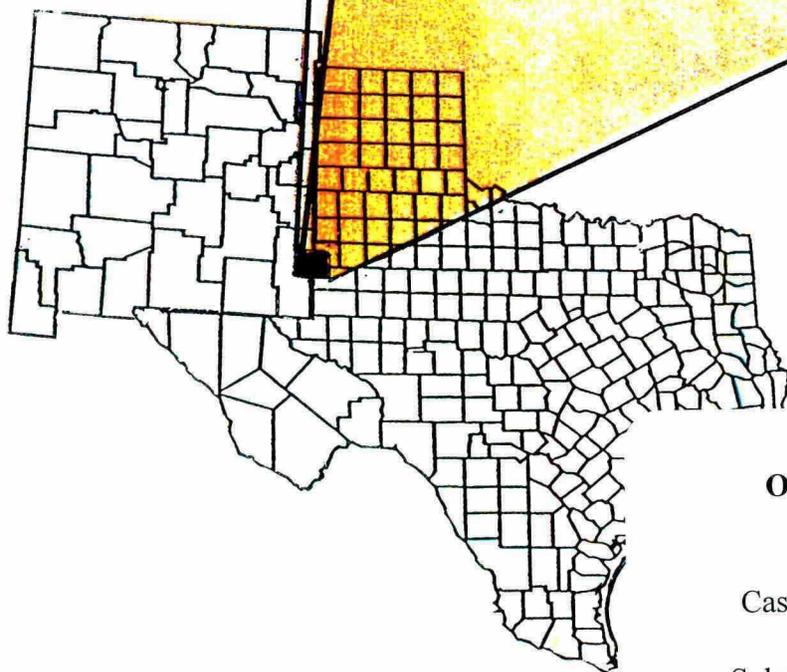
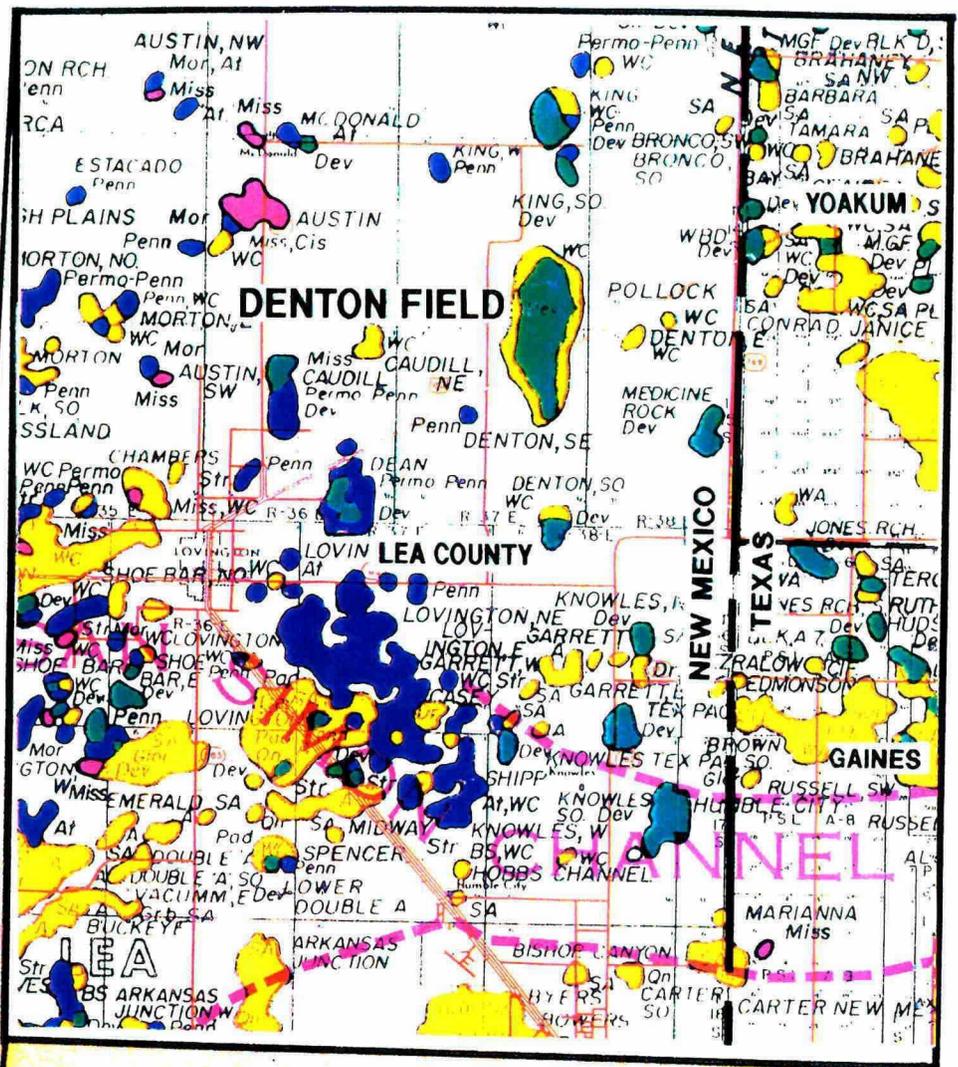


# DENTON DEVONIAN



BEFORE THE  
OIL CONSERVATION DIVISION  
Santa Fe, New Mexico

Case No. 11290 Exhibit No. 1

Submitted by: Collins & Ware, Inc.

Hearing Date: June 1, 1995



**KERR-McGEE**

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

EXPLORATION AND PRODUCTION DIVISION

March 23, 1995

Writer's Telephone #405/270-3734

**COLLINS & WARE, INC.**  
Attn: Mr. Ron J. King  
508 West Wall Avenue, Suite 1200  
Midland, TX 79701-5076

**BEFORE THE  
OIL CONSERVATION DIVISION**

Santa Fe, New Mexico

RE: Farmout Agreement  
T14S - R37E, N.M.P.M.  
Section 26: S/2  
Section 35: E/2  
Lea County, NM  
P4388-7

Case No. 11290 Exhibit No. 2

Submitted by: Collins & Ware, Inc.

Hearing Date: June 1, 1995

Gentlemen:

KERR-McGEE CORPORATION (hereinafter referred to as "Kerr-McGee" or "we") is the owner of certain leasehold interest in the oil and gas rights under the lands described in Exhibit "A" attached hereto and incorporated herein by reference, as to the lands therein described (which lands are sometimes hereinafter referred to as "contract premises").

You desire to acquire an assignment of certain interests in said leasehold by drilling and completing the test well at the location provided in Paragraph 1 hereof, and to acquire the option to earn assignments of certain additional interests in said leasehold by drilling and completing a subsequent well or wells as provided in Paragraph 3.

When you have complied with all of the provisions of this agreement, including those set forth in Exhibit "B" attached hereto, then we will, upon request, execute and deliver unto you an assignment of the interest in said leasehold as hereinafter provided.

It is therefore agreed as follows:

1. If, on or before July 1, 1995, you commence or cause to be commenced the actual drilling or workover of a well (hereinafter referred to as "test well") at a

legal location within the South Half (S/2) of Section 26 or the East Half (E/2) of Section 35, Township 14 South, Range 37 East (T14S-R37E), Lea County, New Mexico and thereafter in a good and workmanlike manner drill same to the lesser of the following depths (said lesser depth hereinafter referred to as "contract depth"); to wit,

- (a) 12,600 feet below the Kelly Bushing, or
- (b) A depth sufficient to thoroughly test the Devonian Formation;

and if you comply with the other provisions hereof applicable to said well, you will have the right to attempt to earn the interest in the leasehold described in Exhibit "A" as hereinafter more specifically set forth in Paragraph 4.

2. Each of the wells which may be drilled or worked over under the terms of this agreement shall, within ninety (90) days from the respective dates of their commencement, be completed to produce into your storage tanks or into the pipeline to which it may be connected, or if a dry hole, shall be plugged and abandoned in accordance with the rules and regulations of the New Mexico Oil Conservation Commission. Provided, however, if any such well is completed as a well capable of producing gas in paying quantities, but is shut in for lack of a market, it shall be deemed completed as of the date of installation of the christmas tree thereon. For the purposes of this agreement, the terms "producing" and/or "paying quantities", when used in connection with the description of a well, shall mean the output from a well of such quantity of hydrocarbon substances, as determined by production tests of a reasonable duration, which output would, by considering the cost of completing, equipping and connecting same, commercially and economically warrant the taking of such production.

3. If you have complied with the terms and conditions of this agreement relating to the test well, whether same has been completed as a producing oil and/or gas well, a shut-in gas well or has been plugged and abandoned as a dry hole, you shall have the right, but not the obligation, to attempt to earn an additional interest in the leasehold described in Exhibit "A" by commencing a well (hereinafter referred to as "option well") at a location of your choice within the Unit as heretofore outlined in Paragraph 1 above. Said option well shall be commenced within one-hundred-twenty (120) days from the date of rig release from the test well, drilled to the contract depth in a good and workmanlike manner, and completed within the time limitation and in the manner hereinabove provided in Paragraph 2. Should you allow more than one-hundred-twenty (120) days to expire from the date of rig release from the test well and the commencement of the option well, your right to earn the additional interest as herein set forth shall terminate.

In a like manner, you shall have the further option to drill additional option wells, after the first option well on the remaining unit covering rights in and to the Devonian formation. Each additional option well must be commenced within one-hundred-twenty (120) days from the date of rig release from the prior option well, drilled to the contract depth in a good and workmanlike manner hereinabove provided in Paragraph 2. Should you allow more than one-hundred-twenty (120) days to expire from the date of rig release from any option well and the commencement of the next option well, your rights to earn further interests shall terminate.

4. For each well that is timely commenced, drilled to the contract depth within the time limitation provided therefor, and completed as a producing oil and/or gas well or as a shut-in gas well; and if you have complied with all of the other provisions of this agreement applicable thereto, including those set forth in Exhibit "B" attached hereto, then we will upon request, execute and deliver unto you, without warranties of title, either express or implied, and subject to the conditions, reservations, and limitations hereinafter set forth, an assignment of all of our right, title and interest in the leasehold described in Exhibit "A" insofar and only insofar as said lease covers lands included in the established spacing unit for each producing well drilled within the South Half (S/2) of Section 26 and the East Half (E/2) of Section 35 of Township 14 South, Range 37 East (T14S-R37E), Lea County, New Mexico. Provided, however, that said assignment shall be subject to the overriding royalty interest hereinafter set forth and shall be limited to rights in the Devonian formation only.

In addition to the foregoing, for each existing well which you elect to workover, you shall reimburse to Kerr-McGee for its share of the wells' net salvage value as it exists at the time immediately prior to commencing the workover.

5. In each assignment provided for in Paragraph 4 above, Kerr-McGee excepts, and in each such assignment there shall be reserved and retained unto Kerr-McGee, its successors and assigns, as an overriding royalty (free and clear of all costs of treating, gathering, compressing, transporting and marketing of production), that portion of all oil, gas and other hydrocarbons produced and saved from or allocable to the lands described in such assignment which is equal to the difference between twenty-five percent (25%) of such hydrocarbons and the sum of all royalties and overriding royalties, production payments and any other interests measured by or payable from production burdening the leasehold assigned covering such lands as of the date of such assignment.

Each such overriding royalty shall, at Kerr-McGee's election, be payable either in kind or in value. When paid in kind, the overriding royalty portion of production shall at reasonable times and intervals be delivered to Kerr-McGee, free from the aforementioned costs and expenses, into your storage facilities or the pipeline to which said well may be connected. When paid in value, it shall be computed on the basis for which production is sold in a bona fide arms length transaction without reduction therein or deduction therefrom for the aforesaid costs and expenses, whether such services are performed by you or the first purchaser. Each such overriding royalty shall apply and burden the leasehold described in the respective assignment in which such interest is reserved and retained and any renewals, extensions, modifications or amendments of such leasehold.

It is expressly understood that Kerr-McGee makes no representations as to its leasehold interests in and to the lands described in Exhibit "A", nor that such leasehold covers all of the oil and gas interests in the lands described therein. In the event that any of the leasehold covers less than all of the oil and gas interests in the lands covered thereby and described in an assignment made pursuant to Paragraph 4, then the overriding royalty interest reserved unto Kerr-McGee in such assignment as to such lands shall be reduced in the proportion that the oil and gas interests actually covered by such leasehold bears interest to all of the oil and gas interests in such lands.

6. All costs and expenses pertaining to the drilling, testing, completing and equipping of the well provided for in this agreement shall be borne solely by you. In conducting operations on the contract premises you do hereby agree to indemnify Kerr-McGee, its agents and employees, and hold them harmless from and against all claims, demands, actions and causes of action (including costs of defending same) for injuries to or death of any and all persons and damage to any wells or property, arising out of or connected with your operations on the contract premises. You further agree to indemnify Kerr-McGee from and against all claims for labor and/or materials and any other costs and expenses in connection with your operations on the contract premises.

7. In conducting operations on the contract premises, you agree to comply with the covenants, both express and implied, and the conditions of the leasehold described in Exhibit "A", and with all laws, rules, regulations, orders and/or directives of governmental regulatory bodies having jurisdiction thereover. You will promptly forward to Kerr-McGee any notices you receive concerning the contract premises and/or your operations thereon.

8. Except as otherwise provided in Exhibit "B", all notices required or permitted to be given under this agreement shall be made in writing and either delivered personally, by registered or certified mail or telegram. Notice shall have been properly given when written and either delivered personally, deposited in the United States Mail or with Western Union Telegraph Company, with all postage or other charges fully prepaid and addressed to the respective parties as follows:

**KERR-McGEE CORPORATION**  
McGee Tower 703  
P. O. Box 25861  
Oklahoma City, OK 73125  
ATTN: Land Department

**COLLINS & WARE, INC.**  
508 West Wall Avenue  
Suite 1200  
Midland, TX 79701-5076  
ATTN: Mr. Ron J. King

The time within which the party receiving notice has to respond thereto shall commence to run from the date notice is received. Either party may at any time and from time to time change its address for the receipt of notice by so notifying the other party as herein provided.

9. Each of the provisions of Exhibit "B" attached hereto is incorporated herein by reference just as though the same were fully set forth herein.

10. Time is of the essence of this agreement. Should you fail to timely commence any well provided for hereunder, you shall thereafter have no further rights hereunder. If you timely commence any such well and thereafter fail to drill and complete same in accordance with the provisions of this agreement (including those set forth in Exhibit "B" attached hereto), then in addition to other remedies we may have, we will be relieved of any obligation to make, execute or deliver unto you the assignment of the interest in the leasehold described in Exhibit "A" which you might otherwise have earned by drilling and completing such well. Provided, however, nothing herein shall impair your right to any assignment previously earned by you under the provisions of this agreement.

11. This agreement is binding upon the parties hereto, their respective successors and assigns; provided, however, that neither your rights nor your obligations under this agreement may be assigned, in whole or in part, without the express prior written consent of Kerr-McGee.

If you are in agreement with the matters set forth herein, please indicate your acceptance by executing in the space provided below and returning the original and one copy to us at the letterhead address on or before the 10th day of April, 1995, at which time this offer will, at our option, terminate if not accepted by you.

Yours very truly,

**KERR-McGEE CORPORATION**

By: 

Bill R. Layton  
Vice President - Land  
Petroleum Exploration

AGREED TO AND ACCEPTED this 11<sup>th</sup> day of APRIL, 1995.

COLLINS & WARE, INC.

By: 

Title: VICE PRESIDENT, LAND

## EXHIBIT "A"

Attached to and made a part of that certain agreement dated March 23, 1995 by and between KERR-McGEE CORPORATION and COLLINS & WARE, INC.

### ALL LANDS SITUATED IN LEA COUNTY, NEW MEXICO

#### P4388-0007A:

Lessor: Saidee Lamphear  
Lessee: John J. Redfern, Jr.  
Dated: 11-25-50  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 91, Pages 281-82

#### P4388-0007B:

Lessor: Rosalind Redfern, et vir  
Lessee: J.H. Herd  
Dated: 04-18-51  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 92, Pages 120-21

#### P4388-0007C:

Lessor: Irene Prefontaine, et vir  
Lessee: John J. Redfern, Jr.  
Dated: 02-15-51  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 91, Pages 264

#### P4388-0007D:

Lessor: Stanley F. Jackes, et ux  
Lessee: J.H. Herd  
Dated: 09-27-49  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 81, Pages 51-52

**P4388-0007E:**

Lessor: Lessing Alch, et ux  
Lessee: John J. Redfern, Jr.  
Dated: 06-24-49  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 89, Pages 431-32

**P4388-0007F:**

Lessor: Henry Lange, et ux  
Lessee: J.H. Herd  
Dated: 02-21-49  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 76, Pages 182-83

**P4388-0007G:**

Lessor: William Allingham  
Lessee: J.H. Herd  
Dated: 02-23-49  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 76, Pages 184-85

**P4388-0007H:**

Lessor: R.K. Andrews, et ux  
Lessee: John J. Redfern, Jr.  
Dated: 03-07-49  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 75, Pages 557-58

**P4388-0007I:**

Lessor: Otto Mathews, et ux  
Lessee: John J. Redfern, Jr.  
Dated: 02-25-49  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 75, Pages 553-54

**P4388-0007J:**

Lessor: William A. Schraubstadter  
Lessee: J.H. Herd  
Dated: 02-24-49  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 75, Pages 555-56

**P4388-0007K:**

Lessor: C.F. Kloeppel, et ux  
Lessee: J.H. Herd  
Dated: 02-23-49  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 76, Pages 283-84

**P4388-0007L:**

Lessor: Clara L. Rasmussen  
Lessee: J.H. Herd  
Dated: 02-24-49  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 76, Pages 227-28

**P4388-0007M:**

Lessor: Phil Ziegenfuss, et ux  
Lessee: J.H. Herd  
Dated: 02-24-49  
Lands: Section 26: S/2, Section 35: E/2  
Recorded: Book 75, Pages 559-60

INSOFAR ONLY as said leases cover the Devonian Formation in and under the S/2 of Section 26, and the E/2 of Section 35, both in Township 14 South, Range 37 East, N.M.P.M., Lea County, New Mexico.

## **EXHIBIT "B"**

Attached to and made a part of the agreement (referred to in this Exhibit "B" as "this agreement") dated March 23, 1995 between KERR-McGEE CORPORATION (referred to in this Exhibit "B" as "us" or "we") and COLLINS & WARE, INC. (referred to in this Exhibit "B" as "you").

I. At all times during which operations are being conducted under this Agreement, you shall obtain and maintain insurance in force and effect, for the benefit of the parties hereto, insurance covering such operations in not less than the following amounts:

- (a) Workers' Compensation Insurance to comply with all applicable laws of the jurisdiction in which operations are conducted and Employers' Liability Insurance with a limit of \$500,000 each accident.
- (b) Comprehensive General or Commercial Liability Insurance covering all operations with a combined single limit of \$1,000,000 any one occurrence for bodily injury and/or property damage. Such insurance shall include Contractual Liability Coverage to insure the indemnity and hold harmless provisions of this Agreement.
- (c) Automobile Liability Insurance covering all owned, non-owned, and hired vehicles with a combined single limit of \$1,000,000 each accident for bodily injury and/or property damage.

You shall submit for our approval, prior to the commencement of operations under this Agreement, certificate(s) of insurance showing full compliance with the above requirements; each of which certificates shall specify that at least thirty (30) days written notice will be given us in the event of cancellation or material change in coverage.

II. With respect to each well drilled under this agreement, you agree to comply with and, promptly as you receive same, to furnish the following without expense to KERR-McGEE.

- A. A plat of the survey showing the location of such well.
- B. To give our representative access to said well at all times, including freedom of the derrick floor, and to fully advise us as to the depth and condition of said well at any time.
- C. Such samples or cuttings, including samples of all cores taken, as we may request.

D. To properly test to our satisfaction any and all formations in which shows of oil and gas are encountered.

E. To run and promptly furnish us one copy of the following logs: An induction electrical survey from the base of the surface casing to total depth, and gamma ray compensated density log of all potential pay zones.

F. One copy of all professional and/or commercial reports, complete title opinions, curative materials, surveys, governmental forms, analyses and charts made in connection with the drilling and/or completion of such well.

G. To plug and abandon such well if the same is dry, and to furnish a copy of the plugging record; provided, however, such well will not be plugged or abandoned without due notice first being given of your intention so to do, and granting us a reasonable time (not less than 12 hours) to have a representative present.

H. Well-End Summary Report which shall include all pertinent information regarding the drilling, testing and completion of such well.

I. Prior to commencement of drilling, to contact our representative designated below in order to make specific arrangements for notification and accomplishment of the foregoing. All notices and information to be given pursuant to the foregoing provisions shall be given to:

**KERR-McGEE CORPORATION**  
706 McGee Tower  
P. O. Box 25861  
Oklahoma City, Oklahoma 73125  
Attention: Mr. Dan Miller

or other such representative as we may designate.

III. For so long after the execution of this agreement as you shall have an interest in or a right hereunder to acquire an interest in the lease(s) identified in Exhibit "A", KERR-McGEE shall use its best efforts to pay or cause to be paid delay rentals, if any, which become payable under said lease(s). Also, KERR-McGEE shall use its best efforts to pay or cause to be paid shut-in well payments, if provided for in the lease(s), which become payable under said lease(s), prior to the delivery unto you of an assignment under this agreement. You agree to notify KERR-McGEE CORPORATION, Attention: Lease Records Department, immediately upon your reaching a decision to complete a well as a shut-in well or to suspend, for any reason, production from a producing well on the contract premises or lands pooled therewith, setting forth the date on which such well is expected to be shut in and

the reason therefor. You shall, within ten (10) days after receipt of billing therefor, reimburse KERR-McGEE for the full amount of such rental and shut-in well payments. Kerr-McGee shall not be held liable to you in damages or otherwise for loss of said lease(s) or any interest therein if, through mistake or oversight, any such payment is not timely made or is erroneously paid.

IV. You agree that you will not release, surrender or let expire any interest assigned to you under this agreement without first giving us, thirty (30) days before such interest is to be released, surrendered or let expire, written notice thereof describing therein such interest and identifying the lands and leases included. We may, at our option, within fifteen (15) days after receipt of such notice, request reassignment of any and all such interest described in such notice, whereupon you will promptly reassign same to us, warranting the title to the same to be free and clear of all liens, claims or encumbrances suffered or created by, through or under you.

V. KERR-McGEE reserves and shall have the right, at its election, to purchase all or any part of the hydrocarbons which may be produced and saved from or attributable to any portion of the premises assigned to you pursuant to this agreement. If any well drilled on the premises assigned hereunder or lands pooled therewith is completed as a producing well, you shall promptly notify us of such fact. If KERR-McGEE elects to exercise the call on production retained herein, the price to be paid for crude oil and/or condensate purchased by KERR-McGEE hereunder shall be its posted field price for crude oil and/or condensate of like grade and gravity produced in the field. If KERR-McGEE has no posted field price in effect at the time such crude oil and/or condensate is purchased hereunder, the price to be paid therefor shall be the arithmetical average of the posted field prices of the major purchasing companies for oil and/or condensate of like grade and gravity in the same general vicinity which are in effect at the time of such purchase hereunder. For any gas purchased hereunder (i.e., dry or gas well gas, including any casinghead gas purchased in association therewith) which is subject to price restrictions established, prescribed or otherwise imposed by any governmental authority having jurisdiction over the sale of such gas, the price to be paid therefor shall be the highest price permitted for such category or type of gas after making all applicable adjustments (including, without limitation, tax reimbursement, dehydration, compression and gathering allowances, inflation and other escalations). For any such gas purchased hereunder which is not restricted or controlled as to price, the price to be paid therefor shall be determined in accordance with whichever of the following is applicable:

- (a) the highest price being paid to KERR-McGEE for any gas produced from the same reservoir in sales by it to a pipeline purchaser for resale for public consumption; or

(b) if there are no such sales, then the arithmetical average of the three highest prices (adjusted for all material differences in circumstances, including, without limitation, quality and quantity) being paid for gas produced from the same field in sales by producers to non-affiliated pipeline purchasers for resale for public consumption under contracts entered into during the twelve (12) month period immediately preceding the date of first takes of such gas by KERR-McGEE and having terms of not less than five (5) years (or, if there are not three such contracts within such field, then within a fifty (50) mile radius of such field); or

(c) if neither (a) nor (b) above is applicable, then the price to be paid for such gas shall be a price which represents the market value of such gas determined in accordance with other accepted and usual gas practices between producers and non-affiliated pipeline purchasers.

The price to be paid for casinghead gas purchased by KERR-McGEE hereunder not in association with dry or gas well gas shall be determined on the basis of and under the terms generally prevailing in the general area.

In the event such call on production is not exercised as to gas well gas and/or casinghead gas, KERR-McGEE shall nevertheless have the exclusive right, at its election, to process or have processed all or any part of the gas well gas and/or casinghead gas produced and saved from or attributable to any portion of the said premises. In any sale or disposition of your share of gas from acreage covered hereby, you will retain the right to process or have processed the natural gas stream for the extraction of natural gas liquids and to retain the liquids removed by such processing. Such right to process or have processed shall permit the location of processing facilities at any point selected by Kerr-McGee on the gas purchaser's system downstream from the wellhead, which point shall generally be in or near the field of production but which may be sufficiently removed from place of production to permit construction of a processing plant at no extraordinary cost or expense. Such right to so locate facilities shall be applicable whether or not other gas may have been commingled with gas hereunder prior to such point of processing.

If at any time KERR-McGEE is not purchasing gas well gas and/or casinghead gas produced and saved from or attributable to the premises assigned to you hereunder, but is, pursuant to the above provisions, processing your share of such gas or having the same processed for the recovery of liquid hydrocarbons therefrom, all such liquids recovered shall be owned as follows:

(a) In accordance with the terms and provisions of a mutually agreeable Processing Agreement which the parties shall execute, or

(b) In the absence of such Processing Agreement, all such liquids recovered shall be owned by KERR-McGEE, who shall pay you therefor (i) the value of that percentage of the said liquids recovered, saved and sold by it equivalent to the highest bona fide offer made to you by a third party for processing such gas, or (ii) in the absence of such an offer, the value (based upon the price specified in the gas sales contract by which the gas is sold by you after it has been processed) of the gas shrinkage (including plant fuel) resulting from the processing of such gas, plus the value of one-eighth (1/8) of said liquids recovered, saved and sold by KERR-McGEE. For the purposes of this Item (b), the value of liquid hydrocarbons removed from said gas shall be the weighted average sales price for all similar products, f.o.b. processing plant fence, after deducting sales costs, discounts and allowances, and, in the case of tank car shipments of LPG only, tank car rental of 3/8 cents per gallon.

In the event you should desire to process or have processed your share of such gas, then, within one hundred twenty (120) days after written notice to KERR-McGEE, KERR-McGEE shall advise in writing whether or not it elects to process or have processed said gas as herein provided. In the event KERR-McGEE does not elect to process or have processed such gas, then the gas processing rights granted to it under this provision shall thereupon terminate; provided, however, that if, within the period of one hundred twenty (120) days following relinquishment of the processing rights by KERR-McGEE, you shall not have commenced or cause to be commenced the processing of such gas or the construction of the transportation or processing facilities necessary to process same, then the relinquishment of the processing rights by KERR-McGEE shall become ineffective and it shall again have the same rights to elect whether or not it will process or have such gas processed.

In the event you should enter into more than one contract for the sale or disposition of your share of such gas; or if any contract so made provides for delivery into two or more different systems of the purchaser; or if you in any way make more than one disposition of such gas, then the rights herein granted to Kerr-McGee shall be separate with respect to each such contract, system or disposition.

All notices required or permitted to be given under the provisions of this Article V. shall be by written notice delivered to:

KERR-McGEE CORPORATION  
P. O. Box 25861  
2500 McGee Tower  
Oklahoma City, OK 73125  
Attention: Oil & Gas Production Division

## FARMOUT AGREEMENT

THIS AGREEMENT is made and entered into effective that date set forth below, by and between HERD OIL AND GAS COMPANY, hereinafter referred to as "Farmor" whose address is 415 W. Wall Ave., Suite 300, Midland, Texas 79701, and COLLINS & WARE, INC., hereinafter referred to as "Farmee", whose address is 508 W. Wall Ave., Suite 1200, Midland, Texas 79701.

WHEREAS, Farmor is the owner of certain undivided interest in and to those Oil and Gas Leases, the "Leases" described in Exhibit "A" attached hereto and made a part hereof for all purposes;

WHEREAS, Farmee proposes to earn an interest in the Leases insofar as said leases cover the following described lands, hereinafter referred to as the "Farmout Lands", under the terms and provisions as set forth below;

Insofar and only insofar as said Leases cover the Devonian formation in and under the South Half (S/2) of Section 26, and the East Half (E/2) of Section 35, both in Township 14 South, Range 37 East, N.M.P.M., Lea County, New Mexico

NOW THEREFORE, in consideration of the mutual covenants and agreements herein set forth, the parties hereto agree as follows:

1. INITIAL TEST WELL: On or before June 1, 1995, Farmee will commence or cause to be commenced, a well, the "Initial Test Well" at a location of its choice on the Farmout Lands, said well to be drilled in a proper and workmanlike manner to a depth of 12,250 feet, or to a depth sufficient to test the Devonian formation.

2. CONTINUOUS DEVELOPMENT: After completion of the Initial Test Well, Farmee is granted the option to continue drilling on the Farmout Lands with not more than 180 days to lapse between the date of completion (the date that Form C-105 is filed with the New Mexico Oil Conservation Commission, or thirty days after the date of drilling rig release, whichever is the earlier date) of any one well and the commencement of actual drilling of the next succeeding well until the Farmout Lands have been developed as provided in Paragraph 4 hereof. Any well drilled under the provisions of this section shall be referred to as an Option Well, and each Option Well shall be drilled in a proper and workmanlike manner to a depth sufficient to test the Devonian formation. Should Farmee commence an option well in less than 180 days from the date of completion of the last preceding well, the balance of unused time shall be added to the time in which Farmee has to commence actual drilling of the next succeeding well.

3. SUBSTITUTE WELL: In the event any well is lost for any reason prior to being drilled to a depth sufficient to test the Devonian formation, or if Farmee has encountered during the drilling of any well mechanical difficulty or formation or condition which would render further drilling impracticable or impossible, Farmee may plug and abandon such well and thereafter may continue its rights hereunder by commencing a Substitute Well (or Wells) for any such well which has been lost or abandoned within 90 days from the date the prior well was lost or abandoned. Any Substitute Well drilled shall be drilled subject to the same terms and conditions and to the same depth as provided for the well so lost or abandoned. Any reference in this Agreement to the Initial Test Well or any Option Well shall be deemed a reference to any well which may be drilled as a Substitute Well therefor.

4. EARNED ASSIGNMENT: Upon receipt of Farmee's written request, and as soon as practicable after Farmor is satisfied that Farmee has complied with all of its obligations (including, but not limited to, all geological requirements as set out in Exhibit "B" attached hereto) under this Agreement with regard to the completion of a well as a producer of oil and/or gas in paying quantities, Farmor shall deliver to Farmee as assignment of all of its interest in and to the Leases, insofar as said Leases cover the Devonian formation, and insofar as said Leases cover the forty (40) acre proration unit of said well, plus those five (5) ten (10) acre tracts contiguous to the two sides of the 40 acre proration unit of said well nearest in proximity to the location of said well. Farmor shall reserve unto itself an overriding royalty interest equal to the difference between twenty-five percent (25%) of all oil and/or gas produced, saved or marketed and all lease burdens of record as of the date of this Agreement.

Farmor agrees, that if Farmee continuously develops the Farmout Lands as provided for in paragraph 2 hereof, until it has drilled, either as wells capable of producing in paying quantities, or

plugged and abandoned as dry holes, a total of seven (7) wells, with said seven wells to be drilled on or as near as possible under the rules and regulations of the New Mexico Oil Conservation Commission to the "five spot locations" found on the Farmout Lands, Farmee will earn all of Farmor's interest in and to the Farmout Lands, subject to the reservations contained herein. Farmee agrees that should it fail to continuously develop the Farmout Lands, as provided above, until it has drilled the seven (7) wells provided for above, it shall earn only that acreage, as provided in the preceding paragraph, for each well drilled.

5. PROPORTIONATE REDUCTION: If the Leases described in this Agreement cover less than the full leasehold estate in the lands described in such Leases, or if Farmor's interest in such Leases is less than the full leasehold estate, then the overriding royalty interest reserved out of production shall be payable in the proportion that Farmor's interest bears to the full leasehold estate in said lands.

6. ABANDONMENT OF WELLS: In the event any well is completed as non-productive of oil and/or gas in paying quantities, or ceases production, Farmee shall immediately give Farmor written notice of the proposed plugging and abandonment of that well. Farmor shall have fifteen (15) days after receipt of written notice within which to elect to take over the well for the purpose of conducting additional operations as it desires; except that if a drilling rig is on location, notice to plug and abandon may be given by telephone or electronic facsimile and Farmor's response period shall be limited to forty-eight (48) hours, inclusive of Saturday, Sunday or legal holidays. If Farmor fails to advise Farmee of its election within the prescribed period of time, the well shall be plugged and abandoned by Farmee. If electing to do so, Farmor shall have the right to take over the well, and pay to Farmee the reasonable salvage value for materials and equipment in and on the well, less the cost of salvaging, and acquire the well for Farmor's own use and purposes.

All notices provided for herein shall be given to the parties hereto at the following:

Herd Oil and Gas Company  
415 W. Wall Ave., Suite ~~1202~~ 300  
Midland, Texas 79701  
Tel. No. (915) 684-5591  
Fax. No. (915) 684-5333

Collins & Ware, Inc.  
508 W. Wall Ave, Suite 1200  
Midland, Texas 79701  
Tel. No. (915) 687-3435  
Fax. No. (915) 686-0302

7. AGREEMENTS AFFECTING FARMOUT LANDS: Except as otherwise provided, Farmee shall be bound by any agreements which affect the Farmout Lands and the Leases covering said lands at the time of assignment to Farmee. Farmor shall not be liable for its good faith failure to disclose the existence or effect of any such agreement to Farmee, either in this Agreement or otherwise.

8. PERMISSION TO ASSIGN: This Farmout Agreement may not be assigned by Farmee without the prior written consent of Farmor. Such written consent shall not be unreasonably withheld.

9. REASSIGNMENT: Subject to the provisions of Paragraph 6. above, it is understood that at the time any well drilled under the terms of this Agreement becomes incapable of producing oil or gas in paying quantities, thus becoming noncommercial, or, rework operations are not timely commenced, or if rework operations fail and production in paying quantities is not restored, Farmee will, at such time, reassign the Leases, insofar as said Leases cover those lands contained within the proration unit of said well, to Farmor by recordable instrument.

10. INDEMNIFICATION: All costs and expenses pertaining to the drilling, testing, completing and equipping of the wells provided for in this agreement shall be borne solely by Farmee. In conducting operations on the Farmout Lands, Farmee hereby agrees to indemnify

Farmor, its agents and employees, and hold them harmless from and against all claims, demands, actions and causes of action (including costs of defending same) for injuries to or death of any and all persons and damages to any well or property, arising out of, or connected with, Farmee's operations on the Farmout Lands. Farmee further agrees to indemnify Farmor from and against all claims for labor and/or material and any other costs and expenses in connection with Farmee's operations on the Farmout Lands.

THIS AGREEMENT is executed this 21<sup>st</sup> day of April, 1995.

FARMORS:

HERD OIL AND GAS COMPANY

By:   
Name: TERVIS HERD  
Title: President

FARMEE:

COLLINS & WARE, INC.

By:   
Ron J. King, Vice President

EXHIBIT "A"

To that certain Frmout Agreement dated April 21, 1995, by and between Herd Oil and Gas Company and ~~J. H. Herd~~, Farmors, and Collins & Ware, Inc., Farmee.

OIL AND GAS LEASES

The following Oil and Gas Leases cover lands located in Lea County, New Mexico:

1. Dated: August 134, 1943  
Recorded: Volume 42, Page 76  
Lessor: T. D. Pope  
Lessee: J. E. Simmons
2. Dated: November 26, 1947  
Recorded: Volume 66, Page 315  
Lessor: F. G. Langbein, et ux  
Lessee: G. M. Shelton
3. Dated: December 22, 1947  
Recorded: Volume 66, Page 317  
Lessor: B. D. Buckley, et ux  
Lessee: G. M. Shelton
4. Dated: January 2, 1948  
Recorded: Volume 66, Page 474  
Lessor: Roy V. Flesh, et ux  
Lessee: G. M. Shelton
5. Dated: January 2, 1948  
Recorded: Volume 66, Page 470  
Lessor: G. M. Shelton, et ux  
Lessee: Walter C. Cremin
6. Dated: May 27, 1948  
Recorded: Volume 69, Page 426  
Lessor: Earle Payne, et ux  
Lessee: Walter C. Cremin
7. Dated: February 21, 1949  
Recorded: Volume 76, Page 182  
Lessor: Henry Lange, et ux  
Lessee: J. H. Herd
8. Dated: February 23, 1949  
Recorded: Volume 76, Page 184  
Lessor: Willian Allingham  
Lessee: J. H. Herd
9. Dated: February 24, 1949  
Recorded: Volume 76, Page 227  
Lessor: Clara L. Rasmussen  
Lessee: J. H. Herd
10. Dated: February 23, 1949  
Recorded: Volume 76, Page 283  
Lessor: C. F. Kloeppe  
Lessee: J. H. Herd
11. Dated: February 24, 1939  
Recorded: Volume 75, Page 555  
Lessor: William A. Schraubstadter  
Lessee: J. H. Herd
12. Dated: February 24, 1949  
Recorded: Volume 75, Page 559  
Lessor: Phil Ziegenfuss, et ux  
Lessee: J. H. Herd

13. Dated: September 27, 1949  
Recorded: Volume 81, Page 51  
Lessor: Stanley F. Jackes, et ux  
Lessee: J. H. Herd
14. Dated: February 25, 1949  
Recorded: Volume 75, Page 553  
Lessor: Otto Matthews, et ux  
Lessee: John J. Redfern, Jr.
15. Dated: March 7, 1949  
Recorded: Volume 75, Page 557  
Lessor: R. K. Andrews, et ux  
Lessee: John J. Redfern, Jr.
16. Dated: April 15, 1951  
Recorded: Volume 92, Page 120  
Lessor: Rosalind Redfern, et vir  
Lessee: J. H. Herd
17. Dated: February 15, 1951  
Recorded: Volume 91, Page 264  
Lessor: Irene Prefontaine  
Lessee: John J. Redfern, Jr.
18. Dated: November 25, 1950  
Recorded: Volume 91, Page 281  
Lessor: Saidee Lampher  
Lessee: John J. Redfern, Jr.
19. Dated: July 9, 1956  
Recorded: Volume 142, Page 468  
Lessor: J. H. Herd, et ux  
Lessee: William B. Johnston

EXHIBIT "B"

To that certain Farmout Agreement dated April 21, 1995, by and between Herd Oil and Gas Company ~~and I. H. Herd~~, Farmors, and Collins & Ware, Inc., Farmee.

GEOLOGICAL REQUIREMENTS

To be attached upon execution of this Agreement

## FARMOUT AGREEMENT

THIS AGREEMENT , is made and entered into effective that date set forth below, by and between David A. Six, Davis Payne, William H. Spires, Inc., Nancy J. Payne, and Richard Dobrovolny, hereinafter collectively referred to as "Farmor", whose address is c/o Polaris Production Corporation, 415 W. Wall Ave., Suite 1124, Midland, Texas 79701 and Collins & Ware, Inc., hereinafter referred to as "Farmee", whose address is 508 W. Wall Ave., Suite 1200, Midland, Texas 79701.

WHEREAS, Farmor is the owner of undivided interest in and to those Oil and Gas Leases, "the Leases" described in Exhibit "A" attached hereto and made a part hereto for all purposes;

WHEREAS, Farmee proposes to earn an interest in the Leases, insofar as said Leases cover the following described lands, herein after referred to as "the Farmout Lands", under the terms and conditions as set forth below;

Insofar and only insofar as said Leases cover the Devonian formation in and under the S/2 of Section 26, and the E/2 of Section 35, both in Township 14 South, Range 37 East, N.M.P.M., Lea County, New Mexico

NOW THEREFORE, in consideration of the mutual covenants and agreements herein set forth, the parties hereto agree as follows:

1. INITIAL TEST WELL: On or before April 28, 1995, Farmee will commence, or cause to be commenced, a well, the "Initial Test Well" at a location of its choice on the Farmout Lands, said well to be drilled in a proper and workmanlike manner to a depth of 12,250 feet, or to a depth sufficient to test the Devonian formation.
2. CONTINUOUS DEVELOPMENT-MULTIPLE OPTION WELLS: Farmee is granted the option to continue drilling on the Farmout Lands with not more than 180 days to lapse between the date of completion (the date that Form C-105 is filed with the New Mexico Oil Conservation Commission, or thirty days after the date of drilling rig release, whichever is the earlier date) of any one well and the commencement of actual drilling of the next succeeding well until the Farmout Lands have been fully developed, with not less than one (1) well on each drilling unit, as prescribed by the applicable regulatory authority. Any well drilled under the provisions of this section shall be referred to as Option Well and each Option Well shall be drilled in a proper and workmanlike manner to a depth sufficient to test the Devonian formation. Should Farmee commence an option well in less than 180 days from the date of completion of the last preceding well, the balance of unused time shall be added to the time in which Farmee has to commence actual drilling of the next succeeding well.
3. SUBSTITUTE WELL: In the event any well is lost for any reason prior to being drilled to a depth sufficient to test the Devonian formation, or if Farmee has encountered during the drilling of any well mechanical difficulty or formation or condition which would render further drilling impracticable or impossible, Farmee may plug and abandon such well and thereafter may continue its rights hereunder by commencing a Substitute Well (or Wells) for any such well which has been lost or abandoned within 90 days from the date the prior well was lost or abandoned. Any Substitute Well drilled shall be drilled subject to the same terms and conditions and to the same depth as provided for the well so lost or abandoned. Any reference in this Agreement to the Initial Test Well or any Option Well shall be deemed to be a reference to any well which may be drilled as a Substitute Well therefor.

4. EARNED ASSIGNMENT: Upon receipt of Farmee's written request, and as soon as practicable after Farmor is satisfied that Farmee has complied with all of its obligations (including, but not limited to, all geological requirements as set out in Exhibit "B" attached hereto) under this Agreement with regard to the completion of a well as a producer of oil and/or gas in paying quantities, Farmor shall deliver to Farmee an assignment of all of its interest in and to the Leases, insofar as said leases cover the Devonian formation, and insofar as said Leases cover the proration unit of the completed well. In such assignment, Farmor shall reserve unto itself an overriding royalty interest equal to the difference between twenty-five percent (25%) of all oil and/or gas produced, saved and marketed and all outstanding lease burdens of record as of the date of this Agreement.

5. PROPORTIONATE REDUCTION: If the Leases described in this Agreement cover less than the full leasehold estate in any lands described in such Leases, or if Farmor's interest in such Leases is less than the full leasehold estate, then the overriding royalty interest reserved out of production shall be payable in the proportion that Farmor's interest bears to the full leasehold interest estate in said lands.

6. ABANDONMENT OF WELLS: In the event any well is completed as non-productive of oil and/or gas in paying quantities, or ceases production, Farmee shall immediately give Farmor written notice of the proposed plugging and abandonment of that well. Farmor shall have fifteen (15) days after receipt of written notice within which to elect to take over the well for the purpose of conducting additional operations as it desires; except that if a drilling rig is on location, notice to plug and abandon may be given by telephone or electronic facsimile and Farmor's response period shall be limited to forty-eight (48) hours, inclusive of Saturday, Sunday and legal holidays. If Farmor fails to advise Farmee of its election within the prescribed period of time, the well shall be plugged and abandoned by Farmee. If electing to do so, Farmor shall have the right to take over such well, and pay to Farmee the reasonable salvage value for materials and equipment in and on the well, less the cost of salvaging, and acquire the well for Farmor's own use and purposes.

All notices provided for herein shall be given to the parties hereto at the following:

Polaris Production Corporation  
415 W. Wall Ave., Suite 1124  
Midland, Texas 79701  
Tel. No. (915) 684-8248  
Fax. No. (915) \_\_\_\_\_

Collins & Ware, Inc.  
508 W. Wall Ave., Suite 1200  
Midland, Texas 79701  
Attention: Mr. W. Brett Smith  
Tel. No. (915) 687-3435  
Fax. No. (915) 686-0302

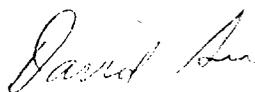
7. AGREEMENTS AFFECTING FARMOUT LANDS: Except as otherwise provided, Farmee shall be bound by any agreements which affect the Farmout Lands and the Leases covering said lands at the time of assignment to Farmee. Farmor shall not be liable for its good faith failure to disclose the existence or effect of any such agreement to Farmee, either in this Agreement or otherwise.

8. PERMISSION TO ASSIGN: This Farmout Agreement may not be assigned by Farmee without the prior written consent of Farmor. Such written consent shall not be unreasonably withheld.

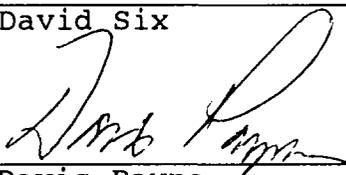
9. REASSIGNMENT: Subject to the provisions of Paragraph 6. above, it is understood that at the time any well drilled under the terms of this Agreement becomes incapable of producing oil or gas in paying quantities, thus becoming noncommercial, or, rework operations are not timely commenced, or if rework operations fail and production in paying quantities is not restored, Farmee will, at such time reassign the Leases, insofar as said Leases cover those lands contained within the proration unit of said well, to Farmor by recordable instrument.

THIS AGREEMENT is executed this 7th day of February, 1995.

FARMORS:

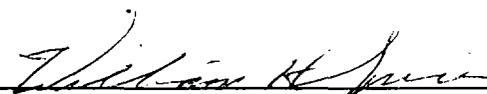


David Six



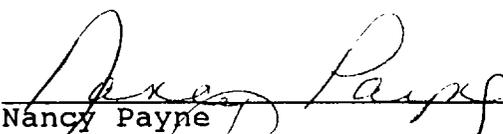
Davis Payne

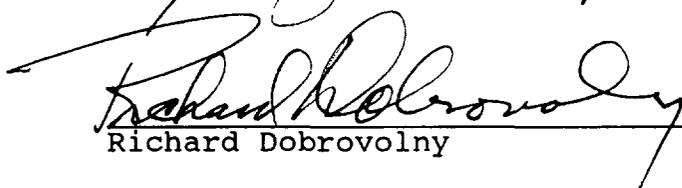
William H. Spires, Inc.

By: 

Name: William H. Spires

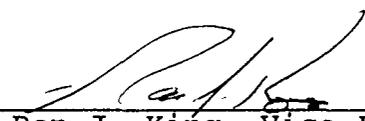
Title: President

  
Nancy Payne

  
Richard Dobrovolny

FARMEE:

COLLINS & WARE, INC.

By: 

Ron J. King, Vice President

EXHIBIT "A"

To that certain Farmout Agreement dated February 7, 1995, by and between David A. Six, et al, Farmors, and Collins & Ware, Inc., Farmee

OIL AND GAS LEASES

The following Oil and Gas Leases cover lands located in Lea County, New Mexico:

1. Dated: August 134, 1943  
Recorded: Volume 42, Page 76  
Lessor: T. D. Pope  
Lessee: J. E. Simmons
2. Dated: November 26, 1947  
Recorded: Volume 66, Page 315  
Lessor: F. G. Langbein, et ux  
Lessee: G. M. Shelton
3. Dated: December 22, 1947  
Recorded: Volume 66, Page 317  
Lessor: B. D. Buckley, et ux  
Lessee: G. M. Shelton
4. Dated: January 2, 1948  
Recorded: Volume 66, Page 474  
Lessor: Roy V. Flesh, et ux  
Lessee: G. M. Shelton
5. Dated: January 2, 1948  
Recorded: Volume 66, Page 470  
Lessor: G. M. Shelton, et ux  
Lessee: Walter C. Cremin
6. Dated: May 27, 1948  
Recorded: Volume 69, Page 426  
Lessor: Earle Payne, et ux  
Lessee: Walter C. Cremin
7. Dated: February 21, 1949  
Recorded: Volume 76, Page 182  
Lessor: Henry Lange, et ux  
Lessee: J. H. Herd
8. Dated: February 23, 1949  
Recorded: Volume 76, Page 184  
Lessor: Willian Allingham  
Lessee: J. H. Herd
9. Dated: February 24, 1949  
Recorded: Volume 76, Page 227  
Lessor: Clara L. Rasmussen  
Lessee: J. H. Herd
10. Dated: February 23, 1949  
Recorded: Volume 76, Page 283  
Lessor: C. F. Kloeppel  
Lessee: J. H. Herd
11. Dated: February 24, 1939  
Recorded: Volume 75, Page 555  
Lessor: William A. Schraubstadter  
Lessee: J. H Herd
12. Dated: February 24, 1949  
Recorded: Volume 75, Page 559  
Lessor: Phil Ziegenfuss, et ux  
Lessee: J. H Herd

13. Dated: September 27, 1949  
Recorded: Volume 81, Page 51  
Lessor: Stanley F. Jackes, et ux  
Lessee: J. H. Herd
14. Dated: February 25, 1949  
Recorded: Volume 75, Page 553  
Lessor: Otto Matthews, et ux  
Lessee: John J. Redfern, Jr.
15. Dated: March 7, 1949  
Recorded: Volume 75, Page 557  
Lessor: R. K. Andrews, et ux  
Lessee: John J. redfern, Jr.
16. Dated: April 15, 1951  
Recorded: Volume 92, Page 120  
Lessor: Rosalind Redfern, et vir  
Lessee: J. H. Herd
17. Dated: February 15, 1951  
Recorded: Volume 91, Page 264  
Lessor: Irene Prefontaine  
Lessee: John J. Redfern, Jr.
18. Dated: November 25, 1950  
Recorded: Volume 91, Page 281  
Lessor: Saidee Lampher  
Lessee: John J. Redfern, Jr.
19. Dated: July 9, 1956  
Recorded: Volume 142, Page 468  
Lessor: J. H. Herd, et ux  
Lessee: William B. Johnston

EXHIBIT "B"

To that certain Farmout Agreement dated February 7, 1995, by and between David A. Six, et al, Farmors, and Collins & Ware, Inc., Farmee

Geological Requirements

to be attached upon execution of this agreement

## FARMOUT AGREEMENT

THIS AGREEMENT , is made and entered into effective that date set forth below, by and between S&J Operating Company, Joe L. Johnson, Jr., Fred Stephens, Ted H. Smith, Jr., Peyton S. Carnes, Jr., Thomas Pendleton Stephens and Max Robert Vordenbaum, hereinafter collectively referred to as "Farmor", whose address is c/o S&J Operating Company, P. O. Box 2249, Wichita Falls, Texas 76307, and Collins & Ware, Inc., hereinafter referred to as "Farmee", whose address 508 W. Wall Ave., Suite 1200, Midland, Texas 79701.

WHEREAS, Farmor is the owner of undivided interest in and to those Oil and Gas Leases, "the Leases" described in Exhibit "A" attached hereto and made a part hereto for all purposes;

WHEREAS, Farmee proposes to earn an interest in the Leases, insofar as said Leases cover the following described lands, herein after referred to as "the Farmout Lands", under the terms and conditions as set forth below;

Insofar and only insofar as said Leases cover the Devonian formation in and under the S/2 of Section 26, and the E/2 of Section 35, both in Township 14 South, Range 37 East, N.M.P.M., Lea County, New Mexico

NOW THEREFORE, in consideration of the mutual covenants and agreements herein set forth, the parties hereto agree as follows:

1. INITIAL TEST WELL: On or before 120 days from the date of execution of this agreement by Farmor, Farmee will commence, or cause to be commenced, a well, the "Initial Test Well" at a location of its choice on the Farmout Lands, said well to be drilled in a proper and workmanlike manner to a depth of 12,250 feet, or to a depth sufficient to test the Devonian formation.

2. CONTINUOUS DEVELOPMENT-MULTIPLE OPTION WELLS: Farmee is granted the option to continue drilling on the Farmout Lands with not more than 180 days to lapse between the date of completion (the date that Form C-105 is filed with the New Mexico Oil Conservation Commission, or thirty days after the date of drilling rig release, whichever is the earlier date) of any one well and the commencement of actual drilling of the next succeeding well until the Farmout Lands have been fully developed, with not less than one (1) well on each drilling unit, as prescribed by the applicable regulatory authority. Any well drilled under the provisions of this section shall be referred to as Option Well and each Option Well shall be drilled in a proper and workmanlike manner to a depth sufficient to test the Devonian formation. Should Farmee commence an option well in less than 180 days from the date of completion of the last preceding well, the balance of unused time shall be added to the time in which Farmee has to commence actual drilling of the next succeeding well.

3. SUBSTITUTE WELL: In the event any well is lost for any reason prior to being drilled to a depth sufficient to test the Devonian formation, or if Farmee has encountered during the drilling of any well mechanical difficulty or formation or condition which would render further drilling impracticable or impossible, Farmee may plug and abandon such well and thereafter may continue its rights hereunder by commencing a Substitute Well (or Wells) for any such well which has been lost or abandoned within 90 days from the date the prior well was lost or abandoned. Any Substitute Well drilled shall be drilled subject to the same terms and conditions and to the same depth as provided for the well so lost or abandoned. Any reference in this Agreement to the Initial Test Well or any Option Well shall be deemed to be a reference to any well which may be drilled as a Substitute Well therefor.

4. EARNED ASSIGNMENT: Upon receipt of Farmee's written request, and as soon as practicable after Farmor is satisfied that Farmee has complied with all of its obligations (including, but not limited to, all geological requirements as set out in Exhibit "B" attached hereto) under this Agreement with regard to the completion of a well as a producer of oil and/or gas in paying quantities, Farmor shall deliver to Farmee an assignment of all of its interest in and to the Leases, insofar as said leases cover the Devonian formation, and insofar as said Leases cover the proration unit of the completed well. In such assignment, Farmor shall reserve unto itself an overriding royalty interest equal to the difference between twenty-three percent (23%) of all oil and/or gas produced, saved and marketed and all outstanding lease burdens of record as of the date of this Agreement.

5. PROPORTIONATE REDUCTION: If the Leases described in this Agreement cover less than the full leasehold estate in any lands described in such Leases, or if Farmor's interest in such Leases is less than the full leasehold estate, then the overriding royalty interest reserved out of production shall be payable in the proportion that Farmor's interest bears to the full leasehold interest estate in said lands.

6. ABANDONMENT OF WELLS: In the event any well is completed as non-productive of oil and/or gas in paying quantities, or ceases production, Farmee shall immediately give Farmor written notice of the proposed plugging and abandonment of that well. Farmor shall have fifteen (15) days after receipt of written notice within which to elect to take over the well for the purpose of conducting additional operations as it desires; except that if a drilling rig is on location, notice to plug and abandon may be given by telephone or electronic facsimile and Farmor's response period shall be limited to forty-eight (48) hours, inclusive of Saturday, Sunday and legal holidays. If Farmor fails to advise Farmee of its election within the prescribed period of time, the well shall be plugged and abandoned by Farmee. If electing to do so, Farmor shall have the right to take over such well, and pay to Farmee the reasonable salvage value for materials and equipment in and on the well, less the cost of salvaging, and acquire the well for Farmor's own use and purposes.

All notices provided for herein shall be given to the parties hereto at the following:

S&J Operating Company  
P. O. Box 2249  
811 6th Street, Suite 300  
Wichita Falls, Texas 76307-2249  
Attention: Mr. Peyton S. Carnes, Jr.  
Tel. No. (817) 723-2166  
Fax. No. (817) \_\_\_\_\_

Collins & Ware, Inc.  
508 W. Wall Ave., Suite 1200  
Midland, Texas 79701  
Attention: Mr. W. Brett Smith  
Tel. No. (915) 687-3435  
Fax. No. (915) 686-0302

7. AGREEMENTS AFFECTING FARMOUT LANDS: Except as otherwise provided, Farmee shall be bound by any agreements which affect the Farmout Lands and the Leases covering said lands at the time of assignment to Farmee. Farmor shall not be liable for its good faith failure to disclose the existence of effect of any such agreement to Farmee, either in this Agreement or otherwise.

8. PERMISSION TO ASSIGN: This Farmout Agreement may not be

assigned by Farmee without the prior written consent of Farmor. Such written consent shall not be unreasonably withheld.

9. REASSIGNMENT: Subject to the provisions of Paragraph 6. above, it is understood that at the time any well drilled under the terms of this Agreement becomes incapable of producing oil or gas in paying quantities, thus becoming noncommercial, or, rework operations are not timely commenced, or if rework operations fail and production in paying quantities is not restored, Farmee will, at such time reassign the Leases, insofar as said Leases cover those lands contained within the proration unit of said well, to Farmor by recordable instrument.

THIS AGREEMENT is executed this 22nd day of August, 1994, but shall be effective for all purposes as of the last date of execution by Farmors.

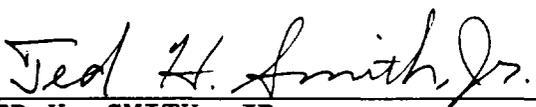
FARMORS:

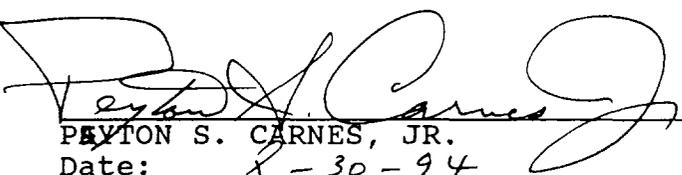
S&J OPERATING COMPANY

By:   
Name: FRED STEPHENS  
Title: PRESIDENT  
Date: 8/31/94

  
JOE L. JOHNSON, JR.  
Date: 8-30-94

  
FRED STEPHENS  
Date: 8/31/94

  
TED H. SMITH, JR.  
Date: 8/30/94

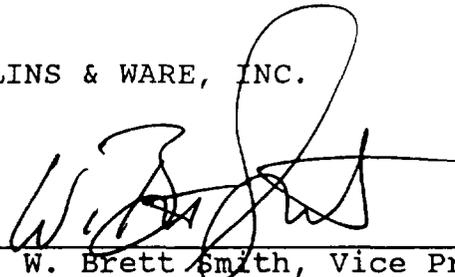
  
PEYTON S. CARNES, JR.  
Date: 8-30-94

  
THOMAS PENDLETON STEPHENS  
Date: 8-30-94

  
MAX ROBERT VORDENBAUM  
Date: 8/30/94

FARMEE:

COLLINS & WARE, INC.

By:   
W. Brett Smith, Vice President

Date: 8-22-94

EXHIBIT "A"

To that certain Farmout Agreement dated August 22, 1994, by and between S & J Operating Company, et al, Farmors, and Collins & Ware, Inc, Farmee.

OIL AND GAS LEASES

The following Oil and Gas Leases cover lands located in Lea County, New Mexico:

1. Dated: August 134, 1943  
Recorded: Volume 42, Page 76  
Lessor: T. D. Pope  
Lessee: J. E. Simmons
2. Dated: November 26, 1947  
Recorded: Volume 66, Page 315  
Lessor: F. G. Langbein, et ux  
Lessee: G. M. Shelton
3. Dated: December 22, 1947  
Recorded: Volume 66, Page 317  
Lessor: B. D. Buckley, et ux  
Lessee: G. M. Shelton
4. Dated: January 2, 1948  
Recorded: Volume 66, Page 474  
Lessor: Roy V. Flesh, et ux  
Lessee: G. M. Shelton
5. Dated: January 2, 1948  
Recorded: Volume 66, Page 470  
Lessor: G. M. Shelton, et ux  
Lessee: Walter C. Cremin
6. Dated: May 27, 1948  
Recorded: Volume 69, Page 426  
Lessor: Earle Payne, et ux  
Lessee: Walter C. Cremin
7. Dated: February 21, 1949  
Recorded: Volume 76, Page 182  
Lessor: Henry Lange, et ux  
Lessee: J. H. Herd
8. Dated: February 23, 1949  
Recorded: Volume 76, Page 184  
Lessor: Willian Allingham  
Lessee: J. H. Herd
9. Dated: February 24, 1949  
Recorded: Volume 76, Page 227  
Lessor: Clara L. Rasmussen  
Lessee: J. H. Herd
10. Dated: February 23, 1949  
Recorded: Volume 76, Page 283  
Lessor: C. F. Kloeppe  
Lessee: J. H. Herd
11. Dated: February 24, 1939  
Recorded: Volume 75, Page 555  
Lessor: William A. Schraubstadter  
Lessee: J. H. Herd
12. Dated: February 24, 1949  
Recorded: Volume 75, Page 559  
Lessor: Phil Ziegenfuss, et ux  
Lessee: J. H. Herd

- 13. Dated: September 27, 1949  
Recorded: Volume 81, Page 51  
Lessor: Stanley F. Jackes, et ux  
Lessee: J. H. Herd
  
- 14. Dated: February 25, 1949  
Recorded: Volume 75, Page 553  
Lessor: Otto Matthews, et ux  
Lessee: John J. Redfern, Jr.
  
- 15. Dated: March 7, 1949  
Recorded: Volume 75, Page 557  
Lessor: R. K. Andrews, et ux  
Lessee: John J. redfern, Jr.
  
- 16. Dated: April 15, 1951  
Recorded: Volume 92, Page 120  
Lessor: Rosalind Redfern, et vir  
Lessee: J. H. Herd
  
- 17. Dated: February 15, 1951  
Recorded: Volume 91, Page 264  
Lessor: Irene Prefontaine  
Lessee: John J. Redfern, Jr.
  
- 18. Dated: November 25, 1950  
Recorded: Volume 91, Page 281  
Lessor: Saidee Lampher  
Lessee: John J. Redfern, Jr.
  
- 19. Dated: July 9, 1956  
Recorded: Volume 142, Page 468  
Lessor: J. H. Herd, et ux  
Lessee: William B. Johnston

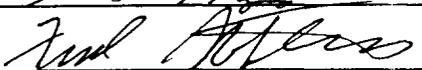
Signed for Identification:

Collins & Ware, Inc.

S & J Operating Company


---


---

EXHIBIT "B"

To that certain Farmout Agreement dated August 22, 1994, by and between S&J Operating Company, et al, Farmers, and Collins & Ware, Inc., Farmee.

WELL REQUIREMENTS  
STEPHENS & JOHNSON OPERATING CO.  
JOINT VENTURES WITH OTHERS

Stephens & Johnson Operating Co. geological requirements for subject wells are as follows:

1. DAILY REPORTS

From spud date to first sales and any workover activity, daily reports are to be mailed or faxed to the attention of Peyton Carnes in Stephens & Johnson's office. The fax number is (817) 723-8113.

2. NOTIFICATION OF TESTS, CORES, LOGS AND ABANDONMENT

Advance notice by telephone of any coring, testing, logging or plugging is required in time for Stephens & Johnson's representative to be present. Peyton Carnes (817) 723-2166 Office; (817) 692-7373 Home

3. DISTRIBUTION OF CHARTS AND REPORTS

The following should be sent to the attention of Peyton Carnes.

- a. One (1) copy of the survey plat.
- b. One (1) copy of the drilling permit.
- c. One (1) copy of the drilling prognosis.
- d. One (1) copy of the completion prognosis.
- e. One (1) copy of the completion and/or plugging report.
- f. One (1) copy of the drillstem tests and core analyses.
- g. One (1) copy of the potential tests.

4. DISTRIBUTION OF LOGS

The following should be sent to the attention of Peyton Carnes.

- a. One (1) field copy and one (1) final copy of any mud log.
- b. One (1) field copy and one (1) final copy of each electrical log run in the hole.

Mailing Address:  
P. O. Box 2249  
Wichita Falls, TX 76307

For Overnight Express:  
811 Sixth St., Suite 300  
Wichita Falls, TX 76301

**COLLINS & WARE, INC.**

508 WEST WALL AVENUE, SUITE 1200  
MIDLAND, TEXAS 79701-5076

(915) 687-3435

January 13, 1995

S & J Operating Company  
P. O. Box 2249  
Wichita Falls, Texas 76307

Attention: Mr. Peyton S. Carnes, Jr.

RE: Farmout Agreement  
Denton Devonian  
Lea County, New Mexico

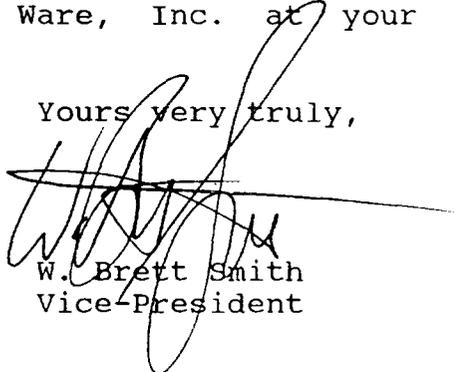
Gentlemen:

It is provided in Article 1. of that Farmout Agreement dated August 31, 1994, by and between S & J Operating Company, et al, as Farmors, and Collins & Ware, Inc., as Farmee, that Collins & Ware, Inc. was to have commenced a well on the Farmout Lands, as described in said Agreement, on or before 120 days from the date of the Agreement, making the date on or before which a well was to have been spud, December 29, 1994.

Collins & Ware, Inc. did not spud a well on or prior to the above December 29, 1994 date. Thus, Collins & Ware, Inc. hereby requests a 120 day extension of the date on which a well must be commenced, making the date on or before which a well must be spud, April 28, 1995.

If you are agreeable to the above requested extension, please so indicate by executing one (1) copy of this letter and return it to the offices of Collins & Ware, Inc. at your earliest convenience.

Yours very truly,



W. Brett Smith  
Vice-President

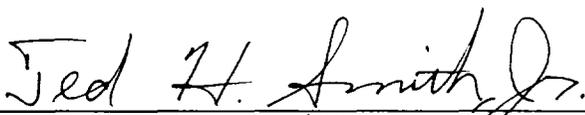
AGREED TO AND ACCEPTED,  
this 16<sup>th</sup> day of January, 1995.

S & J OPERATING COMPANY

  
Name: FRED STEPHENS  
Title: PRESIDENT

  
Joe L. Johnson, Jr.

  
Fred Stephens

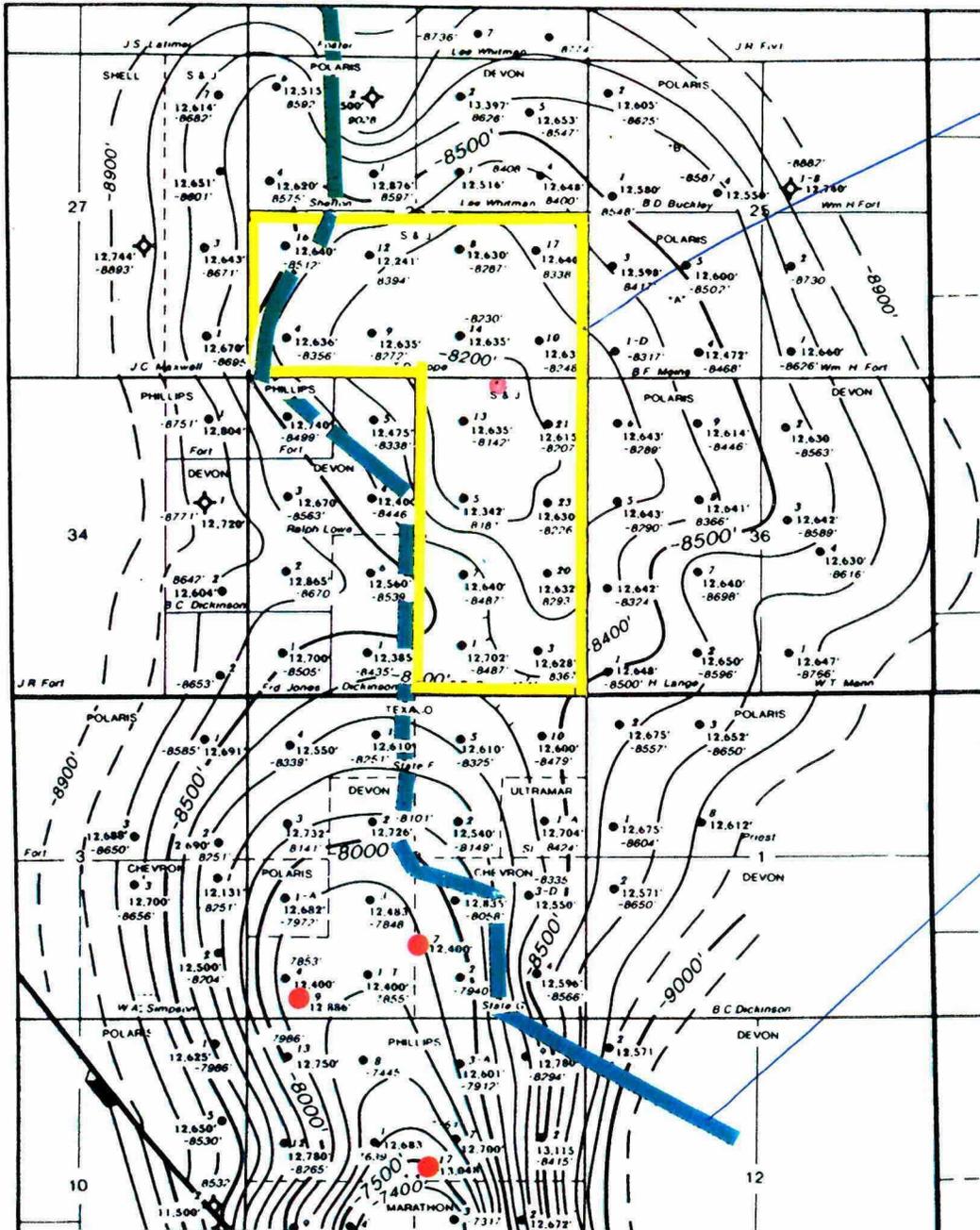
  
Ted H. Smith, Jr.

  
Peyton S. Carnes, Jr.

  
Thomas Pendleton Stephens

  
Max Robert Vordenbaum

R 37 E



*Faywood Area*

T  
14  
S

*FAULT LINE  
(SEALING)*

T  
15  
S

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

Case No. 11290 Exhibit No. 3

Submitted by: Collins & Ware, Inc.

Hearing Date: June 1, 1995

**DENTON FIELD**  
Lea County,  
New Mexico

**CONTOUR MAP  
ON TOP DEVONIAN**

C.I. = 100'

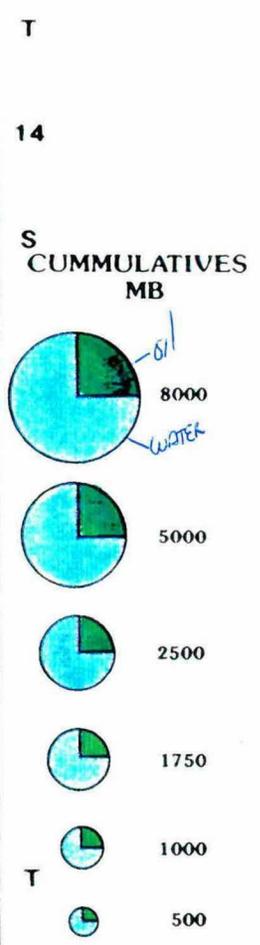
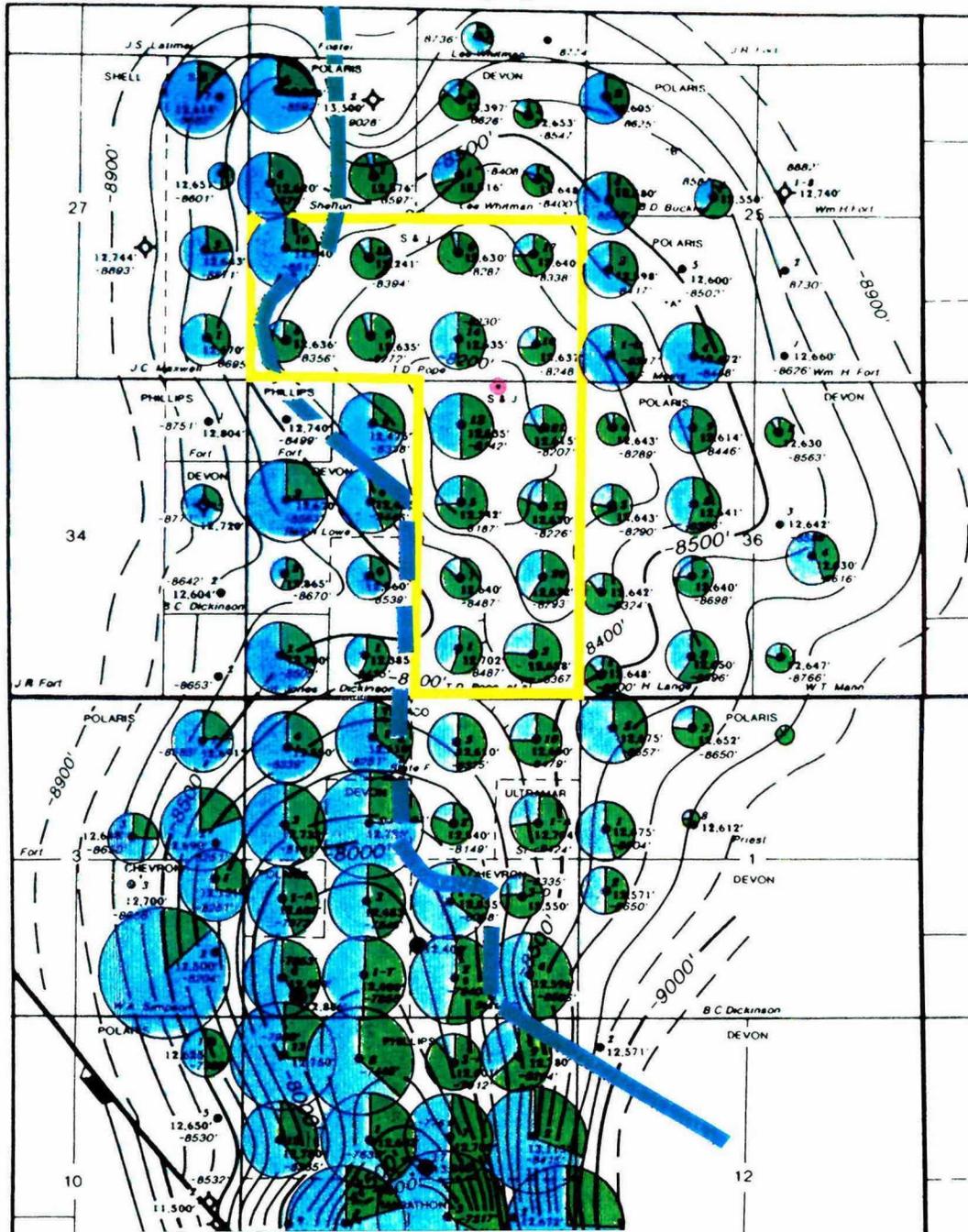
After NMOCC Report

● PROPOSED WELL

● INFILL WELLS

# Cummulative Production Map

R 37 E



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

Case No. 11290 Exhibit No. 4

Submitted by: Collins & Ware, Inc.

Hearing Date: June 1, 1995

**DENTON FIELD**  
Lea County,  
New Mexico  
**CONTOUR MAP**  
ON TOP DEVONIAN  
C.I. = 100'

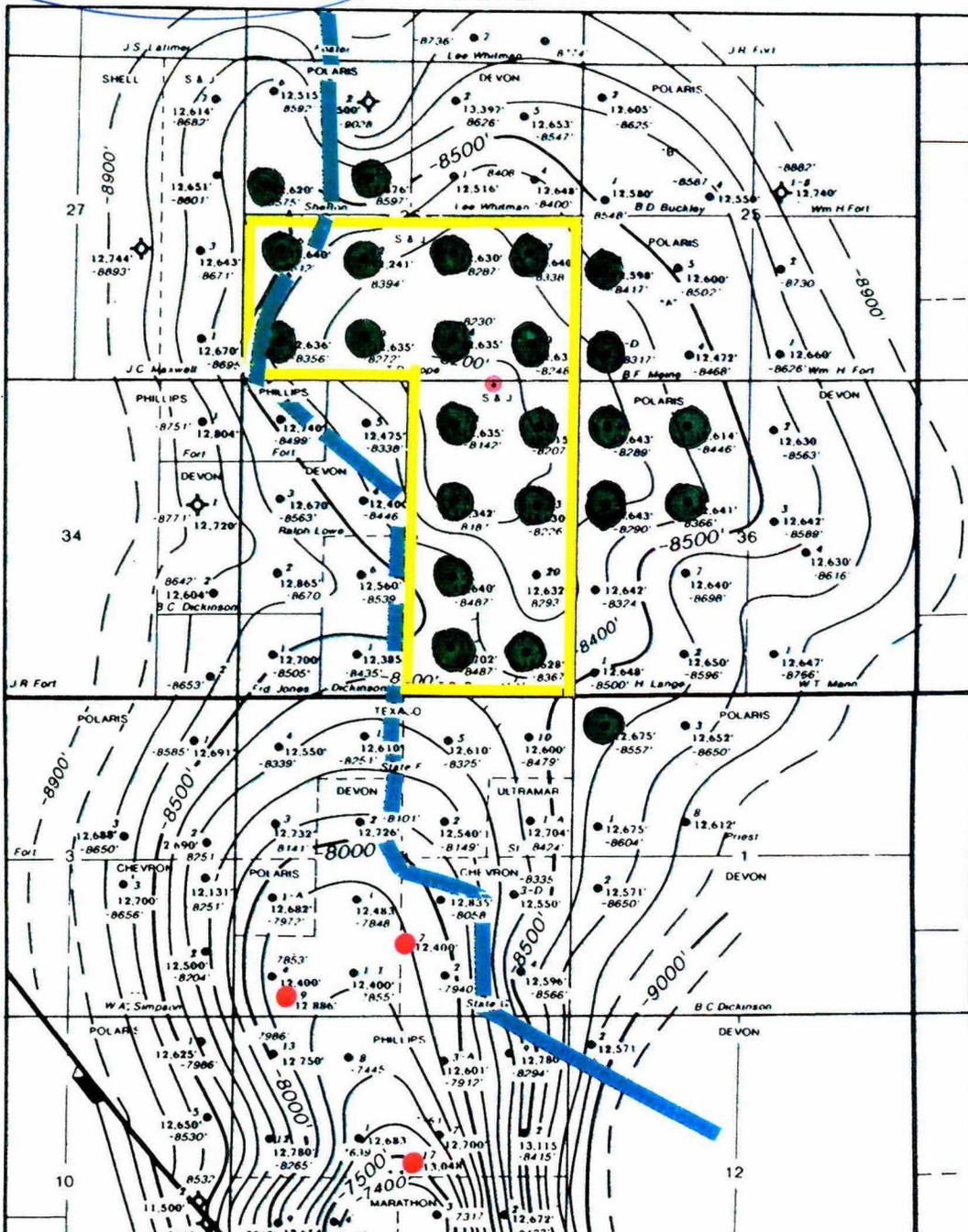
After NMOCC Report

● PROPOSED WELL

thru 10/94

# Drainage Radius Map

R 37 E



T  
14  
S

T  
15  
S

BEFORE THE  
OIL CONSERVATION DIVISION  
Santa Fe, New Mexico

Case No. 11290 Exhibit No. 5

Submitted by: Collins & Ware, Inc.

Hearing Date: June 1, 1995

---13---

**DENTON FIELD**  
Lea County,  
New Mexico  
**CONTOUR MAP**  
ON TOP DEVONIAN  
C.I. = 100'

After NMOCC Report

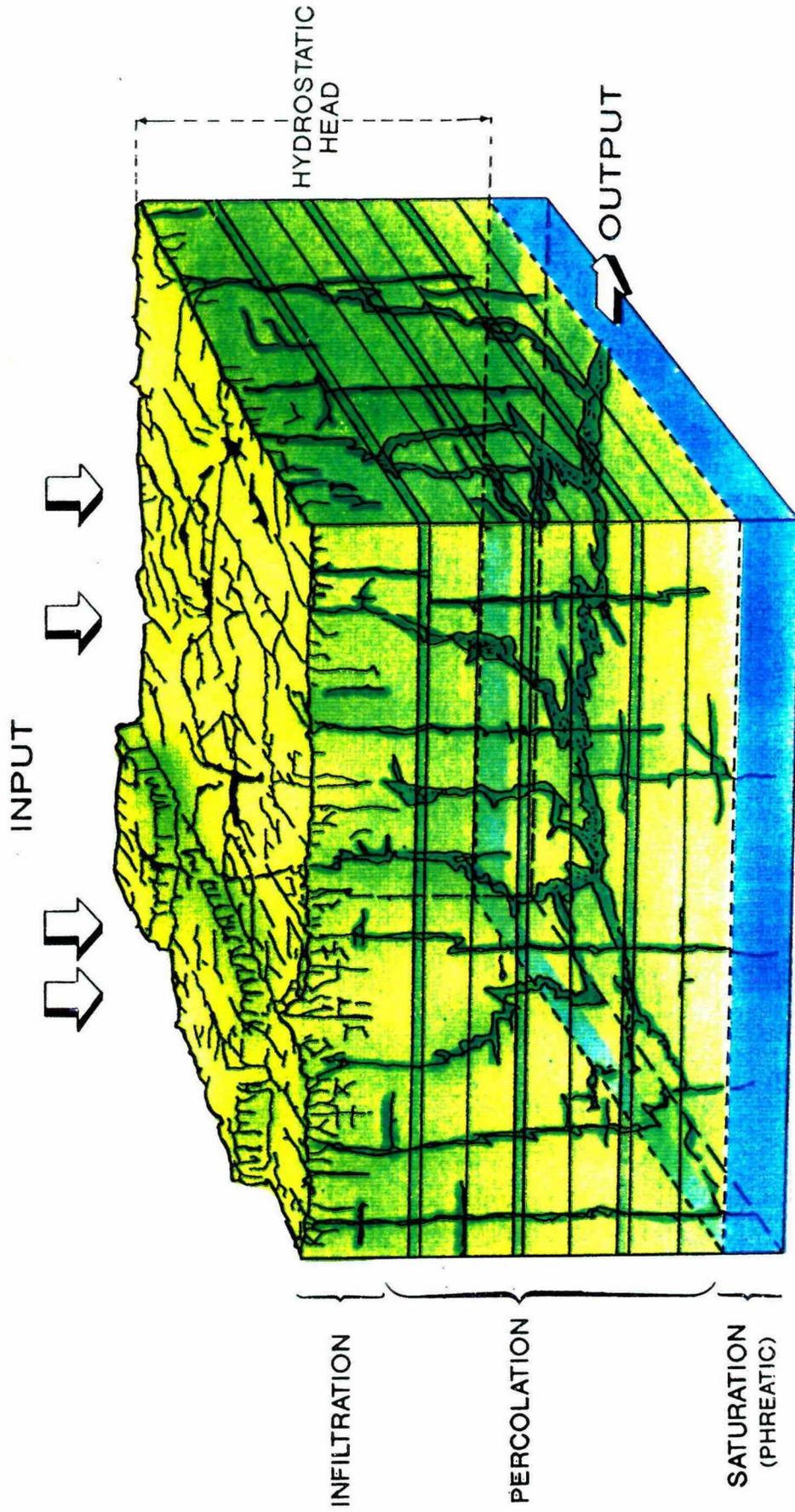
● PROPOSED WELL

● INFILL WELLS

DENTON DEVONIAN FIELD														
SECTION	TOWNSHIP	RANGE	LOCATION	OPERATOR	WELL NAME	CUMM OIL	CUMM GAS	CUMM WATER	TOTAL LIQUID	OIL TO TOTAL % RATIO	Gross Pay	Net Pay	Drainage Acres	Drainage Radius
23	14S	37E	SW/SE	DEVON ENERGY	LEE WHITMAN "B" #7	221200	66347	1003127	1224327	18	318	95	52.71	855
23	14S	37E	SE/SE	ARCO	LEE WHITMAN "B" #8	107566	28373	32518	140084	77	340	102	37.00	716
25	14S	37E	SW/SE	PAN AMERICAN	W H FORT "A" #1	122733	0	0	122733		323	97	37.57	722
25	14S	37E	NW/SE	PAN AMERICAN	W H FORT "A" #2	34508	0	0	34508		340	102	37.00	716
25	14S	37E	SW/SW	POLARIS	BUCKLEY "A" #1	944131	358190	1450751	2394882	39	585	176	23.40	570
25	14S	37E	NW/SW	POLARIS	BUCKLEY "A" #3	604986	224283	1191857	1786843	34	485	146	18.09	501
25	14S	37E	SE/SW	POLARIS	BUCKLEY "A" #4	612354	211865	1547994	2160348	28	448	134	19.82	524
25	14S	37E	NE/SW	SHELL	BUCKLEY "A" #5	346589	0	0	346589		413	124	12.17	411
25	14S	37E	SW/NW	POLARIS	BUCKLEY "B" #1	588520	183742	1503781	2092301	28	367	110	23.25	568
25	14S	37E	NW/NW	POLARIS	BUCKLEY "B" #2	464963	787176	170004	634967	73	291	87	23.17	567
25	14S	37E	SE/NW	MOBIL	DENTON NWUT 16 #4	505050	203153	369755	874805	58				
26	14S	37E	SE/NW	POLARIS	SHELTON #1	1155819	423605	35732	1191551	97	318	95	52.71	855
26	14S	37E	SW/NW	POLARIS	SHELTON #4	867403	359613	1544072	2411475	36	340	102	37.00	716
26	14S	37E	NW/NW	POLARIS	SHELTON #6	836832	353720	2380353	3217185	26	323	97	37.57	722
26	14S	37E	SW/NE	DEVON	LEE WHITMAN "A" #1	1032872	428810	494055	1526727	68				
26	14S	37E	NW/NE	ARCO	LEE WHITMAN "A" #2	779944	305899	121228	901172	87				
26	14S	37E	SE/NE	DEVON	LEE WHITMAN "A" #4	449036	60924	101653	550689	82				
26	14S	37E	NE/NE	ARCO	LEE WHITMAN "A" #5	388240	64286	95200	483440	80				
26	14S	37E	SW/SW	S & J	POPE #4	830703	364991	77490	908193	91	559	168	21.55	547
26	14S	37E	NW/SE	S & J	POPE #6	910216	504515	56809	967025	94	628	188	21.02	540
26	14S	37E	SE/SW	S & J	POPE #9	1209133	953793	37368	1246501	97	643	193	27.27	615
26	14S	37E	SE/SE	S & J	POPE #10	691679	416919	177510	869189	80	667	200	15.04	457
26	14S	37E	NE/SW	S & J	POPE #12	968805	1163981	54162	1022967	95	521	156	26.97	611
26	14S	37E	SW/SE	COLLINS & WARE	POPE #14	881821	768103	835294	1717115	51	685	206	18.67	509
26	14S	37E	NW/SW	S & J	POPE #16	634465	458311	2361592	2996057	21	403	121	22.83	563
26	14S	37E	NE/SE	S & J	POPE #17	667910	243472	209940	876850	76	577	173	16.79	482
27	14S	37E	SE/SE	MOBIL	J C MAXWELL #1	444021	67346	928307	1372328	32				
27	14S	37E	NE/SE	MOBIL	J C MAXWELL #3	321166	55643	1226161	1547327	21				
27	14S	37E	SE/NE	MOBIL	J C MAXWELL #5	212345	6007	214551	426896	50				
27	14S	37E	NE/NE	MOBIL	J C MAXWELL #7	331107	202328	3141521	3472828	10				
34	14S	37E	SE/SE	ARCO	JONES FEDERAL #2	141224	0	0	141224					
34	14S	37E	NE/SE	ARCO	B C DICKINSON "A" #2	293366	39057	765277	1058643	28				
34	14S	37E	SE/NE	ARCO	B C DICKINSON "A" #1	38266	0	0	38266					
34	14S	37E	NE/NE	PHILLIPS	FORT #1	301234	0	0	301234					
35	14S	37E	SW/SW	ARCO	JONES FEDERAL #1	867635	261720	2113931	2981566	29				
35	14S	37E	SE/SW	ARCO	B C DICKINSON "D" #1	647670	16350	428113	1075783	60				
35	14S	37E	NW/SW	ARCO	B C DICKINSON "D" #2	374954	8561	245883	620837	60				
35	14S	37E	SW/NW	DEVON	B C DICKINSON "D" #3	787614	248616	2954943	3742557	21				
35	14S	37E	SE/NW	DEVON	B C DICKINSON "D" #4	881982	328358	1636072	2518054	35				
35	14S	37E	NE/NW	DEVON	B C DICKINSON "D" #5	623515	167812	1723038	2346553	27				
35	14S	37E	NE/SW	ARCO	B C DICKINSON "D" #6	356597	37346	801967	1158564	31				
35	14S	37E	SW/SE	S & J	POPE #1	729679	180675	554225	1283904	57	428	128	24.72	586

DENTON DEVONIAN FIELD														
SECTION	TOWNSHIP	RANGE	LOCATION	OPERATOR	WELL NAME	CUMM OIL	CUMM GAS	CUMM WATER	TOTAL LIQUID	OIL TO TOTAL % RATIO	Gross Pay	Net Pay	Drainage Acres	Drainage Radius
35	14S	37E	SE/SE	S & J	POPE #3	1410638	1327031	380896	1791534	79	548	164	37.33	719
35	14S	37E	SW/NE	COLLINS & WARE	POPE #5	1174642	1086803	454184	1628826	72	728	218	23.40	570
35	14S	37E	NW/SE	S & J	POPE #7	791605	354639	75354	866959	91	428	128	26.82	610
35	14S	37E	NW/NE	S & J	POPE #13	1210480	1244081	1126438	2336818	52	703	211	24.97	588
35	14S	37E	NE/SE	MOBIL	POPE #20	986878	632397	508807	1495685	66	622	187	23.01	565
35	14S	37E	NE/NE	COLLINS & WARE	POPE #21	882958	718428	182154	1065112	83	708	212	18.08	501
35	14S	37E	SE/NE	S & J	POPE #23	1132283	1094298	240371	1372554	82	689	207	23.83	575
36	14S	37E	SW/SE	ARCO	W T MANN "A" #1	402369	47961	92810	495179	81				
36	14S	37E	NW/NE	DEVON	W T MANN "A" #2	463311	134410	48071	511382	91				
36	14S	37E	SW/NE	SINCLAIR	W T MANN "A" #3	297969	0	0	297969					
36	14S	37E	NW/SE	DEVON	W T MANN "B" #4	635328	276368	944711	1580039	40				
36	14S	37E	SW/SW	POLARIS	POPE #1	741306	271598	105046	846352	88	442	133	24.32	581
36	14S	37E	SE/SW	MOBIL	DENTON NWUT 7 #2	841332	358027	523900	1365232	62				
36	14S	37E	NW/SW	MOBIL	DENTON NWUT 7 #4	796293	329208	117883	914176	87				
36	14S	37E	SW/NW	TIMBERLINE	POPE #5	743428	337581	202504	945932	79	615	185	17.53	493
36	14S	37E	NW/NW	COLLINS & WARE	POPE #6	595900	174042	21446	617346	97	615	185	14.05	441
36	14S	37E	NE/SW	MOBIL	DENTON NWUT 7 #7	676834	242729	220973	897807	75				
36	14S	37E	SE/NW	ARCO	POPE #8	992288	482504	857592	1849880	54	536	161	26.85	610
36	14S	37E	NE/NW	POLARIS	POPE #9	715769	281831	579344	1295113	55	470	141	22.08	553
1	15S	37E	SW/NW	POLARIS	PRIEST #1	923705	258331	1073083	1996788	46	275	83	48.71	822
1	15S	37E	NW/NE	POLARIS	PRIEST #7	193532	95008	19768	213300	91	168	50	16.70	481
1	15S	37E	SE/NW	POLARIS	PRIEST #8	138297	132444	44154	182451	76	143	43	14.02	441
1	15S	37E	NE/NW	POLARIS	PRIEST #3	881851	299871	229242	1111093	79	265	80	48.26	818
1	15S	37E	NW/NW	POLARIS	PRIEST #2	1359274	508940	1678415	3037889	45	361	108	54.60	870
1	15S	37E	NW/SW	DEVON	B C DICKINSON "A" #2	567567	168511	621183	1188750	48				
2	15S	37E	SE/SW	ARCO	STATE T #1	1409268	750058	175065	1584333	89				
2	15S	37E	SE/NW	DEVON	STATE T #2	1511741	856186	6155285	7667026	20				
2	15S	37E	NE/SW	DEVON	STATE T #3	1470944	885490	2298306	3769250	39				
2	15S	37E	SW/SW	DEVON	STATE T #4	1052412	544659	1903704	2956116	36				
2	15S	37E	SE/SW	DEVON	STATE T #7	490906	533587	2390889	2881795	17				
2	15S	37E	NW/SE	CHEVRON	LEA G STATE #1	1137265	547738	2254610	3391875	34				
2	15S	37E	SW/SE	PENNZOIL	LEA G STATE #2	2307455	1626559	2125711	4433166	52				
2	15S	37E	NE/SE	PENNZOIL	LEA G STATE #3	820294	422188	307327	1127621	73				
2	15S	37E	SE/SE	PENNZOIL	LEA G STATE #4	2157536	1481507	2708417	4868953	44				
2	15S	37E	SE/NE	CODY ENERGY	STATE A #1	1303672	738808	743077	2046749	64				
2	15S	37E	NW/SW	POLARIS	STATE A #1	1231798	577945	1763987	2995785	41	943	283	18.94	513
2	15S	37E	NE/NW	KINLAW	MEXICO F #1	1046843	421766	2248409	3293352	32				
2	15S	37E	SW/NE	KINLAW	MEXICO F #2	843716	232897	164204	1007920	84				
2	15S	37E	SW/NW	KINLAW	MEXICO F #3	1070495	368850	1561633	2632128	41				
2	15S	37E	NW/NW	TEXACO	MEXICO F #4	897160	302910	2022199	2919359	31				
2	15S	37E	NW/NE	KINLAW	MEXICO F #5	1008653	509597	1046319	2054972	49				
2	15S	37E	NE/NE	KINLAW	MEXICO F #10	1025666	330805	453828	1479494	69				
2	15S	37E	SE/SW	DEVON	STATE T #9	111067	124338	915399	1026466	11				

Original Reservoir Concept



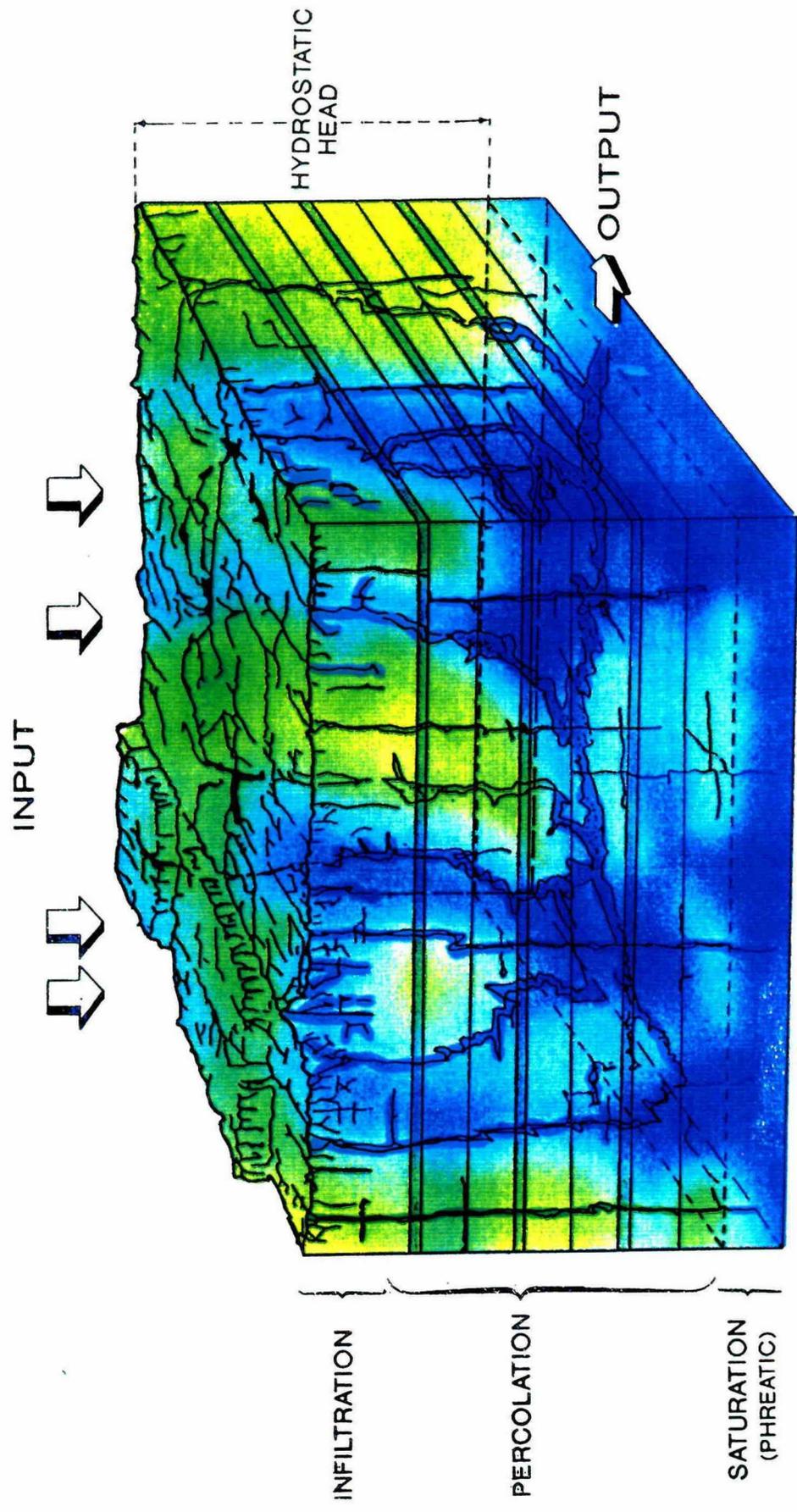
BEFORE THE  
OIL CONSERVATION DIVISION  
Santa Fe, New Mexico

Case No. 11290 Exhibit No. 6

Submitted by: Collins & Ware, Inc.

Hearing Date: June 1, 1995

# Current Reservoir Concept



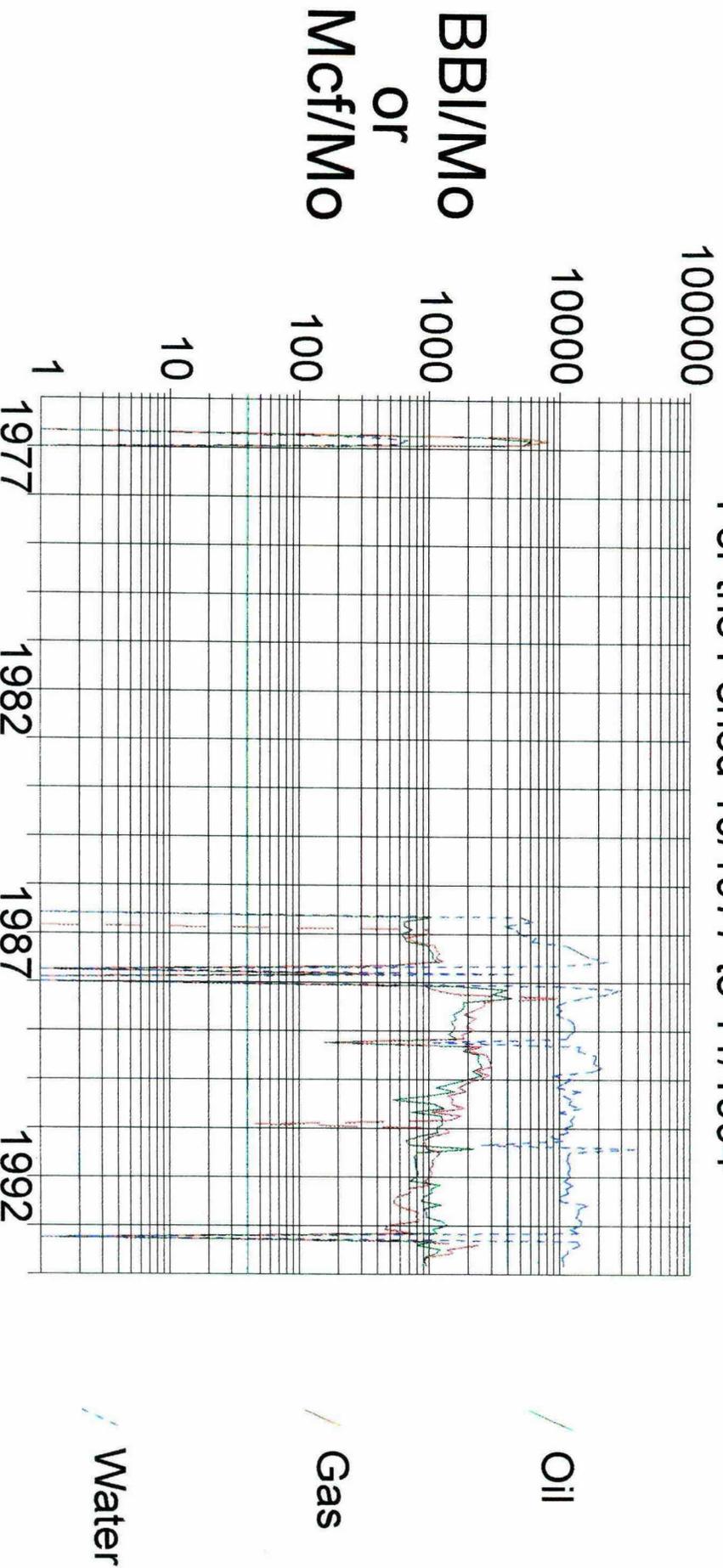
**BEFORE THE  
OIL CONSERVATION DIVISION**  
Santa Fe, New Mexico

Case No. 11290 Exhibit No. 7

Submitted by: Collins & Ware, Inc.

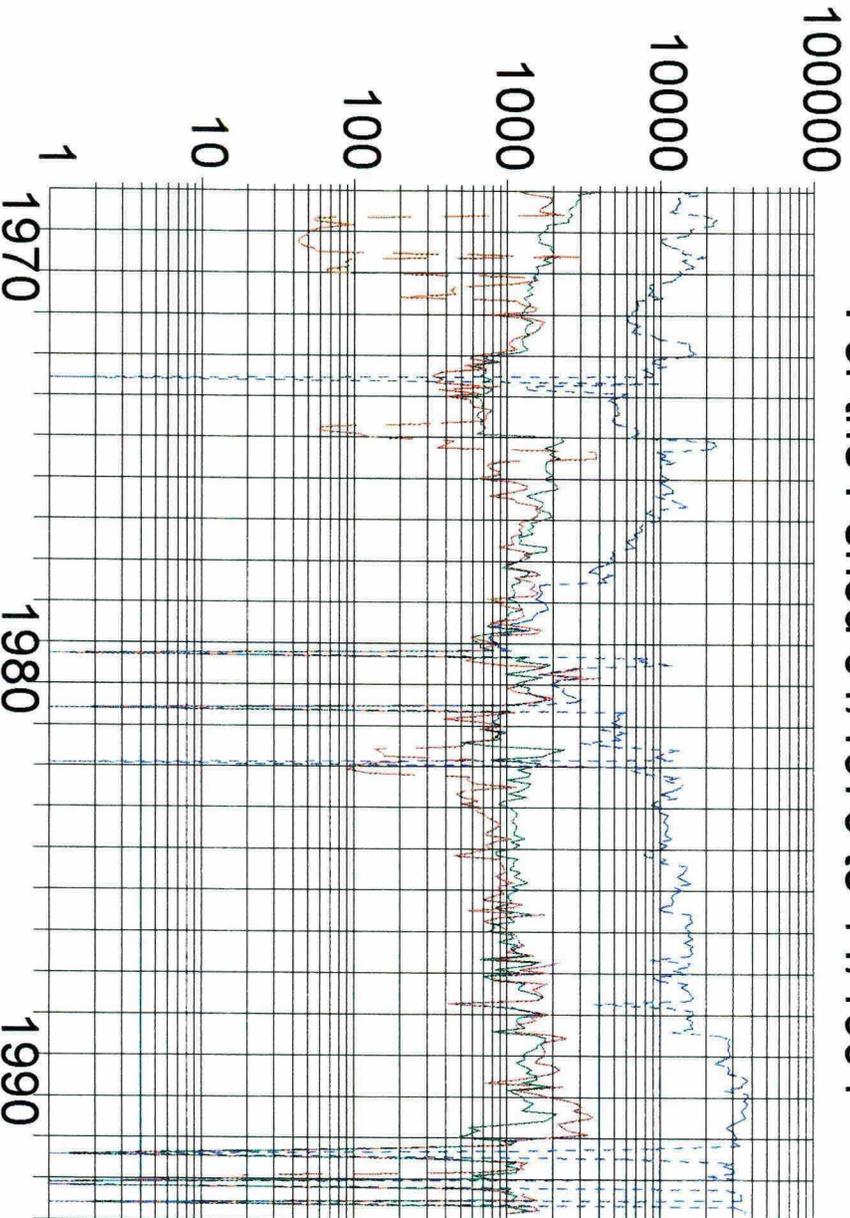
Hearing Date: June 1, 1995

**Field: DENTON**  
**e: STATE T | Well Number: 9**  
**DEVON ENERGY CORPORATION**  
Production Rate vs Time  
For the Period 10/1977 to 11/1994



Reported Oil Production = 121,662 Bbls  
Reported Gas Production = 134,801 Mcf  
Reported Water Production = 1,039,655 Bbls

**Field: DENTON**  
**Lease: DENTON | Well Number: 13**  
**Operator: FASKEN BARBARA**  
**Production Rate vs Time**  
**For the Period 01/1970 to 11/1994**



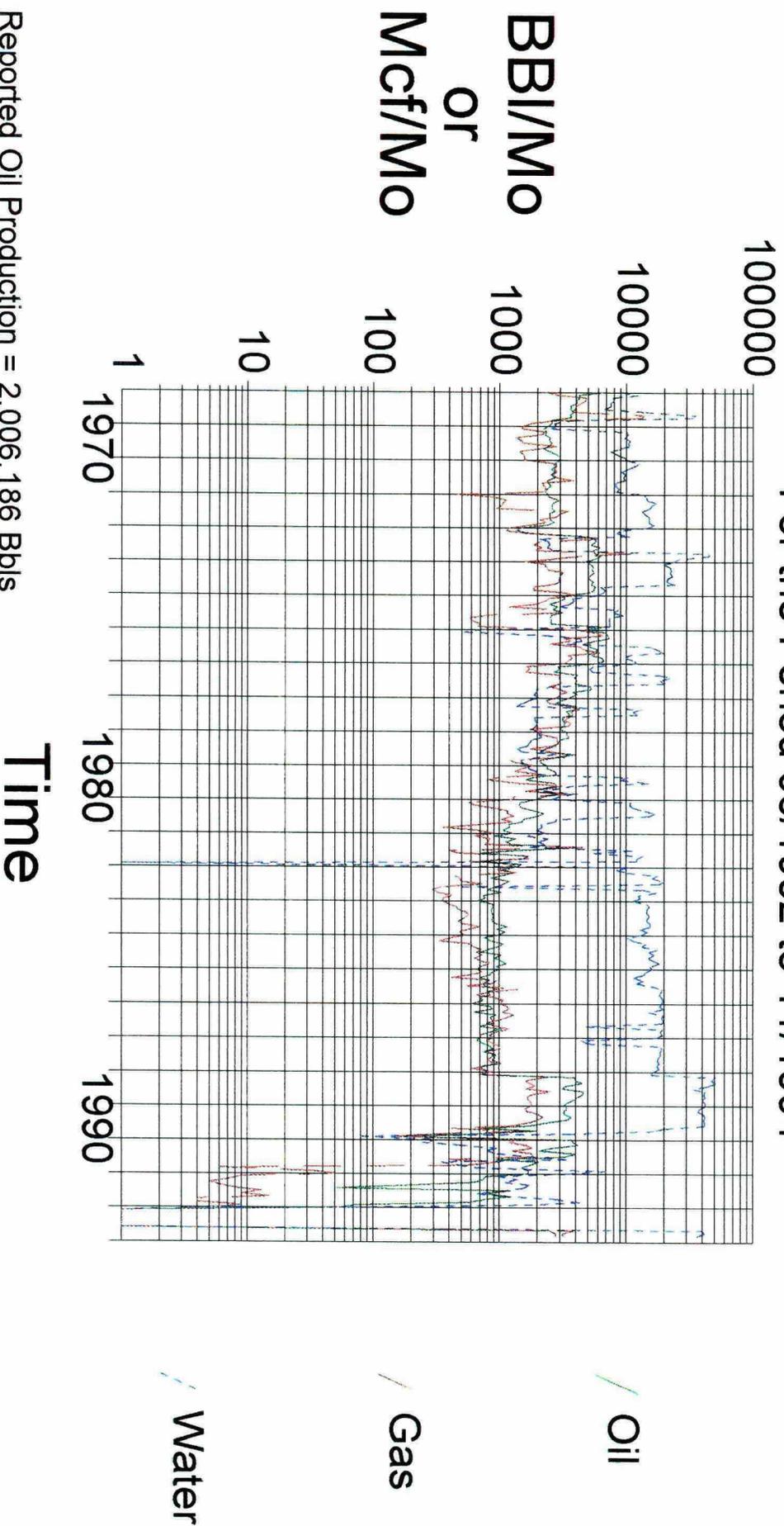
Oil

Gas

Water

Reported Oil Production = 1,531,192 Bbls  
Reported Gas Production = 820,322 Mcf  
Reported Water Production = 5,368,422 Bbls

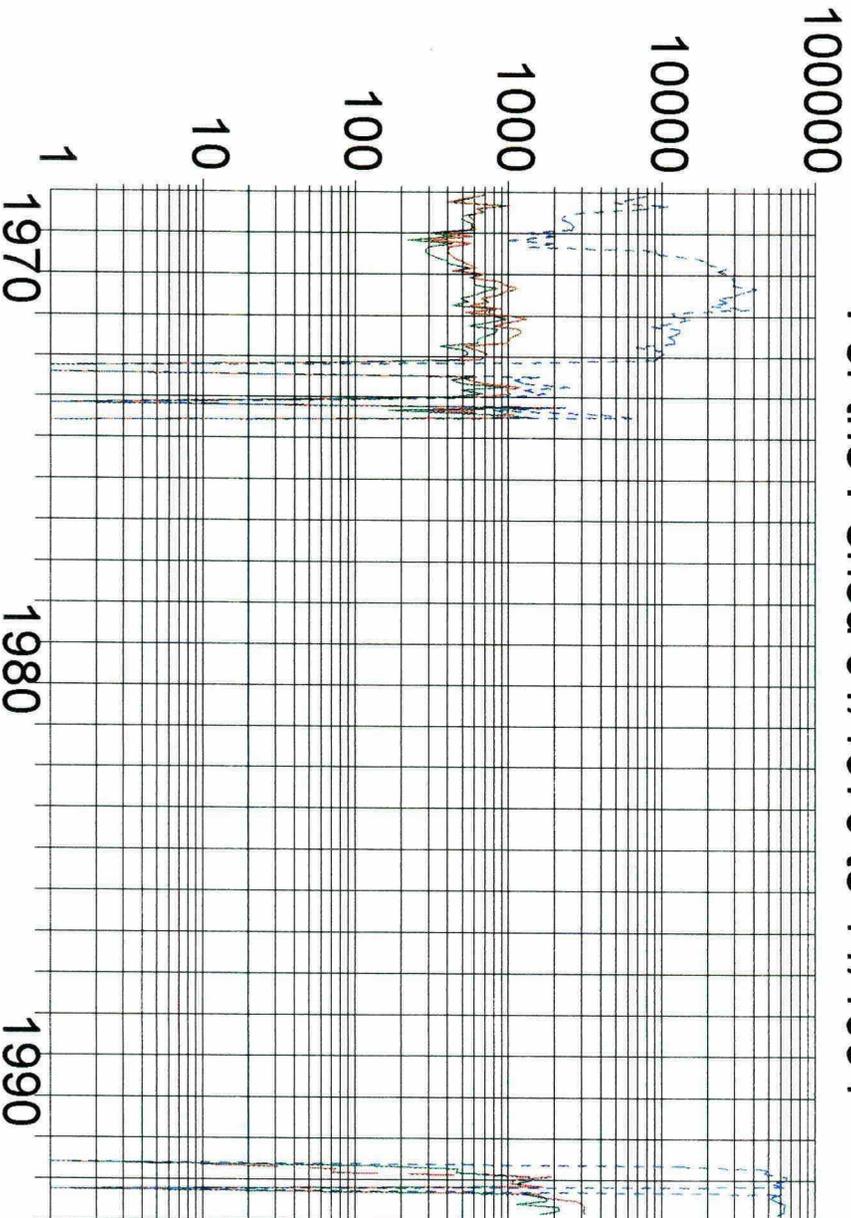
**Field: DENTON**  
**Lease: DENTON | Well Number: 6**  
**Operator: FASKEN BARBARA**  
**Production Rate vs Time**  
**For the Period 06/1952 to 11/1994**



Reported Oil Production = 2,006,186 Bbls  
Reported Gas Production = 1,415,224 Mcf  
Reported Water Production = 4,062,847 Bbls

**Field: DENTON**  
**Lease: STATE T | Well Number: 4**  
**Operator: DEVON ENERGY CORPORATION**

Production Rate vs Time  
For the Period 01/1970 to 11/1994



Oil

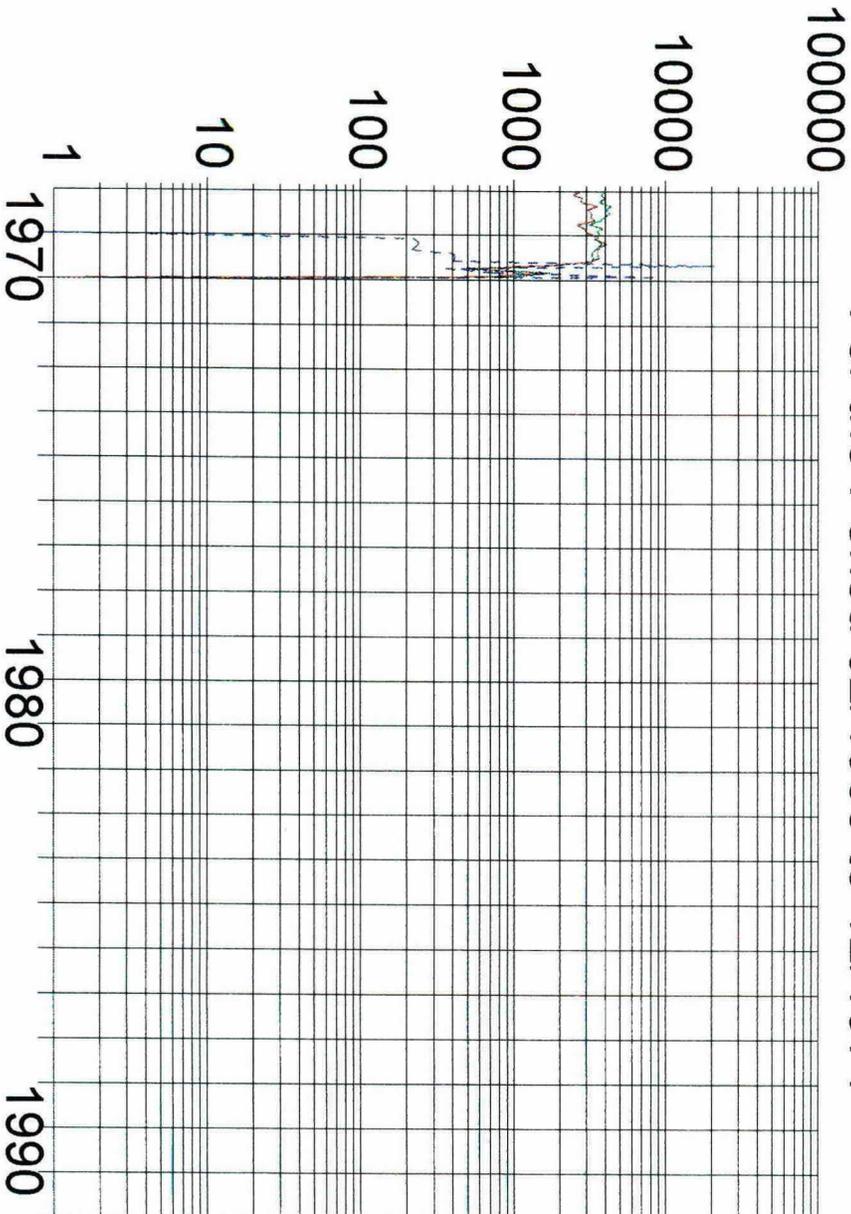
Gas

Water

Reported Oil Production = 1,067,940 Bbls  
Reported Gas Production = 566,849 Mcf  
Reported Water Production = 2,504,567 Bbls

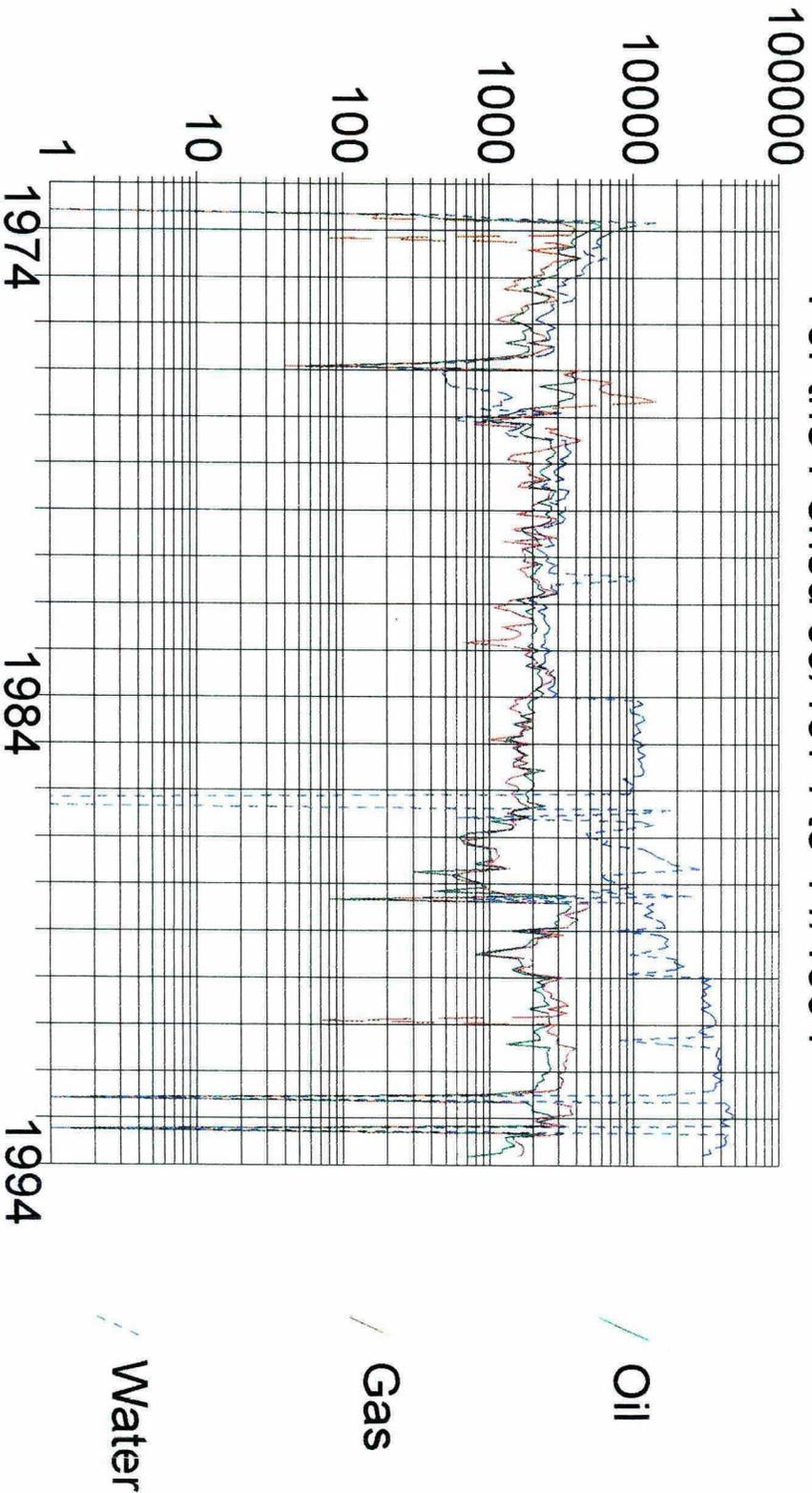
**Field: DENTON**  
**Lease: STATE T | Well Number: 1**  
**Operator: ATLANTIC RICHFIELD COMPANY THE**

**Production Rate vs Time**  
For the Period 02/1963 to 12/1971



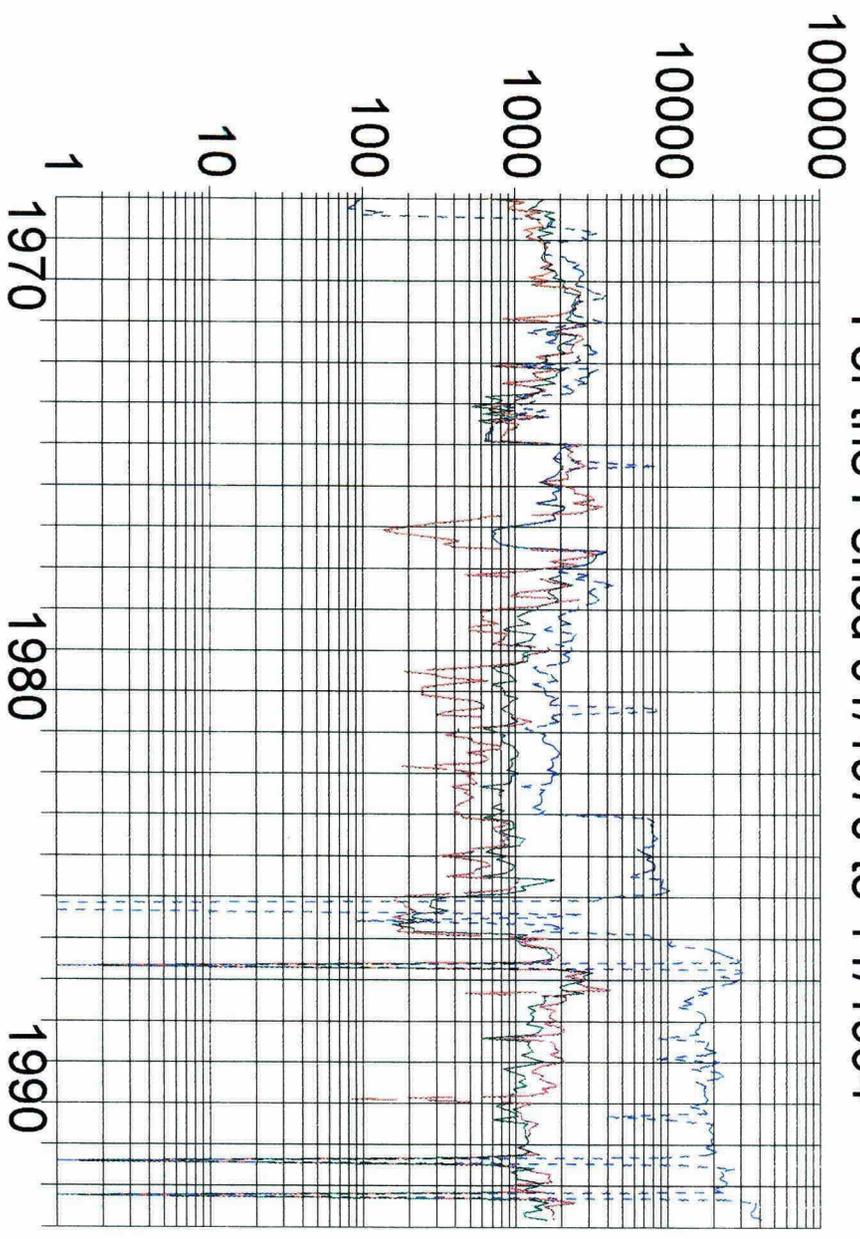
Reported Oil Production = 1,409,268 Bbls  
Reported Gas Production = 750,058 Mcf  
Reported Water Production = 175,065 Bbls

**Field: DENTON**  
**Lease: STATE T | Well Number: 7**  
**Operator: DEVON ENERGY CORPORATION**  
**Production Rate vs Time**  
**For the Period 09/1974 to 11/1994**



Reported Oil Production = 507,840 Bbls  
Reported Gas Production = 554,092 Mcf  
Reported Water Production = 2,792,971 Bbls

**Field: DENTON**  
**Lease: STATE T | Well Number: 3**  
**Operator: DEVON ENERGY CORPORATION**  
**Production Rate vs Time**  
**For the Period 01/1970 to 11/1994**



Oil

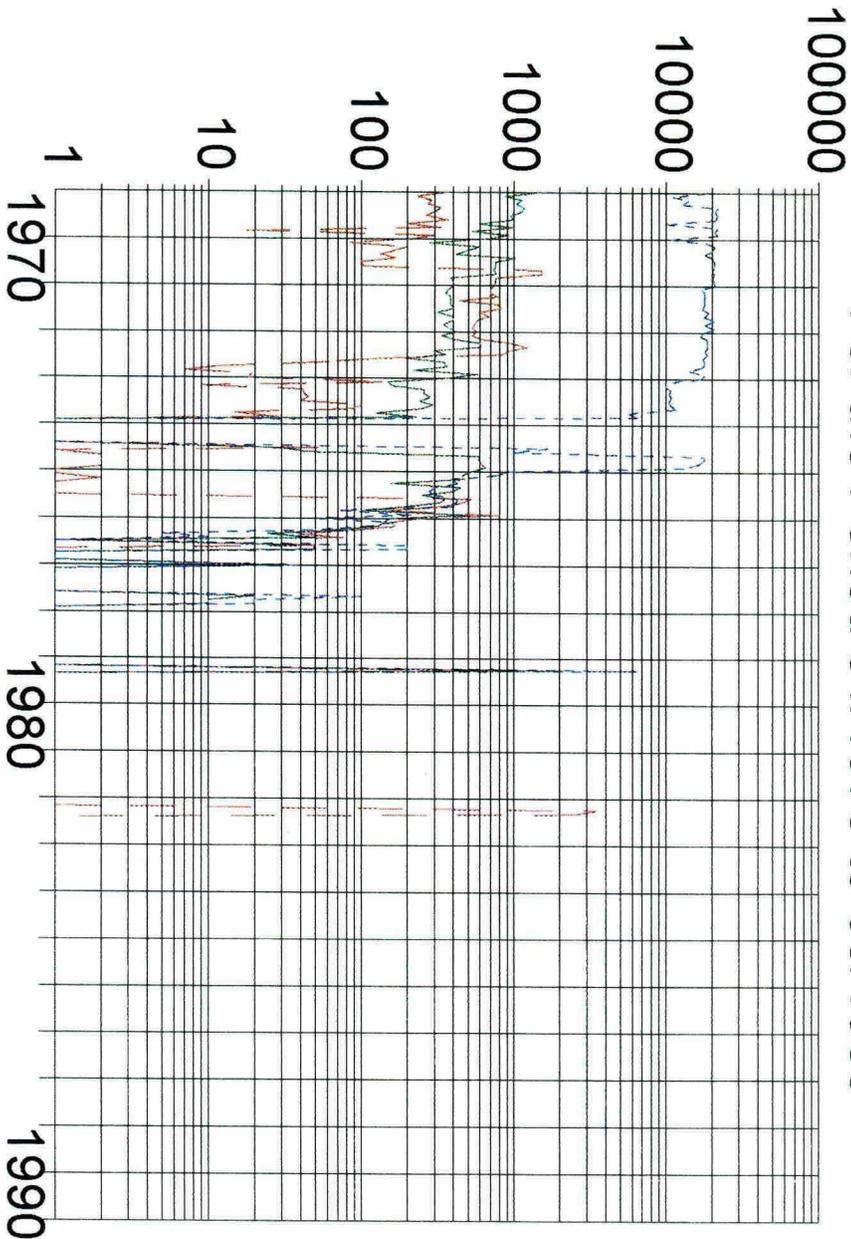
Gas

Water

Reported Oil Production = 1,484,275 Bbls  
 Reported Gas Production = 901,393 Mcf  
 Reported Water Production = 2,617,170 Bbls

**Field: DENTON**  
**Lease: LEA G STATE | Well Number: 1**  
**Operator: CHEVRON U S A INCORPORATED**

Production Rate vs Time  
 For the Period 01/1970 to 05/1983



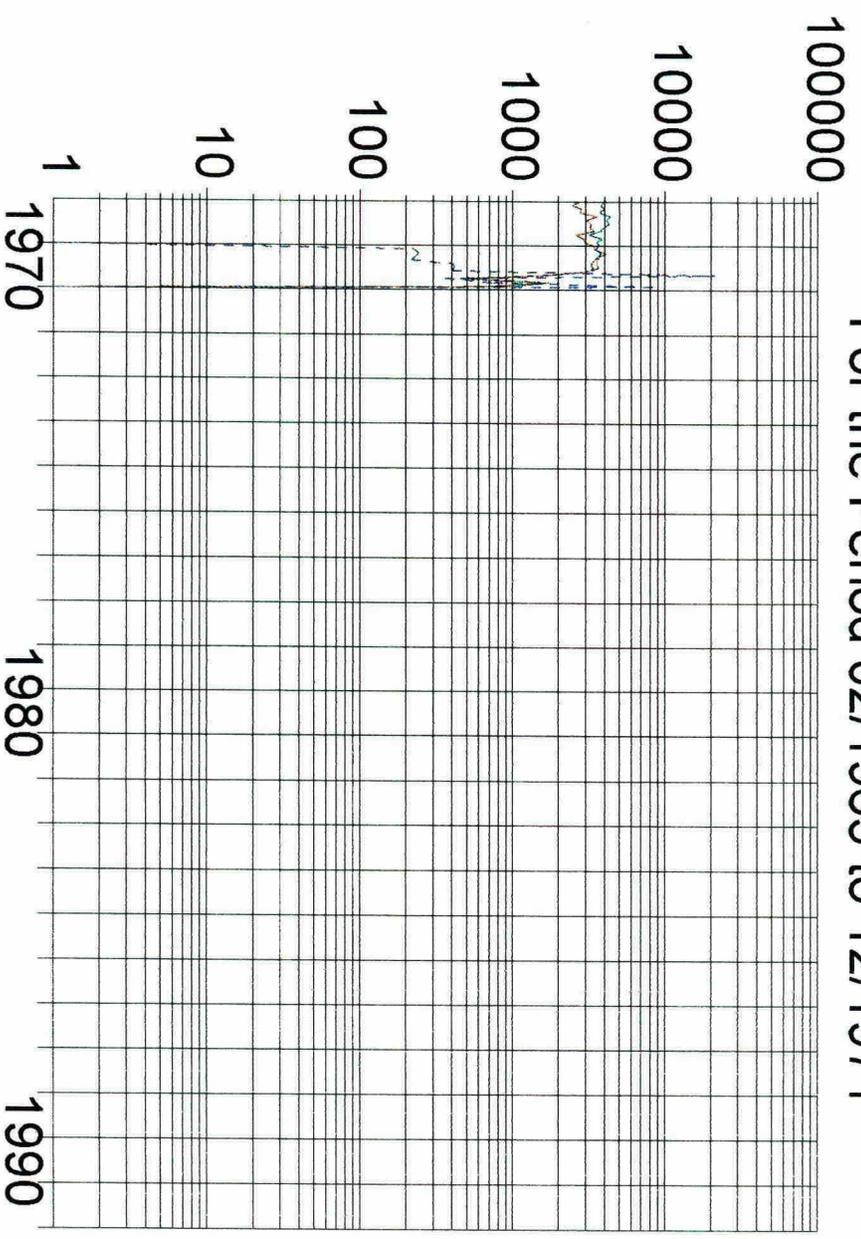
Oil

Gas

Water

Reported Oil Production = 1,137,265 Bbls  
 Reported Gas Production = 547,738 Mcf  
 Reported Water Production = 2,254,610 Bbls

**Field: DENTON**  
**Lease: STATE T | Well Number: 1**  
**Operator: ATLANTIC RICHFIELD COMPANY THE**  
**Production Rate vs Time**  
**For the Period 02/1963 to 12/1971**



Oil

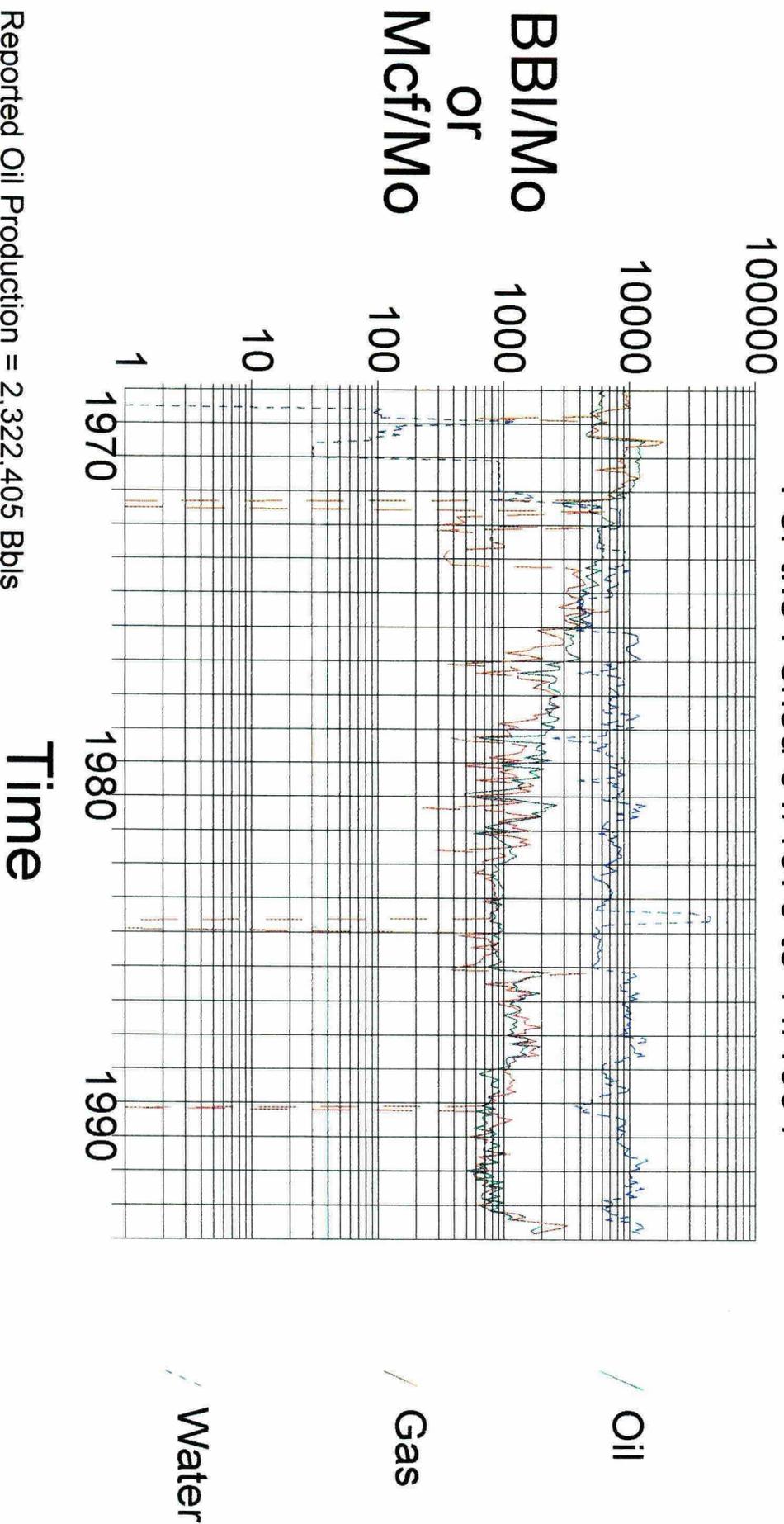
Gas

Water

Reported Oil Production = 1,409,268 Bbls  
 Reported Gas Production = 750,058 Mcf  
 Reported Water Production = 175,065 Bbls

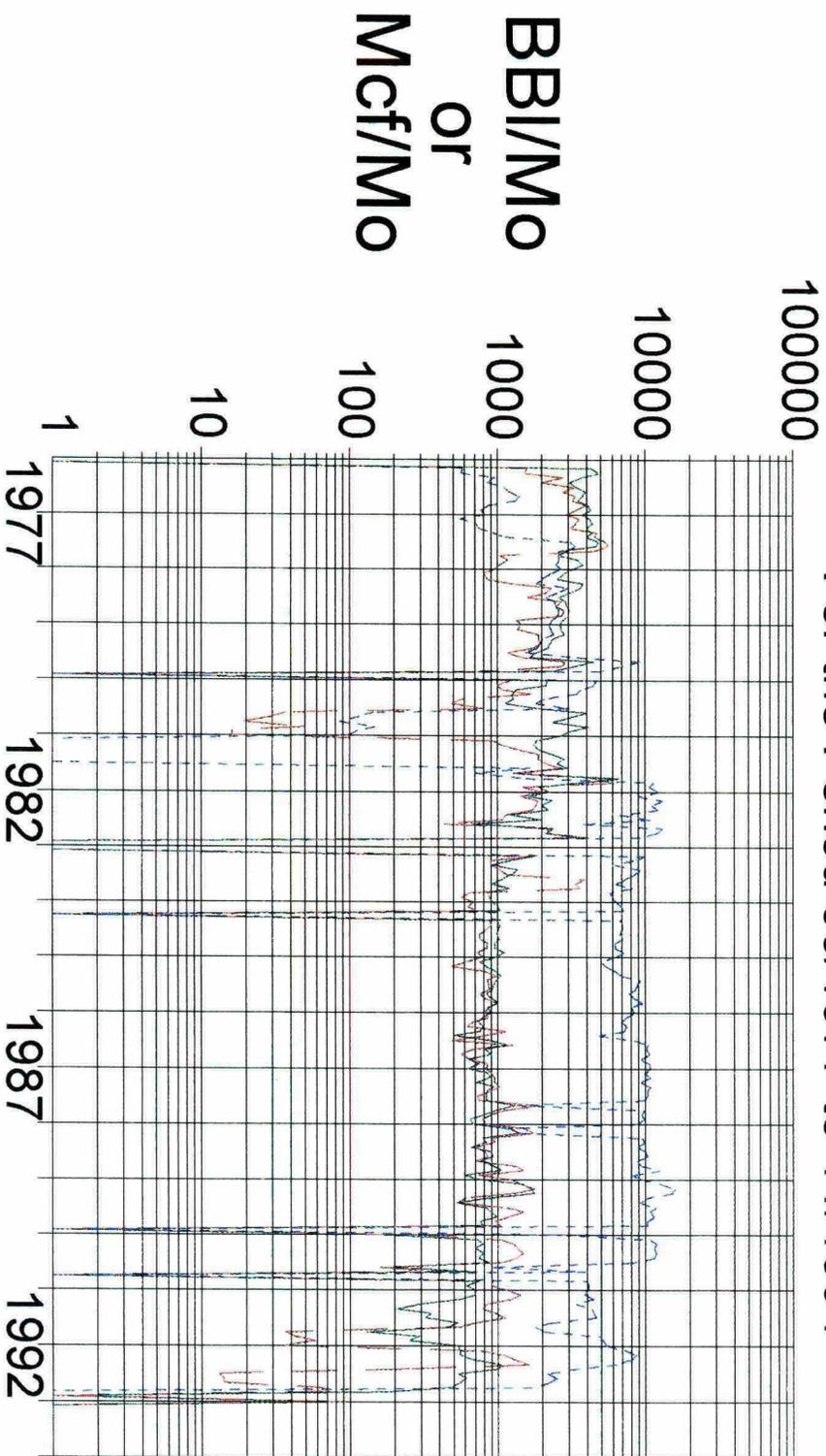
**Field: DENTON**  
**Lease: LEA G STATE | Well Number: 2**  
**Operator: PENNZOIL PETROLEUM COMPANY**

Production Rate vs Time  
For the Period 01/1970 to 11/1994



Reported Oil Production = 2,322,405 Bbls  
Reported Gas Production = 1,644,409 Mcf  
Reported Water Production = 2,229,509 Bbls

**Field: DENTON**  
**Lease: DENTON | Well Number: 17**  
**Operator: FASKEN BARBARA**  
**Production Rate vs Time**  
**For the Period 03/1977 to 11/1994**



Oil

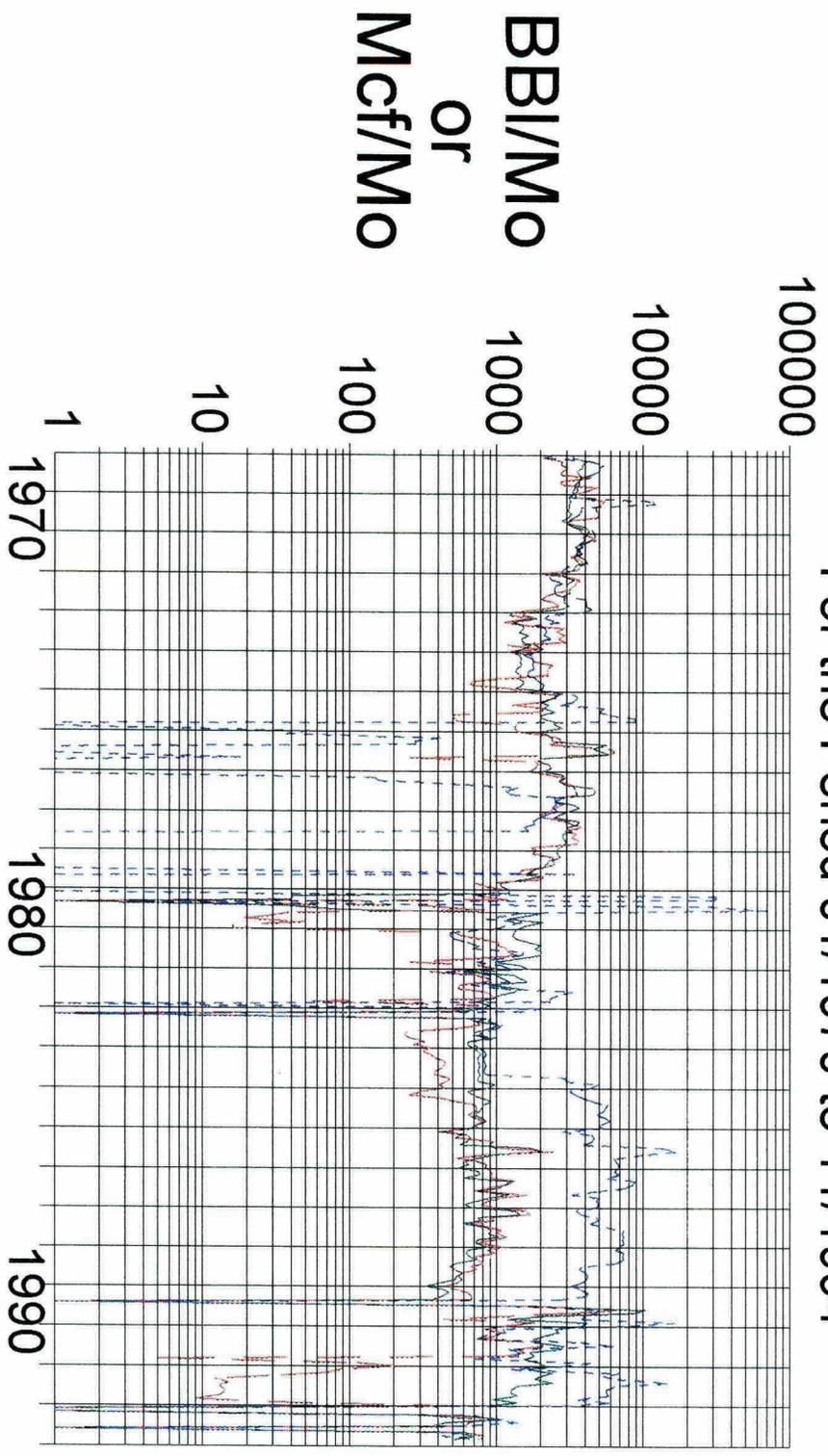
Gas

Water

Reported Oil Production = 328,532 Bbls  
Reported Gas Production = 269,565 Mcf  
Reported Water Production = 1,128,931 Bbls

Time

**Field: DENTON**  
**Lease: DENTON | Well Number: 7**  
**Operator: FASKEN BARBARA**  
**Production Rate vs Time**  
**For the Period 01/1970 to 11/1994**



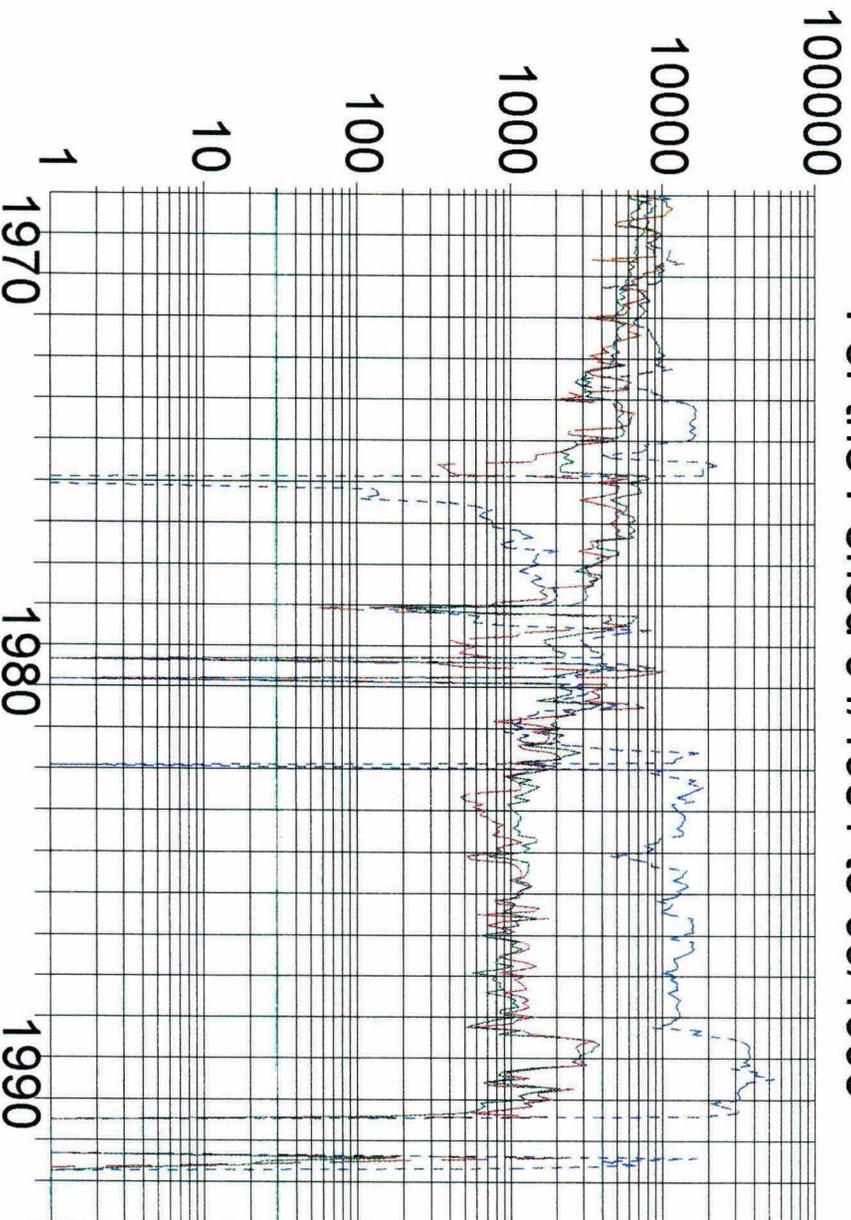
Oil

Gas

Water

Reported Oil Production = 1,811,615 Bbls  
 Reported Gas Production = 1,270,602 Mcf  
 Reported Water Production = 1,262,346 Bbls

**Field: DENTON**  
**Lease: DENTON | Well Number: 1**  
**Operator: PHILLIPS PETROLEUM COMPANY**  
**Production Rate vs Time**  
**For the Period 04/1951 to 09/1993**



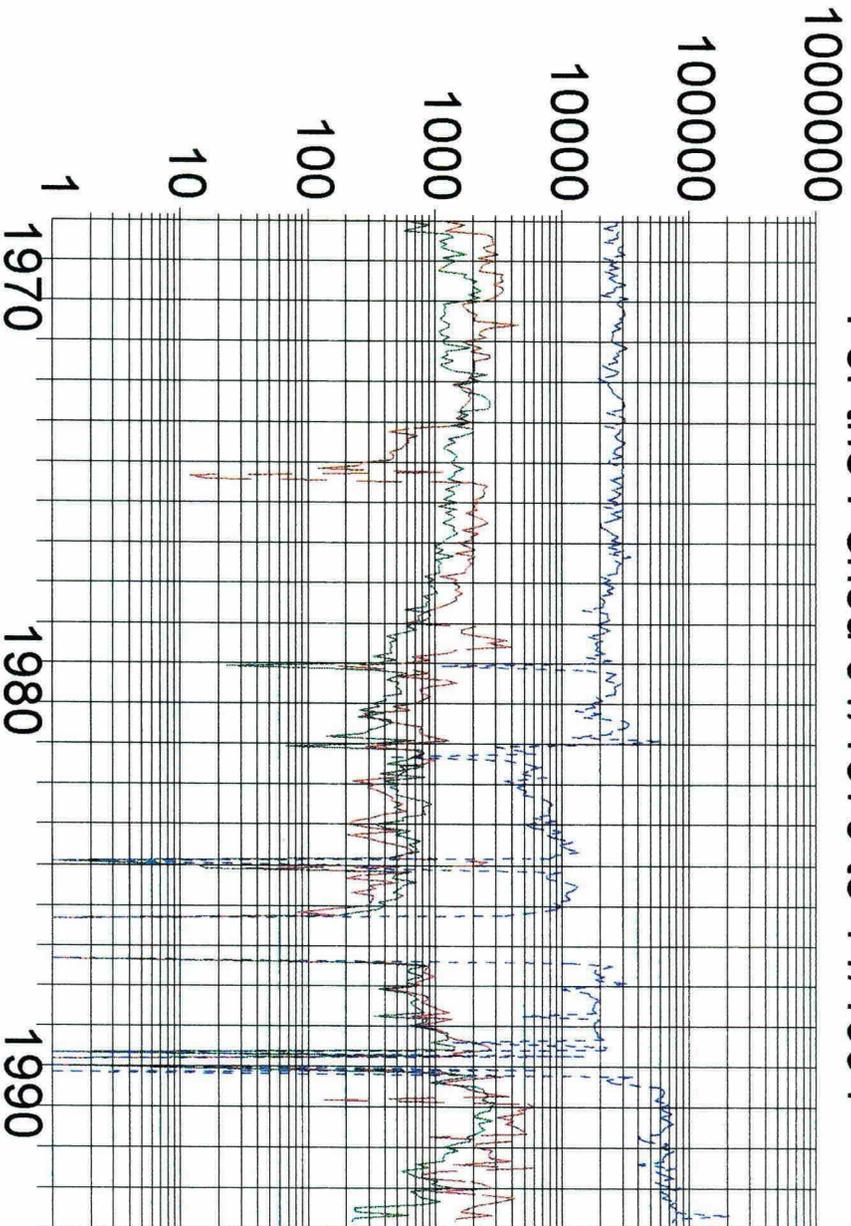
Oil

Gas

Water

Reported Oil Production = 2,235,133 Bbls  
 Reported Gas Production = 1,865,458 Mcf  
 Reported Water Production = 3,331,804 Bbls

**Field: DENTON**  
**Lease: J M DENTON | Well Number: 4**  
**Operator: MARATHON OIL COMPANY**  
 Production Rate vs Time  
 For the Period 01/1970 to 11/1994



Oil

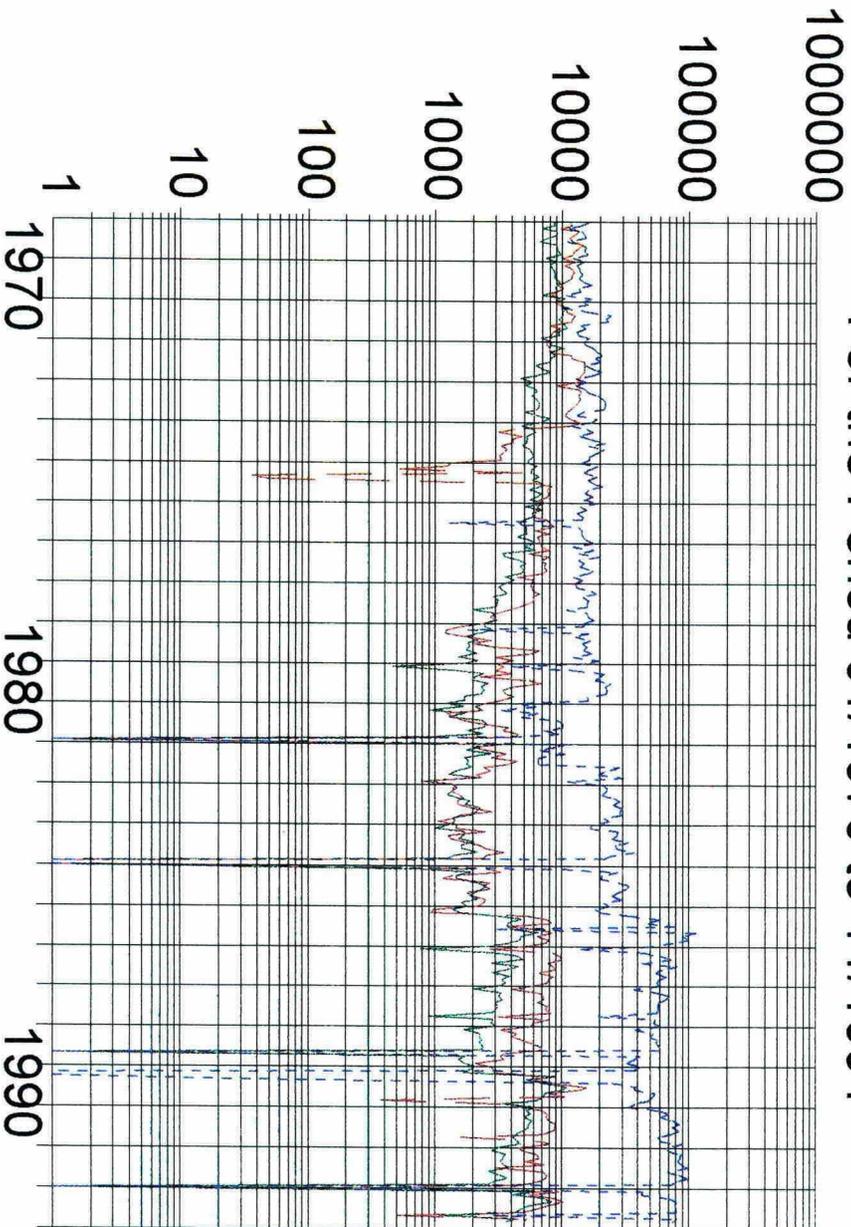
Gas

Water

Reported Oil Production = 1,624,545 Bbls  
 Reported Gas Production = 1,193,352 Mcf  
 Reported Water Production = 9,125,827 Bbls

**Field: DENTON**  
**Lease: J M DENTON | Well Number: 3**  
**Operator: MARATHON OIL COMPANY**

Production Rate vs Time  
For the Period 01/1970 to 11/1994



Oil

Gas

Water

Reported Oil Production = 2,920,852 Bbls  
Reported Gas Production = 2,929,538 Mcf  
Reported Water Production = 9,346,633 Bbls

**COLLINS & WARE, INC.**

808 WEST WALL AVENUE, SUITE 1800  
MIDLAND, TEXAS 79701-5076

(915) 687-3438

April 6, 1995

Stephens & Johnson Operating Company  
P. O. Box 2249  
Wichita Falls, Texas 76307

Attention: Mr. Peyton S. Carnes, Jr.

RE: Waiver of Protest  
Unorthodox Location Application  
T. D. Pope #32  
Lea County, New Mexico

Gentlemen:

Collins & Ware, Inc. proposes to drill its T. D. Pope #32 well at an unorthodox location being 103' FNL & 1431' FEL of Section 35, T-14-S, R-37-E, N.M.P.M., Lea County, New Mexico, said well to be drilled to a depth of 12,500 feet or to a depth sufficient to adequately test the Devonian formation.

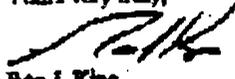
Stephens & Johnson Operating Company is the operator of record for the following tracts of land:

The South-Half (S/2) of Section 26, T-14-S, R-37-E, N.M.P.M., Lea County, New Mexico; and,

The East-Half (E/2) of Section 35, T-14-S, R-37-E, N.M.P.M., Lea County, New Mexico.

Therefore, Collins & Ware, Inc. requests that by your execution of this letter in the space provided below, you waive your right to protest the unorthodox location application by Collins & Ware, Inc. before the Oil Conservation Division of the State of New Mexico Energy & Natural Resources Department.

Yours very truly,



Ron J. King  
Vice President, Land

ILLEGIBLE

BEFORE THE  
OIL CONSERVATION DIVISION  
Santa Fe, New Mexico

Case No. 11290 Exhibit No. 8

Submitted by: Collins & Ware, Inc.

Witness Date: June 1, 1995

Stephens & Johnson Operating Company hereby waives its right to protest that unorthodox location application by Collins & Ware, Inc. before the Oil Conservation Division of the State of New Mexico Energy & Natural Resources Department for the above described location of its T.D. Pope No. 32 well.

STEPHENS & JOHNSON OPERATING COMPANY

By: *Paul Stephens*  
Name: PAUL STEPHENS  
Title: PRESIDENT

ILLEGIBLE