the E/2 of that portion of the bed of the Pecos River lying in the SW/4 SW/4 of Section 12 are also~~ unleased.

REQUIREMENT: You should request that the unleased portion of Section 12 owned by the United States of America be listed for competitive sale. If the United States chooses not to lease said land, it may be necessary for you to force pool said land and the lands owned by Pecos Irrigation Company in order to form the drilling unit for your proposed well.

7.

The federal abstract furnished for examination contains a Notice of Receipt of Probate dated September 6, 1985, regarding the Estate of Robert M. Moran, filed by Brenda Anne Moran, Loyd Whitley and James M. Maddox, Co-Personal Representatives of the Estate of Robert M. Moran. We have not been furnished with copies of the probate proceedings for the Estate of Robert M. Moran. We have credited the interest formerly owned by Robert M. Moran in captioned land to his heirs or devisees.

REQUIREMENT: Submit for examination copies of the probate proceedings for the Estate of Robert M. Moran.

8.

We have examined an assignment dated October 11, 1985, recorded in Book 254, page 1036, Miscellaneous Records, from DeltaUS Corporation to Kerr-McGee Corporation, conveying all interest of the Assignor in the 5.03-acre tract which was awarded to Pecos Irrigation Company by virtue of the judgment discussed in Requirement No. 5, above. At the time this conveyance was executed, record title to the 5.03-acre tract was owned by Delta Drilling Company. We have not been furnished the instrument whereby DeltaUS Corporation acquired the interest of Delta Drilling Company in said land.

REQUIREMENT: Submit for examination the instrument whereby DeltaUS Corporation acquired the interest of Delta Drilling Company in the above-referenced 5.03-acre tract.

9.

The abstract furnished for examination includes a portion of the probate proceedings for the Estate of Judson Boyd, Sr., conducted in Cause No. 3893, in the Probate Court of Eddy County, New Mexico. However, the probate proceedings do not include a copy of the Will or the Order admitting the Will to probate. The Final Decree indicates that the residue of the Estate of Judson Boyd, Sr. passed under the terms of his Will to Olive S. Boyd and Carlsbad National Bank, Trustees. However, we must examine a copy of the Will and the Order admitting the Will to probate in order to confirm such a distribution.

REQUIREMENT: Submit for examination a copy of the Will of Judson Boyd, Sr. and the Order admitting the Will to probate in Cause No. 3893, in the Probate Court of Eddy County, New Mexico.

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10.

We have examined a certified copy of the probate proceedings for the Estate of S. D. Stennis conducted in Cause No. 1297, in the County Court of Gray County, Texas. We have credited the interest formerly owned by S. D. Stennis in accordance with the terms of his Will, but it appears that ancillary probate proceedings for the Estate of S. D. Stennis have not been conducted in New Mexico.

REQUIREMENT: Ancillary probate proceedings for the Estate of S. D. Stennis should be conducted in Eddy County, New Mexico.

11.

We have examined an Affidavit of Heirship dated April 16, 1964, recorded in Book 49, page 297, Miscellaneous Records, executed by Bettye M. Gissiner, indicating that Florence B. Thornton died intestate in January of 1945, leaving as her heirs her three children, Lois Thornton, Virginia Thornton and Bettye Thornton Gissiner. We have treated the interest formerly owned by Florence B. Thornton in captioned land in accordance with the terms of the Affidavit of Heirship, but it appears that formal proceedings to determine the heirship of Florence B. Thornton have not been conducted in New Mexico.

REQUIREMENT: Proceedings to determine the heirship of Florence B. Thornton should be conducted in Eddy County, New Mexico.

12.

We have examined a Proof of Death and Heirship dated December 18, 1985, recorded in Book 263, page 742, Miscellaneous Records, executed by G. E. Behlen and Denise Myres, indicating that E. Irene Behlen died March 15, 1983. The affidavit also indicates that she died with a Will and that her Will was admitted to probate, although the affidavit does not indicate the state or county in which the Will was admitted to probate. It appears that E. Irene Behlen was domiciled in Platte County, Nebraska, at the time of her death.

REQUIREMENTS: (a) Submit for examination a copy of the Will of E. Irene Behlen and the Order admitting the Will to probate.

(b) Ancillary probate proceedings for the Estate of E. Irene Behlen should be conducted in Eddy County, New Mexico.

13.

As noted under ENCUMBRANCES above, the abstractor has included only a portion of the Deed of Trust executed by Bonneville Fuels Corporation. Therefore, we are unable to determine for certain the indebtedness secured by said Deed of Trust.

REQUIREMENT: Submit for examination a complete copy of the above-referenced Deed of Trust executed by Bonneville Fuels Corporation.

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14.

We have examined the first page of a Twentieth Supplemental Indenture and Security Agreement dated October 15, 1986, recorded in Book 374, page 608, Mortgage Records, from TXO Production Corp., et al, as Mortgagors, to The Bank of New York and K. G. Pittius, as Trustees. The first page of the deed of trust indicates that it is executed as a supplement to a Mortgage and Deed of Trust dated April 1, 1965, and contains after-acquired property provisions. We have not examined a complete copy of this instrument and we are unable to determine whether the interest of TXO Production Corp. in Lease No. 1 will be subject to the terms of the deed of trust, as supplemented.

REQUIREMENT: Submit for examination a complete copy of the above-referenced Twentieth Supplemental Indenture and Security Agreement so that we may determine whether the interest of TXO Production Corp. in Lease No. 1 is subject to the terms thereof.

15.

We have examined a Quitclaim Deed dated October 12, 1988, recorded in Book 33, page 886, Eddy County Records, from Tenneco Oil Company to EM Nominee Partnership Company, conveying all right, title and interest of the grantor in the Catclaw Draw Unit Area, as more specifically described in Section 2 of the exhibit to a Stock Option Purchase Agreement dated February 14, 1984, between Tenneco Oil Company and Energy Methods Corporation. We are unable to determine whether this conveyance covers the interest which we have credited to Tenneco Oil Company in captioned land.

REQUIREMENT: Submit for examination a copy of the above-referenced exhibit to the Stock Option Purchase Agreement dated February 14, 1984, between Tenneco Oil Company and Energy Methods Corporation so that we may determine whether the above-referenced Quitclaim Deed covers the interest of Tenneco Oil Company in captioned land.

16.

As noted above, we have examined memoranda reflecting the existence of numerous gas purchase contracts covering captioned land. It is possible that these contracts have terminated; however, in the event gas produced under the terms of these contracts was dedicated to interstate commerce, the contracts may still be viable, despite the fact that production from the land covered thereby has ceased.

REQUIREMENT: You should determine whether the contracts set forth under GAS PURCHASE CONTRACTS above have been properly terminated.

17.

We direct your attention to the necessity of paying annual rentals during and after the primary term unless you have obtained production in paying quantities.

REQUIREMENT: Advisory.

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18.

We direct your attention to the numerous stipulations for Lease Nos. 1, 2 and 3 which are set forth above.

REQUIREMENT: Advisory.

19.

We direct your attention to the provisions in the Federal Regulations which provide that agreements creating overriding royalties or payments out of production, which when added to the royalty payable under the lease and existing overriding royalties and production payments aggregate in excess of 17.5% of production, may be suspended by the Secretary of the Interior at any time upon the determination that the excess constitutes a burden on the lease such that proper development of the lease may be retarded or impaired.

REQUIREMENT: Advisory.

20.

This opinion cannot cover such matters as area, boundaries, location on the ground or other matters which can be determined only by an actual ground survey.

REQUIREMENT: Prior to spudding any well or wells which you propose to drill on captioned land, you should have the well site staked by a competent surveyor to ensure that it is properly located on captioned land.

We return herewith the materials furnished for examination.

Respectfully submitted,

KEMP, SMITH, DUNCAN & HAMMOND

By: Frank N. Cremer
Frank N. Cremer

FNC:pjb
Enclosures

Kemp, Smith, Duncan & Hammond, P.C.

FILE

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARSALBUQUERQUE
EL PASO

December 9, 1992

ENTERED DEC 09 1992

SUPPLEMENTAL DRILLING TITLE OPINIONNaumann Oil & Gas, Inc.
P. O. Box 10159
Midland, Texas 79702

Attention: Mr. H. Jack Naumann, Jr., President

Re: The mineral estate only in the following-described land
situated in Eddy County, New Mexico:Township 21 South, Range 26 East, N.M.P.M.
Section 12: S/2

containing 320 acres, more or less.

Gentlemen:

At your request, we have examined the following:

MATERIALS EXAMINEDPrior Title Opinion

Our Original Drilling Title Opinion dated February 9, 1990, addressed to TXO Production Corp., based upon the abstracts and instrument described therein, covering the Records in the Bureau of Land Management State Office at Santa Fe, New Mexico, pertaining to captioned land from inception of the records to December 27, 1989 at 9:00 a.m., and the Records in the Office of the County Clerk of Eddy County, New Mexico, pertaining to captioned land from inception of the records to January 19, 1990 at 8:00 a.m.

Abstract

Supplemental Abstract No. 46226, certified by Federal Abstract Company as covering the Plat Book Records, Historical Index Records, Serial Record and Case File for Federal Oil and Gas Leases NM 3606, NM 15461 and NM 83053, in the United States Department of the Interior, Bureau of Land Management State Office at Santa Fe, New Mexico, pertaining to captioned land from December 27, 1989 at 9:00 a.m. to November 16, 1992 at 9:00 a.m., containing 50 pages.

Examination of the Records

We have examined all of the instruments pertaining to the mineral estate only in captioned land which have been filed in the Office of the County Clerk of Eddy County, New Mexico, from January 19, 1990 at 8:00 a.m. to November 30, 1992 at 8:00 a.m.

Instruments

1. Copy of Lease No. 13, analyzed below.
2. Copy of the Farmout Agreement, analyzed below.
3. Copy of Assignment No. 49, analyzed in our Original Drilling Title Opinion dated February 9, 1990, reflecting approval by the Bureau of Land Management effective September 1, 1989.

Naumann Oil & Gas, Inc.

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December 9, 1992

4. Copy of letter dated November 13, 1992, from Bonneville Fuels Corporation to The Chase Manhattan Bank, N.A., together with an unexecuted Partial Release of Lien and Security Interest.

5. Copies of the probate proceedings for the Estate of Robert M. Moran.

TITLE TO THE MINERAL ESTATE

Based upon examination of the foregoing and subject to the title requirements made in our Original Drilling Title Opinion dated February 9, 1990 which remain unsatisfied and the other matters set forth below, we find that title to the mineral estate only in captioned land remains vested as set forth in said Original Drilling Title Opinion, except as follows:

NOTE: For your convenience, we have restated in its entirety the ownership of the minerals and leasehold estate in captioned land, even though some of the interests remain as set forth in our Original Drilling Title Opinion dated February 9, 1990.

Minerals:

The SE/4 and E/2 SW/4 of Section 12, that portion of the SW/4 SW/4 of Section 12 lying East of the middle of the Pecos River, and all of the NW/4 SW/4 of Section 12 except the 5.03-acre tract described below:

The United States of America All

5.03 acres out of the NW/4 SW/4 of Section 12, apparently lying West of the Pecos River and lying outside the boundaries of Reservoir No. 2, as described by a map of said Reservoir No. 2 dated September 6, 1895:

Kerr-McGee Corporation All

That portion of the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River:

Carlsbad National Bank Trust Department,
Trustee under Revocable Inter Vivos
Trust Agreement dated February 1, 1991 1/3

Bettye M. Gissiner, as her separate property 1/9

Virginia Thornton, as her separate property 1/9

Lois Thornton, as her separate property 1/9

Jeannie Stennis Howard, as her separate property . . . 1/12

Samuel Y. Stennis, as his separate property 1/12

Jerry L. Hooper, whose wife is Margaret A. Hooper . . 1/24

J. Hiram Moore, Ltd. 1/24

Shirley Stennis, as her separate property 1/12

Naumann Oil & Gas, Inc.

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Leasehold Estate:

The NE/4 SE/4 of Section 12:

Record Title and Operating Rights:

Richard H. Coats 100% ¹

¹ This interest must bear the 12.5% royalty provided for in Lease No. 1 analyzed below.

The SE/4 SE/4, W/2 SE/4 and E/2 SW/4 of Section 12:

Record Title:

Bonneville Fuels Corporation All

Operating Rights:

From the surface down to 100 feet below the stratigraphic equivalent of 11,361 feet beneath the surface:

Bonneville Fuels Corporation 50% ²

Richard H. Coats 50% ^{2,3}

Below 100 feet below the stratigraphic equivalent of 11,361 feet beneath the surface:

Bonneville Fuels Corporation 100% ²

² These interests must bear their proportionate share of the 12.5% royalty provided for in Lease No. 2 analyzed below and an overriding royalty interest equal to 4% of production, owned by the following parties in the percentages set forth opposite their names:

- Gilbert E. Behlen50%
- Charles R. Wiggins75%
- Richard H. Coats75%
- Carol Ann Hoffman 1.50%
- Alan Jochimsen50%

³ This interest must bear an overriding royalty interest equal to 4% of production, owned by Verde Energy Corporation.

That portion of the W/2 SW/4 of Section 12 lying on the left or East bank of the Pecos River:

Record Title:

Western Reserves Oil Company All

Operating Rights:

From the surface down to a depth of 11,475 feet beneath the surface:

Richard H. Coats 100% ⁴

Below a depth of 11,475 feet beneath the surface:

Western 74 100% ⁴

⁴ These interests must bear the 12.5% royalty provided for in Lease No. 3 analyzed below and overriding royalty interests aggregating 6.25% of production,

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owned by the following parties in the percentages set forth opposite their names:

Judy Carr	1%
The Moran Partnership	3.25%
R. C. Beveridge	2%

That portion of the SW/4 SW/4 of Section 12 lying West of the middle of the Pecos River:

From the surface down to a depth of 11,361 feet beneath the surface:

Richard H. Coats	33.33333% ⁵
Richard H. Coats	66.66667% ⁶

Below a depth of 11,361 feet beneath the surface:

Richard H. Coats	33.33333% ⁵
Hanagan and Hanagan	66.66667% ⁶

⁵ These interests must bear the 3/16 royalty provided for in Lease No. 12 analyzed below.

⁶ These interests must bear the 3/16 royalty provided for in Lease Nos. 5 through 11 analyzed below and an overriding royalty interest equal to 2/3 of 3% of production, owned by Rhonda L. May, Trustee of the Leonard T. May and Virginia Louise May Living Trust.

5.03 acres out of the NW/4 SW/4 of Section 12, apparently lying West of the Pecos River and lying outside the boundaries of Reservoir No. 2, as described by a map of said Reservoir No. 2 dated September 6, 1895:

Naumann Oil & Gas, Inc. All⁷

⁷ This interest must bear the 1/4 royalty provided for in Lease No. 13, analyzed below.

The E/2 of the channel of that portion of the Pecos River located in the W/2 SW/4 of Section 12 and all of the NW/4 SW/4 of Section 12 lying West of the middle of the Pecos River except the 5.03-acre tract described above:

UNLEASED All

STATUS OF OIL AND GAS LEASES

Lease No. 1:

Recorded: Book 61, page 815, Eddy County Records.

Lease No. 4:

It is our understanding that Lease No. 4 has expired by its own terms, and we are no longer treating this lease as covering any interest in captioned land.

Lease No. 12:

Date: June 12, 1992.

Recorded: Book 129, page 263, Eddy County Records.

Naumann Oil & Gas, Inc.

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Lessor: Carlsbad National Bank, Trustee of the Boyd Revocable Trust.

Lessee: Richard H. Coats.

Land Covered: T-21-S, R-26-E, N.M.P.M.
Section 12: That portion of the SW/4 SW/4 lying West of the middle of the Pecos River,
Eddy County, New Mexico.

Interest Covered: An undivided 1/3 mineral interest therein.

Primary Term: Three (3) years from date.

Delay Rentals: None; this is a paid-up lease.

Royalties: 3/16 on oil and gas, \$1.00 per long ton on sulphur and 1/10 on other minerals.

Shut-in Oil or Gas Well Royalties:

If at the expiration of the primary term or at any time or times thereafter, there is any well on the leased premises or lands pooled therewith capable of producing oil or gas, and all such wells are shut in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for as long as said wells are shut in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize or market the minerals capable of being produced from said wells, but in the exercise of such diligence, Lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flowlines, separator and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to Lessee. If at any time after the expiration of the primary term all such wells are shut in for a period of 90 consecutive days, and during such term there are no operations on the leased premises, at or before the expiration of said 90-day period, Lessee shall pay or tender as royalty a sum equal to \$1.00 per acre of land then covered by the lease. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said 90-day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph.

Depository:

Carlsbad National Bank, Carlsbad, New Mexico.

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Pooling Provision: Lessee is authorized to pool the leased premises into oil units of 40 acres each and gas units of 640 acres each, or into such larger units as permitted or prescribed by proper governmental authority.

Lease Form: Producers 88 (4/76) Revised Paid-Up With 640 Acres Pooling Provision.

Lease No. 13:

Date: October 12, 1992.

Recorded: Book 141, page 649, Eddy County Records.

Lessor: Kerr-McGee Corporation.

Lessee: Naumann Oil & Gas, Inc.

Land Covered: T-21-S, R-26-E, N.M.P.M.
Section 12: That portion of the NW/4 SW/4 lying West of the Pecos River and lying outside of the boundaries of Reservoir No. 2, as described by a map of Reservoir No. 2 dated September 6, 1895,
Eddy County, New Mexico.

Interest Covered: All mineral interest therein.

Primary Term: Six (6) months from date.

Delay Rentals: None; this is a paid-up lease.

Royalties: 1/4 on oil and gas, with Lessor having the right to take its royalty in kind.

Shut-in Oil or Gas Well Royalties: Where gas from a well capable of producing gas is not sold or used it shall be deemed that said well or wells are producing gas within the meaning of paragraph 2 of the lease, and the lease shall not terminate if Lessee shall pay on or before 90 days after completion of such shut-in gas well as shut-in gas royalty the amount of \$200.00 per year as long as such well or wells is shut in and the lease is not maintained in force or effect by other provisions thereof. Shut-in royalties shall not be subject to proportionate reduction, and the lease may not be maintained in effect by the annual payment of such shut-in royalty as a substitute for actual production for any period of time beyond one consecutive year after the end of the stated primary term.

Depository: None.

Pooling Provision: Lessee is authorized to pool the leased premises into oil units of 40

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acres each and gas units of 320 acres each, plus a tolerance of 10%, or into such larger units as prescribed by proper governmental authority. It is agreed that no strata or stratum under the lease shall be included in any unit formed pursuant to the pooling provision contained in the lease unless the entire unit so formed shall include the same strata or stratum, and operations or production conducted on any such unit shall not maintain the lease in effect as to any other strata or stratum out of or under this lease that is not included in that unit. Further, no such unit shall be created unless all of the leased premises is included in the unit.

Lease Form:

A printed form of lease apparently prepared by Lessor.

Unusual Provisions:

(a) This lease shall not be assigned in whole or in part by Lessee without the prior written consent of Lessor.

(b) Lessee agrees to furnish Lessor daily drilling reports showing all formations encountered and the depths at which encountered during the immediately preceding day in each well drilled on the leased premises or lands pooled therewith. Upon request by Lessor, Lessee will furnish to Lessor a complete set of cutting and core samples taken during said time, properly labeled as to depth and number. Lessee agrees to furnish to Lessor, upon request at any time, all information desired by Lessor with reference to said wells, including the results and records of all tests of any character which are conducted on the leased premises. Lessee shall test all formations encountered which indicate the presence of oil or gas and shall inform representatives of Lessor in sufficient time so that they may witness such test if they so desire. Agents and employees of Lessor shall have access to the derrick floor at all times and shall be notified in sufficient time to have representatives present to witness the tests of showings encountered, production tests and measurement for final depth. Lessee agrees to furnish Lessor currently as run a complete copy of each electrical survey made, and all well information, logs, reports, and samples shall be complete to the final total depth of the well.

(c) If this lease becomes productive and the royalty from production payable to Lessor during any producing year does not equal \$15.00 per acre for each lease acre being kept in force by production as of the first of

Naumann Oil & Gas, Inc.

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each producing year, within 60 days after the end of the producing year, Lessee shall pay Lessor the difference between the amount of royalty paid to Lessor and the minimum royalty sum provided for in the lease. A producing year, for the purpose of the lease, shall be deemed to commence on the first day of the calendar month following the day on which production commences.

(d) If the lease is in force as to any portion of the leased premises at the expiration of the primary term, it shall expire as to all land then covered thereby except as to lands included in a pooled unit or 40 acres for each producing oil well and 320 acres for each producing gas well, which may be expanded or reduced by the rules of the regulatory body having jurisdiction, and said lease shall further expire as to all rights below the zone from which production in paying quantities is found in each producing unit. As long as the lease remains in effect as to any portion of the leased premises, any portion of the leased premises as to which the lease has expired may still be used by Lessee to the extent reasonably necessary for ingress and egress for gathering, transporting, treating, heating, processing and storing oil and gas produced from the leased premises.

(e) This oil and gas lease shall be limited to production from the proration unit established for the Inexco Fed Com No. 1-A Well.

ASSIGNMENTS

49. Assignment No. 49 was approved by the Bureau of Land Management effective September 1, 1989.

50. By Assignment of Overriding Royalty Interest dated October 17, 1990, recorded in Book 81, page 321, Eddy County Records, Myrle F. Hoffman and wife, Carol Ann Hoffman, assigned an overriding royalty interest equal to 1/2 of 1% of production from the E/2 SW/4, W/2 SE/4 and SE/4 SE/4 of Section 12, pursuant to the terms of Lease No. 2, to Charles R. Wiggins.

51. By Royalty Assignment dated November 26, 1990, recorded in Book 82, page 89, Eddy County Records, Charles R. Wiggins and wife, Andrea C. Wiggins assigned an overriding royalty interest equal to 1/2 of 1% of production from the E/2 SW/4, W/2 SE/4 and SE/4 SE/4 of Section 12, pursuant to the terms of Lease No. 2, to Alan Jochimsen.

52. By Assignment of Overriding Royalty Interest dated November 9, 1990, recorded in Book 84, page 891, Eddy County Records, Gilbert E. Behlen assigned an overriding royalty interest equal to 1/2 of 1% of production from the E/2 SW/4, W/2 SE/4 and SE/4 SE/4 of Section 12, pursuant to the terms of Lease No. 2, to Charles R. Wiggins.

Naumann Oil & Gas, Inc.

-9-

December 9, 1992

53. By Assignment of Overriding Royalty Interest dated December 31, 1990, recorded in Book 85, page 924, Eddy County Records, Charles R. Wiggins and wife, Andrea C. Wiggins, assigned an overriding royalty interest equal to 1/4 of 1% of production from the E/2 SW/4, W/2 SE/4 and SE/4 SE/4 of Section 12, pursuant to the terms of Lease No. 2, to Richard H. Coats.

54. Leonard T. May died February 20, 1989, and his Will was admitted to probate March 7, 1989, in Cause 89-PC-0558 in the Probate Court of Bexar County, Texas. Under the terms of his Will, his entire estate passed to Rhonda L. May, Trustee under Trust Agreement dated January 27, 1989.

55. By Warranty Deed dated December 21, 1990, recorded in Book 92, page 481, Eddy County Records, Rhonda L. May, Independent Executrix of the Estate of Leonard T. May and Attorney-in-Fact for Virginia Louise May, assigned all of her interest in the overriding royalty interest owned by Leonard T. May in captioned land prior to his death to Rhonda L. May, Trustee of the Leonard T. May and Virginia Louise May Living Trust.

56. By instrument dated February 1, 1991, recorded in Book 89, page 297, Eddy County Records, TXO Production Corp. was merged into Marathon Oil Company.

57. By Royalty/Overriding Royalty/Mineral Conveyance dated September 25, 1991, recorded in Book 106, page 1173, Eddy County Records, Rodney F. Behlen assigned an overriding royalty interest equal to 1/3 of 1% of production from the E/2 SW/4, W/2 SE/4 and SE/4 SE/4 of Section 12, pursuant to the terms of Lease No. 2, to Charles R. Wiggins. This assignment has not been filed with the Bureau of Land Management.

58. By Royalty/Overriding Royalty/Mineral Conveyance dated September 25, 1991, recorded in Book 106, page 1174, Eddy County Records, Kurk E. Behlen assigned an overriding royalty interest equal to 1/3 of 1% of production from the E/2 SW/4, W/2 SE/4 and SE/4 SE/4 of Section 12, pursuant to the terms of Lease No. 2, to Charles R. Wiggins. This assignment has not been filed with the Bureau of Land Management.

59. By Royalty/Overriding Royalty/Mineral Conveyance dated June 24, 1991, recorded in Book 106, page 1175, Eddy County Records, Sharon I. Caley, formerly known as Sharon I. Hull, assigned an overriding royalty interest equal to 1/3 of 1% of production from the E/2 SW/4, W/2 SE/4 and SE/4 SE/4 of Section 12, pursuant to the terms of Lease No. 2, to Charles R. Wiggins. This assignment has not been filed with the Bureau of Land Management.

60. By Assignment of Overriding Royalty dated October 1, 1991, recorded in Book 108, page 627, Eddy County Records, Charles R. Wiggins and wife, Andrea C. Wiggins, assigned an overriding royalty interest equal to 1/2 of 1% of production from the E/2 SW/4, W/2 SE/4 and SE/4 SE/4 of Section 12, pursuant to the terms of Lease No. 2, to Richard H. Coats. This assignment has not been filed with the Bureau of Land Management.

61. By Quitclaim Deed dated September 23, 1992, recorded in Book 135, page 362, Eddy County Records, Fina Oil and Chemical Company, successor by merger to Tenneco Oil Company, quitclaimed all of its interest the S/2 of Section 12, from the surface down to the base of the Delaware Sand Formation, to EM Nominee Partnership Company. A counterpart of this assignment has not been filed with and approved by the Bureau of Land Management.

62. By Transfer of Operating Rights dated September 22, 1992, as yet unapproved by the Bureau of Land Management, EM Nominee Partnership Company assigned all of its interest in Lease No. 2 to

Naumann Oil & Gas, Inc.

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December 9, 1992

Richard H. Coats. This assignment has not been recorded in Eddy County, New Mexico; however, see Assignment No. 64, below.

63. By Transfer of Operating Rights dated September 22, 1992, as yet unapproved by the Bureau of Land Management, EM Nominee Partnership Company assigned all of its interest in Lease No. 3 to Richard H. Coats. This assignment has not been recorded in Eddy County, New Mexico; however, see Assignment No. 64, below.

64. By Partial Assignment of Oil and Gas Leases dated September 24, 1992, recorded in Book 138, page 265, Eddy County Records, EM Nominee Partnership Company assigned all of its interest in Lease Nos. 2, 3 and 5 through 11 to Richard H. Coats.

65. By Assignment of Record Title dated March 31, 1992, approved July 1, 1992, recorded in Book 120, page 979, Eddy County Records, and Book 139, page 180, Eddy County Records, Marathon Oil Company assigned all of its interest in Lease No. 1 to Midland Overseas, Inc.

66. By Assignment of Record Title dated April 9, 1992, approved August 1, 1992, recorded in Book 139, page 183, Eddy County Records, Midland Overseas, Inc. assigned all of its interest in Lease No. 1 to Richard H. Coats.

67. Robert M. Moran died May 4, 1985, and his Will was admitted to probate on May 9, 1985, in Cause No. PB-85-78 in the District Court of Lea County, New Mexico. Under the terms of his Will, his entire estate in captioned land passed to Brenda Anne Moran, James M. Maddox and Loyd Whitley, Trustees.

68. By Overriding Royalty Assignment dated October 21, 1992, recorded in Book 139, page 215, Eddy County Records, Brenda A. Moran, Lloyd Whitley and James M. Maddox, Co-Personal Representatives of the Estate of Robert M. Moran, and Brenda A. Moran, Individually, assigned all of their interest in the overriding royalty interest owned by Robert M. Moran prior to his death to The Moran Partnership. This assignment has not been filed with the Bureau of Land Management.

FARMOUT AGREEMENT

The interest owned by Bonneville Fuels Corporation in captioned land is subject to the terms of a Farmout Agreement dated October 14, 1992, as amended by letter agreement dated November 11, 1992, between Bonneville Fuels Corporation, as Farmor, and Naumann Oil & Gas, Inc., as Farmee, covering the E/2 SW/4, W/2 SE/4 and SE/4 SE/4 of Section 12. Under the terms of the agreement, Farmee agrees to commence the actual drilling of a test well at a lawful location in the NE/4 SE/4 of Section 12 on or before January 15, 1993, and to drill said well to a depth of 10,130 feet beneath the surface or to a depth sufficient to test the Strawn Formation, whichever is lesser. The well shall be completed as a producer, plugged and abandoned or turned over to Farmor in accordance with the terms of the agreement within 60 days after commencement. Farmee agrees to notify Farmor in writing of the commencement of the well and furnish to Farmor a copy of the surveyor's plat of the location of the well. Farmee shall also furnish Farmor copies of all reports and other geological information it obtains from the well.

In the event the test well is completed as a producer in the manner and time provided for in the contract, Farmee shall be entitled to an assignment of 70% of Farmor's operating rights in the Contract Area, from the surface down to the stratigraphic equivalent of the total depth drilled in the test well. This assignment must be requested by Farmee in writing within 45 days from the date the test well is completed. Upon commencement of

Naumann Oil & Gas, Inc.

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December 9, 1992

operations for the drilling of a test well, Farmor shall be deemed to have relinquished to Farmee 100% of Farmor's interest in the well and the operating rights incidental thereto. If Farmee completes the test well as a well capable of producing oil or gas and requests an assignment covering the rights earned by Farmee, all in the manner and time provided above, Farmor shall be deemed to have relinquished to Farmee all of Farmor's retained 30% interest in the test well, together with the operating rights therein, until payout of the test well. If the test well is completed as a producer, Farmee shall pay to Farmor, until payout, an overriding royalty interest equal to 6.25% of production. This overriding royalty interest shall not be proportionately reduced except to the extent that Farmor's interest covers less than the entire mineral interest in the Contract Acreage and to the extent the Contract Acreage is unitized or pooled with other lands or leases for production from the test well. At payout, Farmor's retained leasehold interest shall revert to Farmor and the overriding royalty reserved by Farmor shall be extinguished. Farmor shall thereafter be entitled to an undivided 30% interest in the test well and the operating rights therein, and all costs and expenses incurred in the operation of the test well after payout shall be governed by the Operating Agreement attached to the Farmout Agreement as Exhibit 2. Farmor shall have the option within 30 days from the date of receipt of notice of payout to elect not to have its retained 30% interest in the test well revert to it, in which case, Farmor shall execute and deliver to Farmee an assignment covering its retained 30% interest in the well and the operating rights therein, reserving an overriding royalty interest equal to 6.25% of production.

"Payout" is defined as that time, if ever, when Operator shall have recovered from the proceeds of production from the test well, after deducting the lessor's royalty, any overriding royalty and similar burdens on production with which the lease acreage is encumbered on the date of the agreement, and all severance, production, windfall profits and similar taxes attributable to Operator, all of the costs of Operator in drilling, testing, completing and equipping the test well, together with all of the operating costs and expenses incurred during payout, as determined by the Operating Agreement attached to the Farmout Agreement. The agreement may not be assigned by Farmee without the prior written consent of Farmor, and the agreement contains numerous other provisions with which you should be certain to familiarize yourself.

The Operating Agreement attached to the Farmout Agreement is prepared on AAPL Form 610-1982. The preferential right to purchase provision has been stricken from the Operating Agreement, and it provides for a 300% nonconsent penalty. The Operating Agreement also contains numerous other additions and deletions with which you should thoroughly familiarize yourself.

APPORTIONMENT OF DRILLING COSTS

We have set forth under TITLE TO THE MINERAL ESTATE, above, the ownership of the oil and gas leasehold estate in captioned land as it is owned of record. However, you have advised us that the working interest in the test well will be owned by the parties set forth below in the percentages set forth opposite their names:

<u>Name</u>	<u>Working Interest Through the Tanks</u>	<u>Working Interest Past the Tanks</u>
Jack Huff	35.2941180%	30.0000000%
Steve Becker	4.7058824%	4.0000000%
Jack Kirby	5.8823529%	5.0000000%

Naumann Oil & Gas, Inc.

-12-

December 9, 1992

Norman Lovan	3.5294118%	8.0000000%
Richard Coats	5.8823529%	10.0000000%
Joe Miller	5.8823529%	5.0000000%
Brian K. Miller	3.5294118%	3.0000000%
J. R. Miller, Trustee	2.3529412%	2.0000000%
Ventana Exploration	14.7058820%	12.5000000%
Bunny Becker	2.3529412%	2.0000000%
David Moore	6.4705882%	6.5000000%
H. Jack Naumann, Jr.	7.0588235%	10.0000000%
Gregory Smith	2.3529412%	2.0000000%

In the event Bonneville Fuels Corporation elects to convert its overriding royalty interest to 30% of the working interest in Lease No. 2 at payout, as defined in the Farmout Agreement analyzed above, each of the interests set forth above will be reduced proportionately.

ENCUMBRANCES

In addition to the mortgage described as Encumbrance No. 2 in our Original Drilling Title Opinion dated February 9, 1990, the interest owned by Bonneville Fuels Corporation in captioned land is also subject to a Deed of Trust, Mortgage, Assignment, Security Agreement and Financing Statement dated August 30, 1991, recorded in Book 104, page 825, Eddy County Records, from Bonneville Fuels Corporation, as Mortgagor, to The Chase Manhattan Bank (National Association), Agent, as Mortgagee, securing the repayment of all indebtedness provided for under a Credit Agreement between the parties dated August 30, 1991, and a promissory note dated August 30, 1991, in the original principal amount of \$15,700,000.00, due June 30, 1996.

STATUS OF TITLE REQUIREMENTS

1.

Partially satisfied. We have been furnished a copy of Assignment No. 49 which reflects that it was approved by the Bureau of Land Management effective September 1, 1989. However, we have seen nothing to indicate that Assignment No. 47 has been approved by the Bureau of Land Management. We note also that Assignment Nos. 62 and 63 have not yet been approved by the Bureau of Land Management.

REQUIREMENT: Submit for examination approved copies of Assignments Nos. 47, 62 and 63.

2.

Nothing furnished. This requirement noted that Assignment No. 17, an assignment of an overriding royalty interest, had not been filed with the Bureau of Land Management as required by federal regulations. We note also that Assignment Nos. 57, 58, 59, 60 and 67, which are also assignments of overriding royalty interests, have not yet been filed with the Bureau of Land Management.

REQUIREMENT: Assignment Nos. 17, 57, 58, 59, 60 and 67 should be filed with the Bureau of Land Management. Certified copies of the Will of Robert M. Moran and the Order admitting the Will to probate should accompany Assignment No. 67.

3.

Partially satisfied. This requirement asks that you satisfy yourself that Lease Nos. 2 through 11 have been maintained in effect beyond the expiration of their primary terms. It is our

Naumann Oil & Gas, Inc.

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December 9, 1992

understanding that Lease No. 4 has now expired by its own terms and Lease No. 12 now covers the interest previously covered by Lease No. 4. We presume you are satisfied that Lease Nos. 2, 3 and 5 through 11 remain in effect.

REQUIREMENT: Submit for examination a release of Lease No. 4 analyzed in our Original Drilling Title Opinion dated February 9, 1990.

4.

Satisfied.

5.

Nothing furnished.

C.

Nothing furnished. However, you have advised us that personnel at the Bureau of Land Mangement have tentatively agreed to commit the unleased portion of captioned land owned by the United States of America to the communitization agreement for the well you propose to drill on captioned land, with the United States to receive 1/8 of production attributable to such tract under the terms of the communitization agreement. If you elect to proceed with this option, it also would be advisable to force pool this interest in order to be certain that it remains committed to your communitization agreement.

7.

Satisfied.

8.

Nothing furnished.

9.

Satisfied.

10.

Nothing furnished.

11.

Nothing furnished.

12.

Nothing furnished. We have examined assignments of the overriding royalty interest previously owned by E. Irene Behlen in captioned land. The assignments were executed by the three children of E. Irene Behlen, and we presume that such children were the sole devisees under the terms of her Will. We have given effect to these assignments of overriding royalty interests, but it will still be necessary for us to examine copies of the Will of E. Irene Behlen and the Order admitting her Will to probate, and for ancillary probate proceedings for the Estate of E. Irene Behlen to be conducted in Eddy County, New Mexico.

13.

Satisfied.

Naumann Oil & Gas, Inc.

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December 9, 1992

14.

Satisfied.

15.

Satisfied.

16.

Presumed satisfied. We presume you have determined whether the contract set forth under GAS PURCHASE CONTRACTS analyzed in our Original Drilling Title Opinion dated February 9, 1990, have been properly terminated.

17.

Advisory.

18.

Advisory. We note also the unusual provisions contained in the Farmout Agreement analyzed above and Lease No. 13, especially the restrictions on assignment contained therein. We assume you are familiar with the terms of these instruments.

19.

Advisory.

20.

Presumed satisfied. We presume you will have any well that you propose to drill on captioned land staked by a competent surveyor to ensure that it is properly located thereon.

ADDITIONAL TITLE REQUIREMENTS

21.

We have examined copies of the probate proceedings for the Estate of Leonard T. May, who died February 20, 1989. His Will was admitted to probate March 7, 1989, in Cause No. 89-PC-0558 in the Probate Court of Bexar County, Texas. We have given effect to the terms of the Will of Leonard T. May. However, it does not appear that probate proceedings for his estate have been conducted in New Mexico, which is required under New Mexico law to pass marketable title to the interest he owned prior to his death.

REQUIREMENT: Ancillary probate proceedings for the Estate of Leonard T. May should be conducted in Eddy County, New Mexico.

22.

As noted above, the interest owned by Bonneville Fuels Corporation in captioned land is subject to the terms of two separate deeds of trust. We have examined a letter dated November 13, 1992, from Bonneville Fuels Corporation to The Chase Manhattan Bank, N.A., together with a Partial Release of Lien and Security Interest which when executed will release both deeds of trust insofar as they cover captioned land. We assume this Partial Release of Lien and Security Interest will be executed prior to your commencement of drilling operations on captioned land.

REQUIREMENT: Submit for examination an executed copy of the above-described Partial Release of Lien and Security Interest.

Naumann Oil & Gas, Inc.

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December 9, 1992

23.

As noted in our Original Drilling Title Opinion dated February 9, 1990, the interest owned by Kerr-McGee Corporation is subject to the terms of a Mortgage dated May 2, 1984, recorded in Book 348, page 596, Mortgage Records, from Delta Drilling Company, as Mortgagor, to InterFirst Bank Dallas, N.A., Citibank, N.A., and InterFirst Funding Corporation, as Mortgagees. All of the promissory notes described in the Deed of Trust are past due, but we have not examined a release of this Deed of Trust.

REQUIREMENT: Submit for examination a release of the Mortgage described as Encumbrance No. 1 in our Original Drilling Title Opinion dated February 9, 1990, or, in the alternative, submit for examination a subordination agreement whereby the Mortgagees subordinate their interests under the terms of said Mortgage to Lease No. 13, analyzed above.

24.

By Assignment No. 61, Fina Oil and Chemical Company, successor by merger to Tenneco Oil Company, quitclaimed all of its interest in captioned land to EM Nominee Partnership Company. We have given effect to the terms of this conveyance, but it will be necessary for counterparts to this conveyance, insofar as it covers Lease Nos. 2 and 3, to be prepared on the appropriate federal forms, executed by Fina Oil and Chemical Company, and filed with the Bureau of Land Management for approval as required by federal regulations.

We note also that the instrument evidencing the merger of Tenneco Oil Company into Fina Oil and Chemical Company has not been filed for record in Eddy County, New Mexico.

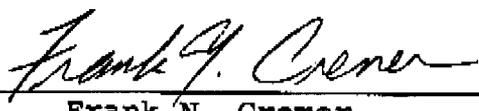
REQUIREMENTS: (a) Submit for examination assignments of Lease Nos. 2 and 3, from Fina Oil and Chemical Company to EM Nominee Partnership Company, assigning all interest owned by Fina in said leases by virtue of its merger with Tenneco Oil Company. These assignments should be prepared on the appropriate federal forms and filed with the Bureau of Land Management for approval as required by federal regulations.

(b) The instrument evidencing the merger of Tenneco Oil Company into Fina Oil and Chemical Company should be filed for record in Eddy County, New Mexico.

The abstract furnished for examination is returned herewith.

Respectfully submitted,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 

Frank N. Cremer

FNC:pb
Enclosure

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2786, 79702-2786 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER

MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Bridge Oil Company, L.P., f/k/a
Petrus Oil Company
Attn: Mark Krahenbuhl
12404 Park Central Drive, Suite 400
Dallas, TX 75251

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval
of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry)
Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S,
R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 

Frank N. Cremer

08237-00100/E227959.J1

April 16, 1993
Page 2

AGREED TO AND ACCEPTED THIS
DAY OF _____, 1993:

BRIDGE OIL COMPANY, L.P., F/K/A
PETRUS OIL COMPANY

By: _____
Printed Name: _____
Title: _____

P 085 629 097



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to	
Bridge Oil Company, L.P	
Street	
f/x/a Petrus Oil Compan	
P.O. City and ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date:	
4/30/93	

PS Form 3800, June 1991

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER

MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Merit Energy Partners, L.P.
Merit Energy Partners II, L.P.
Merit Energy Partners III, L.P.
Attn: Mr. Joe Marek
12221 Merit Drive, Suite 500
Dallas, TX 75251

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 

Frank N. Cremer

08232-00100VE224001.1

April 16, 1993
Page 2

AGREED TO AND ACCEPTED THIS
DAY OF _____, 1993:

MERIT ENERGY PARTNERS, L.P.

By: _____
Printed Name: _____
Title: _____

MERIT ENERGY PARTNERS II, L.P.

By: _____
Printed Name: _____
Title: _____

MERIT ENERGY PARTNERS III, L.P.

By: _____
Printed Name: _____
Title: _____

06/14/93

15:57

915 687 1735

KEMP SMITH MID.

007

P 085 629 098



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to: Merit Energy Partners,	
Street: Inc., et al	
P.O., State and ZIP Code:	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date 4/30/93	

PS Form 3800, June 1991

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2786, 79702-2786 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Mobil Producing Texas & New Mexico Inc.
~~Attn: Land Department~~ 12450 Greenspoint Drive
~~P.O. Box 633~~ Houston, Texas 77060-1991
~~Midland TX 79702~~ Attn: OBO - Producing Advisor

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

Mobil Exploration & Producing U.S. Inc.
as Agent for

Mobil Producing Texas & New Mexico Inc.

By: *Frank N. Cremer*
Frank N. Cremer

AGREED TO AND ACCEPTED THIS 27th
DAY OF May, 1993:

MOBIL PRODUCING TEXAS & NEW MEXICO
INC.

By: *R. E. Duncan*
Printed Name: R. E. Duncan
Title: Producing Advisor

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2798, 79702-2798 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Merit Energy Partners, L.P.
Merit Energy Partners II, L.P.
Merit Energy Partners III, L.P.
Attn: Mr. Joe Marek
12221 Merit Drive, Suite 500
Dallas, TX 75251

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

08232-00100/E228001/1

April 16, 1993
Page 2

AGREED TO AND ACCEPTED THIS 17
DAY OF May, 1993:

MERIT ENERGY PARTNERS, L.P.

By: *Joe A. Marek*
Printed Name: Joe A. Marek
Title: V.P.

MERIT ENERGY PARTNERS II, L.P.

By: *Joe A. Marek*
Printed Name: Joe A. Marek
Title: V.P.

MERIT ENERGY PARTNERS III, L.P.

By: *Joe A. Marek*
Printed Name: Joe A. Marek
Title: V.P.

THE MORAN PARTNERSHIP

B. A. MORAN
GENERAL PARTNER

May 10, 1993

TO: Kemp, Smith, Duncan & Hammond, P.C.
Attorneys at Law
400 West Illinois, Suite 1400
P. O. Box 2796
Midland, TX 79701-4310

FROM: Helen Hall

RE: Application of Naumann Oil & Gas, Inc. for Administrative Approval
of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry)
Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S,
R-26-E, NMPM, Eddy County, New Mexico

Enclosed is the waiver regarding the above referenced property on behalf of
The Moran Partnership that has been executed by B. A. Moran, General
Partner.

XC: Chrono
Federal 12 Comm #1
John Funk

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Mr. R. M. Moran
Box 1919
Hobbs, NM 88240

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Dear Mr. Moran:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: Frank N. Cremer
Frank N. Cremer

AGREED TO AND ACCEPTED THIS 10TH
DAY OF May, 1993:

R. M. Moran General Partner
~~R. M. MORAN~~ THE MORAN PARTNERSHIP

08232-00100/E227992.1

FEB 12 6am #1

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

APR 19 1993

Western Reserves Oil Company
Attn: R. C. Beveridge
P. O. Box 933
Midland, TX 79702

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

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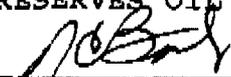
Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

AGREED TO AND ACCEPTED THIS 4th
DAY OF May, 1993:

WESTERN RESERVES OIL COMPANY

By: 
Printed Name: R. C. Beveridge
Title: General Partner

08232-00100/E227985.1

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Rio Pecos Corporation
4501 Greentree Blvd.
Midland, TX 79707

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: *Frank N. Cremer*
Frank N. Cremer

AGREED TO AND ACCEPTED THIS 24th
DAY OF APRIL, 1993:

RIO PECOS CORPORATION

By: *Mark D. Wilson*
Printed Name: Mark D. Wilson
Title: PRES

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Mr. Mark Wilson
4501 Greentree Blvd.
Midland, TX 79707

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

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Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: Frank N. Cremer
Frank N. Cremer

AGREED TO AND ACCEPTED THIS 24TH
DAY OF APRIL, 1993:

Mark Wilson
MARK WILSON

08232-00100/E227994.J1

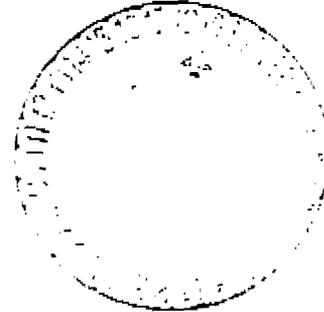
Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARSALBUQUERQUE
EL PASO

April 16, 1993



CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Carlsbad National Bank, Trustee
of the Boyd Revocable Trust
Attn: Carl Manganaro
P. O. Box 1359
Carlsbad, NM 88220

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval
of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry)
Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S,
R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

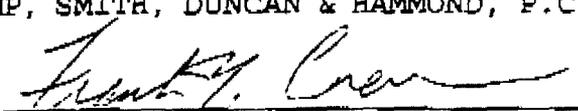
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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 

Frank N. Cremer

April 16, 1993
Page 2

AGREED TO AND ACCEPTED THIS 29th
DAY OF April, 1993:

CARLSBAD NATIONAL BANK, TRUSTEE
OF THE BOYD REVOCABLE TRUST

By: Olive B. Richmond
Printed Name: OLIVE B. Richmond
Title: INVESTMENT COUNSELOR

CARLSBAD NATIONAL BANK, TRUSTEE
OF THE BOYD REVOCABLE TRUST

By: Carl J. Manganaro
Printed Name: Carl J. Manganaro
Title: Sr. Vice President & Trust Officer

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Bridge Oil Company, L.P., f/k/a
Petrus Oil Company
Attn: Mark Krahenbuhl
12404 Park Central Drive, Suite 400
Dallas, TX 75251

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval
of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry)
Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S,
R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 

Frank N. Cremer

April 16, 1993
Page 2

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

BRIDGE OIL COMPANY, L.P., F/K/A
PETRUS OIL COMPANY

By: _____
Printed Name: _____
Title: _____

P 085 629 097



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to	
Bridge Oil Company, L.P.	
Street and No. P.O. Box P.O. Name P.O. Number P.O. Office Name P.O. Office Number P.O. Office Address P.O. Office City P.O. Office State P.O. Office ZIP Code	
P.O., State and ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	
4/30/93	

PS Form 3800, June 1991

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Mobil Producing Texas & New Mexico Inc.

~~Attn: Land Department~~ 12450 Greenspoint Drive
~~P.O. Box 633~~ Houston, Texas 77060-1991
~~Midland TX 79702~~ Attn: OBO - Producing Advisor

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

Mobil Exploration & Producing U.S. Inc.
as Agent for

Mobil Producing Texas & New Mexico Inc.

AGREED TO AND ACCEPTED THIS 27th
DAY OF May, 1993:

MOBIL PRODUCING TEXAS & NEW MEXICO
INC.

By: RE DeJure
Printed Name: RE DeJure
Title: Producing Advisor

By: Frank N. Cremer
Frank N. Cremer

THE MORAN PARTNERSHIP

B. A. MORAN
GENERAL PARTNER

May 10, 1993

TO: Kemp, Smith, Duncan & Hammond, P.C.
Attorneys at Law
400 West Illinois, Suite 1400
P. O. Box 2796
Midland, TX 79701-4310

FROM: Helen Hall

RE: Application of Naumann Oil & Gas, Inc. for Administrative Approval
of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry)
Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S,
R-26-E, NMPM, Eddy County, New Mexico

Enclosed is the waiver regarding the above referenced property on behalf of
The Moran Partnership that has been executed by B. A. Moran, General
Partner.

XC: Chrono
Federal 12 Comm #1
John Funk

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2798, 79702-2798 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Mr. R. M. Moran
Box 1919
Hobbs, NM 88240

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Dear Mr. Moran:

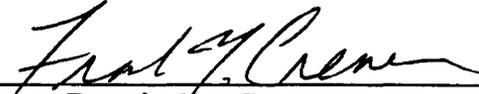
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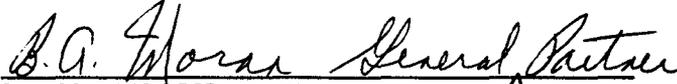
Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 

Frank N. Cremer

AGREED TO AND ACCEPTED THIS 10TH
DAY OF May, 1993:


R. M. MORAN THE MORAN PARTNERSHIP

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

APR 19 1993

Western Reserves Oil Company
Attn: R. C. Beveridge
P. O. Box 933
Midland, TX 79702

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

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Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

AGREED TO AND ACCEPTED THIS 4th
DAY OF May, 1993:

WESTERN RESERVES OIL COMPANY

By: 
Printed Name: R. C. Beveridge
Title: General Partner

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Rio Pecos Corporation
4501 Greentree Blvd.
Midland, TX 79707

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

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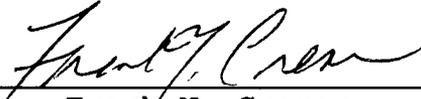
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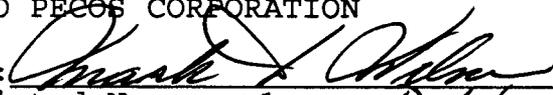
Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

AGREED TO AND ACCEPTED THIS 24th
DAY OF APRIL, 1993:

RIO PECOS CORPORATION

By: 
Printed Name: Mark P. Wilson
Title: PRES

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Mr. Mark Wilson
4501 Greentree Blvd.
Midland, TX 79707

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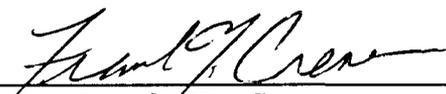
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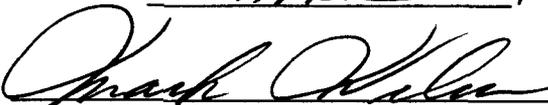
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Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

AGREED TO AND ACCEPTED THIS 24TH
DAY OF APRIL, 1993:


MARK WILSON

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

OIL CONSERVATION DIVISION

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

APR 16 1993

ALBUQUERQUE
EL PASO

April 16, 1993

Mr. William J. LeMay, Director
Oil Conservation Division
New Mexico Dept. of Energy, Minerals
and Natural Resources
State Land Office Building
Santa Fe, NM 87503

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Dear Mr. LeMay:

Naumann Oil & Gas, Inc. hereby requests administrative approval of a non-standard unit for its Inexco Fed. Com No. 1 (Re-Entry) Well, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico. The well has been completed as a gas well and is capable of production from the Strawn Formation. The proposed unit will be all of the S/2 of said Section 12, ~~SAVE and EXCEPT 5.5 acres described as the east one-half of the channel of that portion of the Pecos River bed located in the W/2-SW/4 of said Section 12; and that portion of the NW/4, SW/4 of said Section 12 lying west of the middle of the Pecos River bed.~~ The proposed unit will contain 314.5 acres. The non-standard unit is necessary because the minerals underlying the above-described 5.5-acre tract are owned by the United States of America and appear to be unleased. Because of the length of time that has passed since a survey was made on Section 12, there is some uncertainty at the Bureau of Land Management as to the exact location of the above-described 5.5-acre tract. As a result, the United States of America currently is uncertain as to whether it can include the above-described 5.5-acre tract on a list of lands capable of being leased, or commit its unleased mineral interest in said tract to the Communitization Agreement covering the subject well. Through telephone conversations with personnel at the Bureau of Land Management District Office in Roswell, New Mexico, we have been informed that the Bureau of Land Management will approve a communitization agreement for the subject well covering the proposed 314.5-acre proration unit. Therefore, Naumann Oil & Gas, Inc. desires to exclude the above-described 5.5-acre tract from the proration unit for the Inexco Fed. Com No. 1 (Re-entry) Well and form a non-

Mr. William J. LeMay
April 16, 1993
Page 2

standard unit for said well consisting of the remaining 314.5 acres in the S/2 of Section 12.

Attached to this Application is a plat showing the acreage which is the subject of this Application indicating the dedicated acreage and identifying the ownership of the offsetting leases and wells producing from the same pool or formation. Also attached is a portion of a map prepared on September 6, 1895, showing the approximate location of the Pecos River bed in the W/2 SW/4 of Section 12 at the time the map was made. This map has been relied upon in the past by personnel at the Bureau of Land Management for establishing the acreage included in the various tracts in the W/2 SW/4 of Section 12. Notice of this Application has been provided by certified mail to the operators of all offsetting spacing or proration units and the United States of America, the owner of the acreage within the half section in which the non-standard unit is situated which is not included in said non-standard unit, all as required by Division Rule 104D. We have requested these operators and the United States of America to waive objection to this Application. Copies of these letters are attached to this letter Application with an accompanying Affidavit confirming that Oil Conservation Division notice requirements have been met.

Your consideration of this administrative Application is appreciated.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

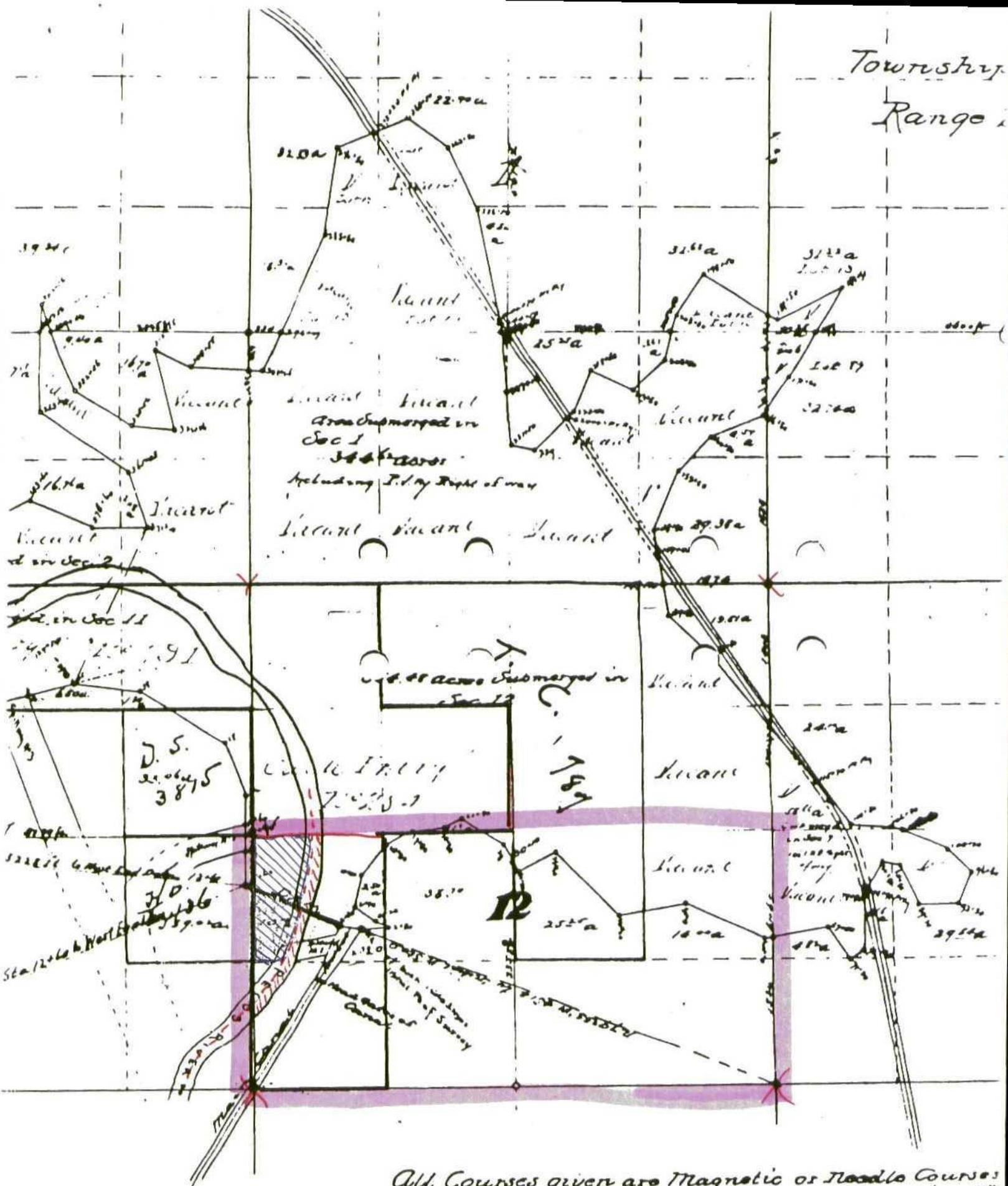
By: 
Frank N. Cremer

FNC:pb

cc: Oil Conservation Division,
District II
811 S. First Street
Artesia, NM 88210
Attn: Mr. N. B. Williams, Supervisor

Enclosures

Township
Range



All Courses given are Magnetic or Needle Courses
 Variation from true North - 11° 30' East - Jan 11th
 All Station Numbers represent so many hundred feet
 Distance

Area Submerged	1661.94 Acres
Maximum Capacity	21,350.70 Acre feet

OFFSET OPERATORS

Naumann Oil and Gas, Inc. - Inexco Fed. Com #1-A (Re-entry)
660' FEL and 1650' FSL of Section 12, T-21-S, R-26-E,
N.M.P.M., Eddy County, New Mexico

T-21-S, R-26-E, Eddy County, New Mexico

- 1) N/2 of Section 12
NM-0555283
NM-14467
NM-A15461

Bridge Oil Company L.P.,
Petrus Oil Company and Merit Energy Partners, L.P.
12377 Merit Drive, Suite 1600
Dallas, Texas 75251
ATTN: Land Department

- 2) All of Section 13:
NM0489599

John A. Yates
105 S. Fourth Street
Artesia, NM 88210

Myco Industries, Inc.
105 S. Fourth Street
Artesia, NM 88210

Yates Drilling Company
105 S. Fourth Street
Artesia, NM 88210

Peyton Yates
105 S. Fourth Street
Artesia, NM 88210

Judy H. Yates
P.O. Box 769
Artesia, NM 88210

Devon Energy Corporation
Devon Energy Partners, L.P.
20 North Broadway, Suite 1500
Oklahoma City, OK 73102
ATTN: Land Department

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, NM 88210

- 3) N/2 & SE/4 of Section 11
NM 3606
NM 15461

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, NM 88210

Western Reserves Oil Company
P.O. Box 933
Midland, TX 79702
ATTN: R.C. Beverage

R.M. Moran
Box 1919
Hobbs, NM 88240

Mark Wilson
4501 Greentree Blvd.
Midland, TX 79707

Rio Pecos Corporation
4501 Greentree Blvd.
Midland, TX 79707

Carlsbad Nation Bank, Trustee of
the Boyd Revocable Trust
P.O. Box 1359
Carlsbad, NM 88220
ATTN: Carl Manganaro

- 4) E/2 of Section 14

Yates Petroleum Corporation
105 S. Fourth Street
Artesia, NM 88210

T-21-S, R-27-E, Eddy County, New Mexico

- 5) N/2 of Section 18
NM 050029

Merit Energy Partners, L.P.
Merit Energy Partners II, L.P.
Merit Energy Partners III, L.P.
12377 Merit Drive, Suite 1600
Dallas, Texas 75251
ATTN: Land Department

RHC:037.605

6) W/2 of Section 7
NM 0501759
NM 19599

Devon Energy Corporation
Devon Energy partners, L.P.
20 North Broadway, Suite 1500
Oklahoma City, OK 73102
ATTN: Land Department

Mobil Producing Texas & New Mexico
P.O. Box 633
Midland, Texas 79702
ATTN: Land Department

BHP Petroleum, Inc.
5847 San Felipe, Suite 3600
Houston, TX 77057
ATTN: Randy Ray

RHC:037.605

**INTEREST OWNERS IN S/2 OF SECTION 12
NOT INCLUDED IN NON-STANDARD UNIT**

Naumann Oil and Gas, Inc. - Inexco Fed. Com #1-A (Re-entry)
660' FEL and 1650' FSL of Section 12, T-21-S, R-26-E,
N.M.P.M., Eddy County, New Mexico

United States of America
c/o Bureau of Land Management
District Office
P. O. Box 1397
Roswell, New Mexico 88202-1397

Attn: Mr. Armando Lopez

C-divide

11/16/93

Received

4/19/93

Released

6/16/93

June 16, 1993

Naumann Oil & Gas, Inc.
c/o Kemp, Smith, Duncan & Hammond, P.C.
P. O. Box 2796
Midland, Texas 79702-2796

Attn: Frank N. Cremer

1672
Administrative Order NSP-****

Dear Mr. Cremer:

Reference is made to your application dated April 16, 1993 to sever approximately 5.5 acres, more or less, within the Federal domain from the S/2 of Section 12, Township 21 South, Range 26 East, NMPM, Eddy County, New Mexico, thereby forming a non-standard 314.50-acre, more or less, gas spacing and proration unit in the Strawn formation.

The Inexco Federal Com Well No. 1 located at a previously approved unorthodox gas well location (Division Administrative Order NSL-3216, dated January 8, 1993) 1650 feet from the South line and 660 feet from the East line (Unit I) of said Section 12 recently completed in the Undesignated West Burton Flat-Strawn Gas Pool is to be dedicated to the proposed unit.

The acreage to be severed from the S/2 of Section 12 are those unleased Federal Tracts comprising that portion of the NW/4 SW/4 of said Section 12 lying west of the middle of the channel of the Pecos River and the eastern one-half of the channel of that portion of the Pecos River located in the W/2 SW/4 of said Section 12. Said acreage to be excluded is depicted and herein referenced on the map entitled Plat of Reservoir No. 2 prepared by The Pecos Irrigation and Improvement Company and dated September 6, 1895. Said map was made a part of a quit title suit styled United States of America v. Pecos Irrigation Company, being Cause No. CV 78-091 B, in the United States District Court for the District of New Mexico.

By authority granted me under the provisions of General Rule 104.D(2), the aforementioned non-standard 314.50-acre, more or less, gas spacing and proration unit within the S/2 of said Section 12, save and except the 5.5 acres, more or less, of unleased Federal minerals as described-above, is hereby authorized; provided however, this administrative order shall not become effective until

such time as like approval of communitization of said spacing/proration unit is granted by the United States Bureau of Land Management.

Sincerely,

William J. Lemay
Director

cc: Oil Conservation Division - Artesia
U.S. BLM - Carlsbad Resource Area Office, Carlsbad
U.S. BLM - Roswell District Office, Roswell (Armando Lopez)
File: NSL-3216

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED



Carlsbad National Bank, Trustee
of the Boyd Revocable Trust
Attn: Carl Manganaro
P. O. Box 1359
Carlsbad, NM 88220

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval
of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry)
Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S,
R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

April 16, 1993

Page 2

AGREED TO AND ACCEPTED THIS 29th
DAY OF April, 1993:

CARLSBAD NATIONAL BANK, TRUSTEE
OF THE BOYD REVOCABLE TRUST

By: Olive B. Richmond
Printed Name: OLIVE B. Richmond
Title: INVESTMENT COUNSELOR

CARLSBAD NATIONAL BANK, TRUSTEE
OF THE BOYD REVOCABLE TRUST

By: Carl J. Manganaro
Printed Name: Carl J. Manganaro
Title: Sr. Vice President & Trust Officer

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 887-0011 | FAX 915 887-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Bureau of Land Management
District Office
P. O. Box 1397
Roswell, NM 88202-1397

Attn: Armando Lopez

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: Frank N. Cremer
Frank N. Cremer

AGREED TO AND ACCEPTED THIS
DAY OF _____, 1993:

BUREAU OF LAND MANAGEMENT

By: _____
Printed Name: _____
Title: _____

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Mobil Producing Texas & New Mexico Inc.
Attn: Land Department
P. O. Box 633
Midland, TX 79702

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: _____


Frank N. Cremer

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

MOBIL PRODUCING TEXAS & NEW MEXICO
INC.

By: _____
Printed Name: _____
Title: _____

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

BHP Petroleum, Inc.
Attn: Randy Ray
5847 San Felipe, Suite 3600
Houston, TX 77057

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

AGREED TO AND ACCEPTED THIS
DAY OF _____, 1993:

BHP PETROLEUM, INC.

By: _____
Printed Name: _____
Title: _____

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Mr. John A. Yates
105 S. Fourth Street
Artesia, NM 88210

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Dear Mr. Yates:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

JOHN A. YATES

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Myco Industries, Inc.
105 S. Fourth Street
Artesia, NM 88210

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

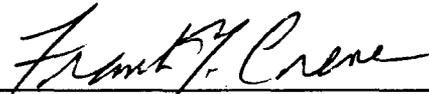
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Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

MYCO INDUSTRIES, INC.

By: _____
Printed Name: _____
Title: _____

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Yates Drilling Company
105 S. Fourth Street
Artesia, NM 88210

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: _____


Frank N. Cremer

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

YATES DRILLING COMPANY

By: _____
Printed Name: _____
Title: _____

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2798, 79702-2798 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Mr. Peyton Yates
105 S. Fourth Street
Artesia, NM 88210

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Dear Mr. Yates:

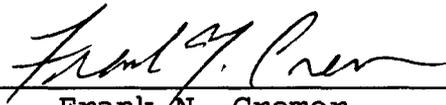
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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 

Frank N. Cremer

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

PEYTON YATES

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Ms. Judy H. Yates
105 S. Fourth Street
Artesia, NM 88210

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Dear Ms. Yates:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

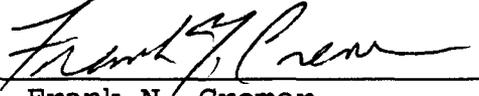
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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: _____


Frank N. Cremer

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

JUDY H. YATES

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Yates Petroleum Company
105 S. Fourth Street
Artesia, NM 88210

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

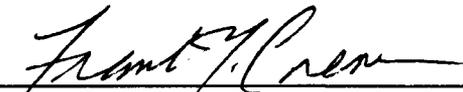
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Naumann Oil & Gas, Inc. respectfully requests that you waive objection to this non-standard unit. If you are agreeable to doing so, please indicate your waiver by signing and dating this letter in the space provided below, and returning one copy to the undersigned in the enclosed self-addressed, stamped envelope.

If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

YATES PETROLEUM COMPANY

By: _____
Printed Name: _____
Title: _____

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 887-0011 | FAX 915 887-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Mr. R. M. Moran
Box 1919
Hobbs, NM 88240

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Dear Mr. Moran:

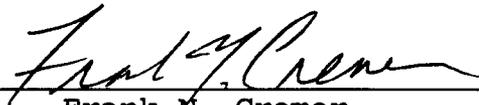
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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 

Frank N. Cremer

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

R. M. MORAN

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Western Reserves Oil Company
Attn: R. C. Beverage
P. O. Box 933
Midland, TX 79702

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

This letter is to advise you that Naumann Oil & Gas, Inc. has filed the enclosed Application with the New Mexico Oil Conservation Division seeking administrative approval for a non-standard unit for its Inexco Fed. Com No. 1 (Re-entry) Well in the Strawn Formation, Burton Flat Pool, located 660' FEL and 1,650' FSL of Section 12, Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

WESTERN RESERVES OIL COMPANY

By: _____
Printed Name: _____
Title: _____

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Rio Pecos Corporation
4501 Greentree Blvd.
Midland, TX 79707

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

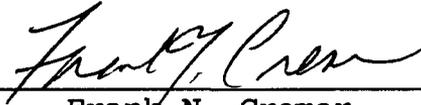
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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

AGREED TO AND ACCEPTED THIS
DAY OF _____, 1993:

RIO PECOS CORPORATION

By: _____
Printed Name: _____
Title: _____

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 887-0011 | FAX 915 887-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Mr. Mark Wilson
4501 Greentree Blvd.
Midland, TX 79707

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Dear Mr. Wilson:

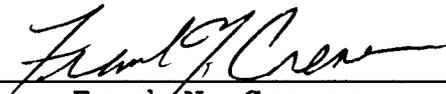
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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 

Frank N. Cremer

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

MARK WILSON

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2798, 79702-2798 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Devon Energy Corporation
Devon Energy Partners, L.P.
Attn: Land Dept.
20 N. Broadway, Suite 1500
Oklahoma City, OK 73102

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

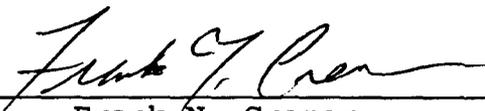
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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 
Frank N. Cremer

April 16, 1993
Page 2

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

DEVON ENERGY CORPORATION

By: _____
Printed Name: _____
Title: _____

DEVON ENERGY PARTNERS, L.P.

By: _____
Printed Name: _____
Title: _____

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Bridge Oil Company, L.P.,
Petrus Oil Company and
Merit Energy Partners, L.P.
Attn: Land Department
12377 Merit Drive, Suite 1600
Dallas, TX 75251

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval
of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry)
Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S,
R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

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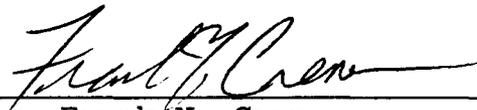
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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: _____


Frank N. Cremer

April 16, 1993
Page 2

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

BRIDGE OIL COMPANY, L.P.

By: _____
Printed Name: _____
Title: _____

PETRUS OIL COMPANY

By: _____
Printed Name: _____
Title: _____

MERIT ENERGY PARTNERS, L.P.

By: _____
Printed Name: _____
Title: _____

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Merit Energy Partners, L.P.
Merit Energy Partners II, L.P.
Merit Energy Partners III, L.P.
Attn: Land Department
12377 Merit Drive, Suite 1600
Dallas, TX 75251

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry) Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

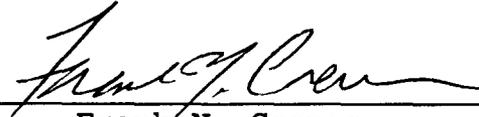
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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 

Frank N. Cremer

April 16, 1993
Page 2

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

MERIT ENERGY PARTNERS, L.P.

By: _____
Printed Name: _____
Title: _____

MERIT ENERGY PARTNERS II, L.P.

By: _____
Printed Name: _____
Title: _____

MERIT ENERGY PARTNERS III, L.P.

By: _____
Printed Name: _____
Title: _____

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 | FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

ALBUQUERQUE
EL PASO

April 16, 1993

CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Carlsbad National Bank, Trustee
of the Boyd Revocable Trust
Attn: Carl Manganaro
P. O. Box 1359
Carlsbad, NM 88220

Re: Application of Naumann Oil & Gas, Inc. for Administrative Approval
of a Non-Standard Unit for its Inexco Fed. Com No. 1 (Re-entry)
Well, located 660' FEL and 1,650' FSL of Section 12, T-21-S,
R-26-E, N.M.P.M., Eddy County, New Mexico

Gentlemen:

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If you have any questions regarding this matter, please call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

By: 

Frank N. Cremer

April 16, 1993
Page 2

AGREED TO AND ACCEPTED THIS _____
DAY OF _____, 1993:

CARLSBAD NATIONAL BANK, TRUSTEE
OF THE BOYD REVOCABLE TRUST

By: _____
Printed Name: _____
Title: _____

BEFORE THE

OIL CONSERVATION DIVISION

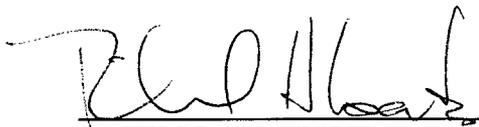
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF NAUMANN OIL & GAS, INC.
FOR ADMINISTRATIVE APPROVAL
OF A NON-STANDARD UNIT,
EDDY COUNTY, NEW MEXICO

AFFIDAVIT

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

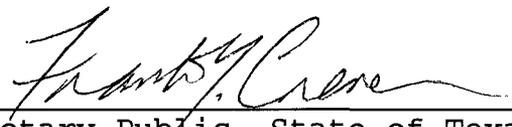
RICHARD H. COATS, authorized representative of Naumann Oil & Gas, Inc., the Applicant herein, being first duly sworn, upon oath, states that the notice provisions of Rule 104D of the New Mexico Oil Conservation Division have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all operators of proration or spacing units offsetting the unit for which this non-standard unit is sought, and all operators owning interests in the half section in which the non-standard unit is situated and which acreage is not included in said non-standard unit, as shown by Exhibit "A" attached hereto, and that pursuant to Rule 104D, notice has been given by certified mail as provided by such rule.



RICHARD H. COATS

SUBSCRIBED AND SWORN TO BEFORE ME this 16th day of April, 1993.





Notary Public, State of Texas

APPROVAL-CERTIFICATION-DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784, 30 U. S. C. 226(j)), and delegated to the Area Oil and Gas Supervisors of the Geological Survey, I do hereby:

A. Approve the attached communitization agreement covering the S $\frac{1}{2}$ sec. 12, T. 21 S., R. 26 E., N. M. P. M.,

Eddy County, New Mexico,

as to (dry gas and associated liquid hydrocarbons)

~~(oil and associated liquid hydrocarbons)~~ producible from the

Morrow formation.

B. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of the agreement.

Dated: October 17, 1975

Charles P. Thompson
Acting Area Oil and Gas Supervisor
U. S. Geological Survey

Contract No: Com. Agr. -SW- 1043

Tract No. 4

Lessor: Olive S. Boyd, et al
 Lessee of Record: Gulf Oil Corporation
 Serial No. of Lease: Fee
 Date of Lease: February 14, 1974
 Description of Lands Committed: T-21-S, R-26-E, N.M.P.M.
 Section 12: All of SW $\frac{1}{4}$ SW $\frac{1}{4}$ lying west of
 the Pecos River
 Number of Acres: 8.47 (2.823333 net)
 Working Interest and Percentage: Gulf Oil Corporation - 33-1/3%
 Overriding Royalty and Percentage: None

Tract No. 4-A

Lessor: Jeannie Stennis Howard, et al
 Lessee of Record: Hanagan & Hanagan
 Serial No. of Lease: Fee
 Date of Lease: March 5, 1974
 Description of Lands Committed: T-21-S, R-26-E, N.M.P.M.
 Section 12: All of the SW $\frac{1}{4}$ SW $\frac{1}{4}$ lying west of
 the Pecos River
 Number of Acres: 8.47 (5.646667 net)
 Working Interest and Percentage: Hanagan & Hanagan - 66-2/3%
 Overriding Royalty and Percentage: Leonard May - 3%

Tract No. 5

Lessor: Pecos Irrigation Company
 Lessee of Record: Pecos Irrigation Company
 Serial No. of Lease: Fee
 Date of Lease: Unleased
 Description of Lands Committed: T-21-S, R-26-E, N.M.P.M.
 Section 12: All of NW $\frac{1}{4}$ SW $\frac{1}{4}$ lying west of the
 Pecos River and south of dam
 Number of Acres: 5.03
 Working Interest and Percentage: Pecos Irrigation Company - 100%
 Overriding Royalty and Percentage: ---

Tract No. 6

Lessor: ~~Undetermined~~
 Lessee of Record: ~~Undetermined~~
 Serial No. of Lease: ~~Fee~~
 Date of Lease: ---
 Description of Lands Committed: ~~T-21-S, R-26-E, N.M.P.M.~~
~~Section 12: All of the NW $\frac{1}{4}$ SW $\frac{1}{4}$ lying west of~~
~~the Pecos River and north of dam~~
 Number of Acres: ~~5.50~~

This highlighted language describes the map in detail.

FILED
UNITED STATES DISTRICT COURT
ALBUQUERQUE, NEW MEXICO
ED STATES
AUG 7 1980
ICO
Julian CLERK

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IN T
UNITED STATES OF A
vs.
PECOS IRRIGATION COMPANY,
Defendant.

178-091-4B

ENTERED ON DOCKET
AUG 11 1980

JUDGMENT

This cause came on for hearing on the Stipulation filed herein between the parties. The body of the Stipulation is as follows:

1. ~~It is stipulated between the parties that the map of Reservoir #2 dated September 6, 1895, approved by the Secretary of Interior February 23, 1897, be and the same is hereby ratified and confirmed as being the boundaries of Reservoir #2. A copy of said map is made a part of this Stipulation and shall be filed with the Court in this cause.~~

2. The title to the following lands in Eddy County, New Mexico, is the subject matter of this quiet title suit:

That portion of the following described lands lying on the right bank of the Pecos River (facing downstream) West and/or South of the old location of the Pecos River:

Township 21 South, Range 26 East

- Section 3: Lots 13 and 14, NE $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$
- Section 4: Lots 2, 7, 8 and 9
- Section 10: NE $\frac{1}{4}$ NE $\frac{1}{4}$
- Section 11: N $\frac{1}{2}$ N $\frac{1}{2}$
- Section 12: W $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, and NW $\frac{1}{4}$ SW $\frac{1}{4}$

3. Defendant Pecos Irrigation Company is the owner, free of any claims by the Plaintiff, of all the oil, gas and other minerals lying in and under that portion of the lands described in paragraph 2 above lying outside the boundaries of said Reservoir #2, as depicted on the map referred to in paragraph 1. The acreage of the oil, gas and other minerals owned by Pecos Irrigation Company is set forth as follows:

Kemp, Smith, Duncan & Hammond, P.C.

ATTORNEYS AT LAW

OIL CONSERVATION DIVISION

400 WEST ILLINOIS, SUITE 1400, MIDLAND, TEXAS 79701-4310 | P.O. BOX 2796, 79702-2796 | 915 687-0011 FAX 915 687-1735

FRANK N. CREMER
MEMBER TEXAS, NEW MEXICO AND COLORADO BARS

'93 JUN 17 AM 9 04

ALBUQUERQUE
EL PASO

June 14, 1993

Mr. Michael Stogner
Oil Conservation Division
New Mexico Dept. of Energy, Minerals
and Natural Resources
State Land Office Building
Santa Fe, NM 87503

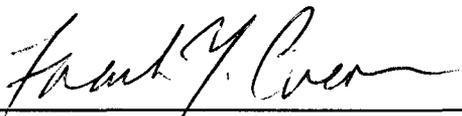
Re: Application of Naumann Oil & Gas, Inc. for Administrative
Approval of a Non-Standard Unit for its Inexco Fed. Com No. 1
(Re-entry) Well, located 660' FEL and 1,650' FSL of Section
12, T-21-S, R-26-E, N.M.P.M., Eddy County, New Mexico

Dear Mr. Stogner:

Enclosed please find two additional notice letters that we
sent with corrected addresses. Also enclosed are all of the
waivers we have received to date in connection with the above-
referenced matter. If you have any questions, please feel free to
call.

Very truly yours,

KEMP, SMITH, DUNCAN & HAMMOND, P.C.

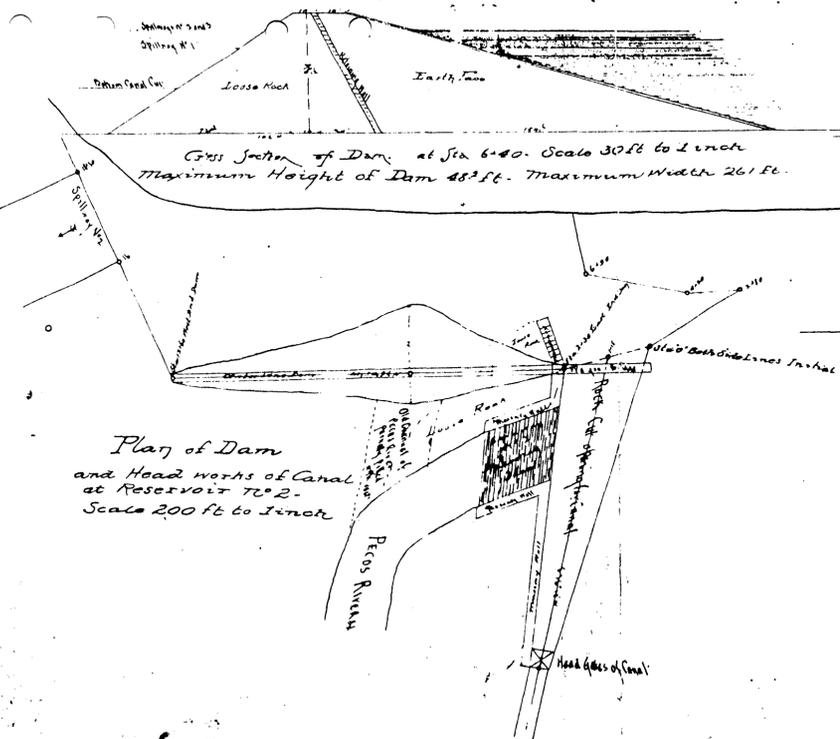
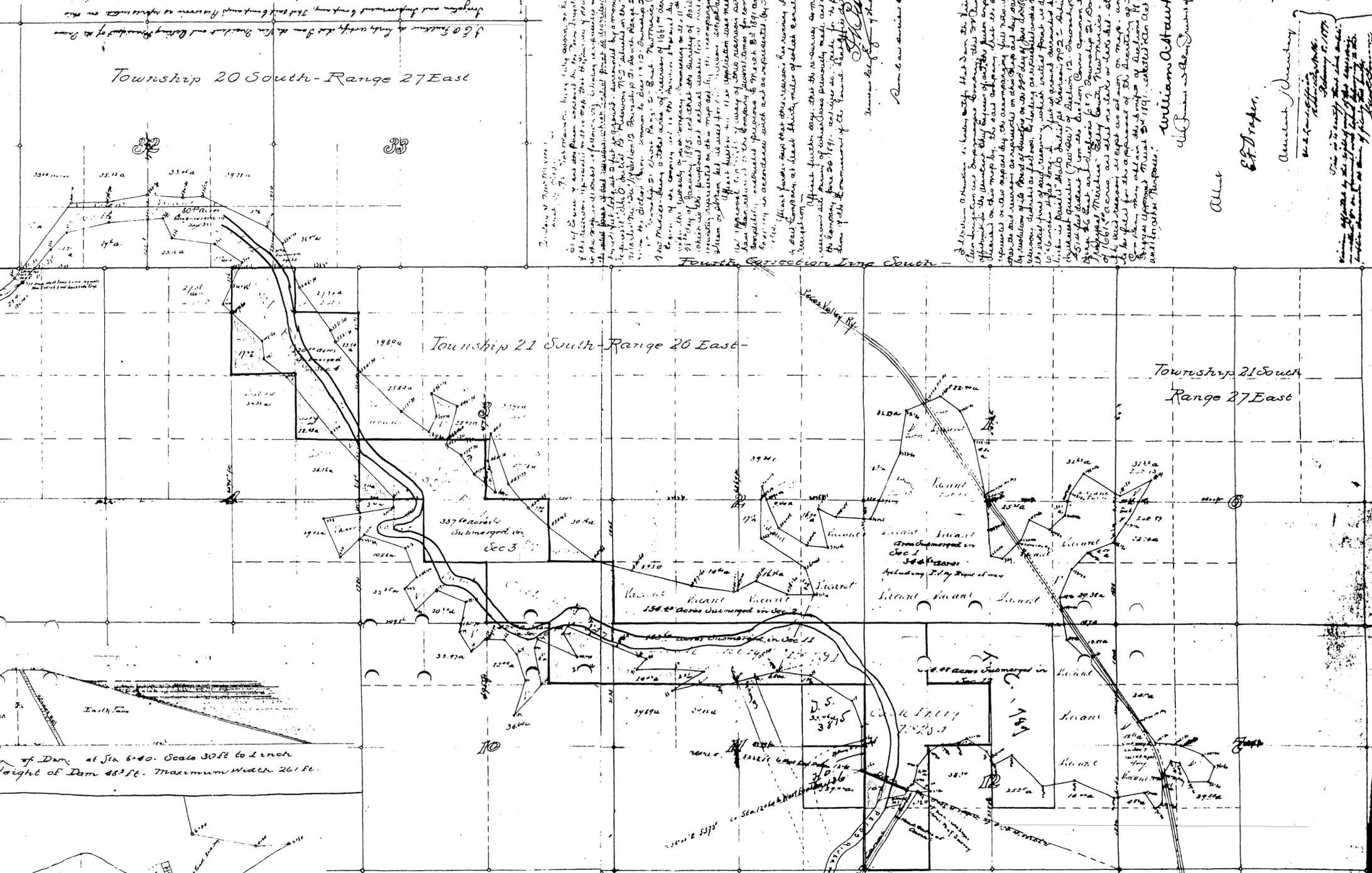
By: 

Frank N. Cremer

FNC:lf
Enclosures

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PLAN OF DAM AND HEAD WORKS OF CANAL AT RESERVOIR NO. 2.
 SCALE 200 FT TO 1 INCH

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All Courses given are Magnetic or Needle Courses
 Variation from true North - 11° 30' East - Jan 11th 1895.
 All Station Numbers represent so many hundred feet in
 distance

Area Submerged	1661.94 Acres
Maximum Capacity	21,388.70 Acro feet
Length of Dam	2030 Feet
Maximum Height of Dam	48 Ft
Maximum Width of Dam	261 Ft

The Source of Water Supply for this Reservoir is the Pecos River

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