

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

IN THE MATTER OF THE APPLICATION OF
DOYLE HARTMAN, OIL OPERATOR, TO MODIFY
ORDER R-5448, TO WITHDRAW FROM 320-ACRE
NONSTANDARD PRORATION UNIT A 120-ACRE
TRACT AND TO FORM TWO NEW NONSTANDARD
PRORATION UNITS, FOR APPROVAL TO
DRILL WELL IN STANDARD LOCATION,
COMPULSORY POOLING AND FOR COMPENSATION
FOR SHARE OF PAST PRODUCTION IMPROPERLY
WITHHELD.

NO. 11529

APPLICATION

Doyle Hartman and Margaret Hartman, d/b/a Doyle Hartman Oil Operator (herein "Hartman"), pursuant to NMSA 1978 § 70-2-17 (1995 Repl.) and Rule 104 of the Rules and Regulations of the New Mexico Oil Conservation Division ("NMOCD"), hereby apply for an Order (a) modifying Order R-5448, entered June 7, 1977, (b) approving withdrawal of a 120- Acre Tract from the 320-Acre H.M. Britt proration unit established under NMOCD Order R-5448 consisting of E/2 W/2 and W/2 E/2, Section 7, T20S, R37E, Eumont Gas Pool, Lea County, New Mexico, (c) creating the new 120-Acre Britt "Federal" MKA nonstandard proration unit covering SE/4 SW/4, W/2 SE/4, Section 7, T20S, R37E, Eumont Gas Pool, to be operated by Doyle Hartman, (d) creating a new 200-Acre non-standard proration covering W/2 NE/4, E/2 NW/4, NE/4 SW/4, Section 7, T-20-S, R-37-3, Eumont Gas Pool, Lea County, New Mexico to be operated by Meridian Oil Inc., ("Meridian") (e) approving drilling of the Doyle Hartman-operated Britt "Federal"

MKA No. 1 well at an orthodox location on the 120-Acre Tract, (f) pooling the interests of Meridian and all other uncommitted working interests in the 120-Acre non-standard Eumont proration unit, and (g) ordering compensation to Hartman for Meridian's non-payment to Hartman of Hartman's proportional share of revenues, for the period September 1, 1991 to the present, corresponding to the 320-acre proration unit previously approved under Order R-5448.

In support thereof, Applicant states:

1. By Order R-5448, a copy of which is attached as Exhibit 1, the OCD approved a non-standard 320- Acre Eumont gas proration unit dedicated to the Britt No. 3 and Britt No. 12 wells located respectively in units G and C of Section 7; both wells produce from the Eumont Gas Pool. The existing proration unit encompasses two distinct tracts with differing or separate ownership:

A. 200-Acre Tract Consists of,

Township 20 South, Range 37 East NMPM
Section 7: W2 NE4, E2 NW4 and NE4 SW4

The Britt Nos. 3 and 12 wells are each located on this Tract and are operated by Meridian

B. 120-Acre Tract Consists of,

Township 20 South, Range 37 East NMPM
Section 7: SE4 SW4 and W2 SE4

2. Hartman is presently the largest working interest owner in the 120-Acre Tract. Hartman acquired its various interests in the 120-Acre Tract as follows:

a. Doyle Hartman acquired a 2.96624% interest in the SE/4SW/4, W/2SE/4 of Section 7, the 120-Acre Tract, by Partial Assignment and Bill of Sale dated

October 26, 1984, effective October 1, 1984, from Sun Exploration and Production Company, a true and correct copy of which is attached hereto as Exhibit 2. On June 1, 1987, the BLM approved a Transfer of Operating Rights between Sun Exploration and Production Company and Hartman.

b. Doyle Hartman acquired a 50.0% interest in the SE/4SW/4, W/2SE/4 of Section 7, the 120-Acre Tract, by Assignment and Bill of Sale dated August 25, 1989, effective September 1, 1989, from Conoco Inc., Amoco Production Company, Atlantic Richfield Company and Chevron U.S.A., Inc., ("Conoco Assignment") a true and correct copy of which is attached hereto as Exhibit 3. On October 1, 1989, the BLM approved a Transfer of Operating Rights between Conoco Inc., et al. and Hartman.

c. Doyle Hartman acquired from Phillips Petroleum Company a 21.875% interest in the SE/4 SW/4, W/2 SE/4 of Section 7, the 120-Acre Tract, by Assignment and Bill of Sale dated June 27, 1991, effective June 1, 1991, a true and correct copy of which is attached hereto as Exhibit 4. On August 1, 1991, the BLM approved a Transfer of Operating Rights between Phillips Petroleum Company and Hartman.

3. Recorded ownership in the operating rights for gas in the 200-Acre Tract are held by Meridian Oil Production Inc., Chevron USA Inc., ARCO, Conoco Inc., James E. Burr, Larry A. Nermyr, Ruth Sutton, and MWJR Petroleum Corp., as successor in interest to Amoco.

4. NMOCD Order R-5448 dedicating the existing 320-Acre proration unit to the Britt Nos. 3 and 12 wells reads, in pertinent part, as follows:

(2) That the applicant, Union Texas Petroleum, seeks approval of a 320-Acre non-standard gas proration unit comprising the E/2 W/2 and W/2 E/2 of Section 7, Townships 20 South, Range 37 East, NMPM, Lea County, New Mexico, to be simultaneously dedicated to applicant's Britt Wells Nos. 3 and 12 located at unorthodox locations in Units G and C of said Section 7, respectively.

(3) That the entire non-standard proration unit may reasonably be presumed productive of gas from the Eumont Gas Pool and that the entire non-standard gas proration unit can be efficiently and economically drained and developed by the aforesaid wells.

* * *

(5) That approval of the subject application will afford the applicant the opportunity to produce his just and equitable share of the gas in the Eumont Gas 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:

(1) That a 320-Acre non-standard gas proration unit in the Eumont Gas Pool comprising the E/2 W/2 and W/2 E/2 of Section 7, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby established and simultaneously dedicated to the Union Texas Petroleum Corporation Britt Wells Nos. 3 and 12, located at unorthodox locations in Units G and C of said Section 7, respectively.

(Emphasis added).

5. Undisputed recorded ownership as to 80.664063% of the Eumont operating rights in the 120-Acre Tract, as to which there exists clear and non-conflicting recorded assignments, is held as follows:

Clear Title	
Doyle and Margaret Hartman	50.000000%
James A. Davidson	0.000000%
Meridian Oil Production Inc.	30.5013061%
James E. Burr	0.065104%
Larry A. Nermyr	0.065104%
Ruth Sutton	<u>0.032552%</u>
Subtotal	80.664063%

6. Since September 1, 1989, by virtue of the Conoco Assignment, Hartman has owned no less than an 18.75% ($50.00\% \times (120\text{ac.}/320\text{ac}) = 18.75\%$) working interest in the 320-Acre H.M. Britt proration unit. Hartman is and has been entitled to at least an 18.75% share of the production and revenues from the Britt Nos. 3 and 12 Eumont wells since September 1, 1989. Meridian presently owes Hartman his proportional share of revenues from those wells for the period September 1, 1991 to the present.

7. A portion, 19.335937%, of the Eumont operating rights in the 120-Acre Tract, is presently the subject of contradictory and conflicting federal and county assignments, both of which were drafted by Meridian. These conflicting assignments affect possible ownership rights as to Meridian or Hartman/Davidson. Hartman has

placed Meridian on notice of the conflicting federal and county assignments.

8. Hartman and Davidson also hold a preferential right to purchase from Meridian a 20.833% interest in the 120-Acre Tract. This interest was previously owned by Union Texas Petroleum. Hartman and Davidson have exercised their preferential right to purchase by notification to Meridian Oil Production Inc. and purchase is pending. After a closing has occurred between Meridian and Hartman/Davidson on the 20.833% interest previously owned by Union Texas Petroleum, the 80.663966% of the operating rights on the 120-Acre Tract as to which there exists clear and non-conflicting assignments will be held as follows:

Clear Title	
Doyle and Margaret Hartman	68.229167%
James A. Davidson	2.604167%
Meridian Oil Production Inc.	9.667969%
James E. Burr	0.065104%
Larry A. Nermyr	0.065104%
Ruth Sutton	<u>0.032552%</u>
Subtotal	80.664063%

9. On July 20, 1989, in anticipation of the change in ownership resulting from the Conoco Assignment, Conoco (as the representative for the four assignors calling themselves the "New Mexico Federal Unit" or "N.M.F.U.") wrote Union Texas to notify it of the NMFU's pending sale to Hartman of its 50% interest in the 120-Acre Tract. Conoco proposed, in accordance with NMSA 1978, Section 70-2-18(C), that the 320-Acre

proration unit be reconfigured into two new "non-standard spacing proration units." See Exhibit 5 attached. Such a change in 1989 in the dedication of acreage would have segregated the 120-Acre Tract from the remainder of the 320-Acre Britt Proration Unit. This would have precluded Hartman from sharing in future revenues from the Britt No. 3 and No. 12 wells, but would have given Hartman the opportunity to produce his just and equitable share of gas from the 120-Acre Tract.

10. Union Texas and its successor, Meridian, have, since 1989, failed to separate out the 120-Acre Britt MKA tract. Since September, 1991, Meridian has denied Hartman his rightful opportunity to share in the revenue from the 320-Acre H.M. Britt proration unit while fully utilizing Hartman's proportional share of the 320-Acre H.M. Britt allowable attributable to the 120-Acre Tract. Meridian has acted to avoid a loss of commonality of working interests in the unit and a corresponding reduction of gas allowable. See Exhibit 6 attached.

11. By letter dated October 8, 1991, Hartman wrote to the NMOCD notifying the NMOCD that Union Texas and Meridian refused to recognize "that the Britt No. 3 Well (G-7-20-37) and Britt No. 12 Well (C-7-20-37) are simultaneously dedicated under NMOCD Order R-5448 to the 320-Acre Eumont Proration Unit consisting of the W/2 E/2, E/2 W/2, Section 7 with the entire 320-Acre proration unit (including the W/2 SE/4, SE/4 SW/4 Section 7) sharing in the gas production from the Eumont gas wells located thereon (Britt No. 3 and Britt No. 12)." (Emphasis in original). See Exhibit 7 attached. Hartman's October 8, 1991 letter requested that the Division suspend the allowable granted to the Britt Nos. 3 and 12 Wells until the wells were operated in accordance with

Order No. R-5448. Such operation requires that all acreage dedicated to the 320-Acre H.M. Britt proration unit be recognized as having the right and opportunity to share in production and revenue from the 320-Acre proration unit.

12. By letter dated October 11, 1991, a true and correct copy of which is attached hereto as Exhibit 8, William J. LeMay, Director of NMOCD, wrote to Hartman denying Hartman's request for suspension of the allowable, but stating:

You are correct that the W/2 of the E/2 and the E/2 of the W/2 of Section 7 are an approved non-standard proration unit. It is also correct that that proration unit is simultaneously dedicated to the Britt Wells Nos. 3 and 12, both of which are at approved unorthodox locations. Therefore it would be correct that all production from either or both of those wells should be allocated to the interest owners in the entire proration unit. (Emphasis added).

13. In August 1991, Hartman and Davidson learned of a pending property sale from Union Texas to Meridian including certain leases covering oil and gas properties in Lea County, New Mexico, including the H.M. Britt Lease. Litigation ensued between Union Texas and Hartman and Davidson over the right of Hartman and Davidson to exercise a preferential right to purchase Union Texas' interest in the 320-Acre proration unit. Union Texas, Meridian and Hartman and Davidson eventually entered into a settlement agreement whereby Meridian was to purchase all of the interest of Hartman and Davidson in numerous properties, including the 320-Acre proration unit.

14. Just prior to closing in 1992, Meridian raised a frivolous and invalid question about Hartman's entitlement to production proceeds attributable to the interest in the 120-Acre Tract. At the insistence of Meridian, that tract was subsequently omitted

from the closing between Hartman and Meridian. Nevertheless, in connection with the closing, Meridian paid Hartman and brought Hartman current, as of September, 1991, on revenues owing to Hartman attributable to his interest in the 120-Acre Tract.

15. Meridian has willfully failed and refused to pay Hartman revenues owing after September 1, 1991. Meridian has ignored its own title opinion which recognizes Hartman's interest. A copy of that title opinion is attached as Exhibit 9.

16. By letter dated May 5, 1992, Hartman again notified Meridian of Hartman's ownership interest in the 120-Acre Tract resulting from an assignment from Conoco, et. al. Hartman explained that such interest was part of and subject to the 320-Acre proration unit dedicated to and producing from the Britt No. 3 and No. 12 Wells. Hartman requested that Meridian issue an appropriate division order/transfer order reflecting Hartman's ownership interest. A true and correct copy of Hartman's May 5, 1992 letter is attached hereto as Exhibit 10.

17. Since the May 5, 1992 notice and despite ongoing requests on these matters to Meridian, Hartman did not receive any written acknowledgement from Meridian recognizing Hartman's minimum 18.75% ownership in the NMOCD approved 320-Acre proration unit until February 28, 1996. Even then, Meridian still refused to recognize Hartman's proportional right to revenue based on production prior to November, 1995, and has refused to tender payment to Hartman for proceeds withheld from Hartman dating back to September 1, 1991. Hartman has not received revenue attributable to its interest in the 120-Acre Tract since September 1, 1991.

18. Hartman does not know how the production attributable to the 120-Acre Tract was allocated by Meridian for the period September 1, 1991 to November, 1995. Hartman believes, and so alleges, that allocation has occurred on the basis of ownership in the 200-Acre portion of the 320-Acre unit consisting of W/2 NE/4, E/2 NW/4, NE/4 SW/4 of Section 7. For the period September 1, 1991 to at least November, 1995, Meridian has treated Hartman's ownership interest in the proportional production attributable to the 120-Acre Tract as non-existent.

19. Since September 1, 1991, the H.M. Britt Nos. 3 and 12 wells have been produced solely for the benefit of the owners of the 200-Acre Tract. The 200-Acre Tract nevertheless has utilized the acreage of the 120-Acre Tract for the setting of allowables. Reserves underlying the 120-Acre Tract are and have been drained, to the detriment and violation of the correlative rights of Hartman and other interest owners in the 120-Acre Tract.

20. Hartman's 50% interest in the Eunice-Monument Pool interval corresponding to the 120-Acre Tract (acquired by the Conoco Assignment) has been clearly recognized by the operator of the 120-Acre Tract's Eunice-Monument interval. Hartman was recently billed and was required to pay his proportional share of plugging and abandonment expenses corresponding to the Britt No. 6, Britt No. 7 and Britt No. 8 Eunice-Monument wells located thereon. Plugging costs amounted to \$36,297.28. The plugging and abandonment procedures were conducted by John H. Hendrix Corp. See Exhibit 11 attached.

21. Due to the conveyances of interests that have occurred as to the 320-Acre proration unit since issuance of Order No. R-5448 in 1977, there is no longer a commonality of ownership throughout the entire 320-Acre proration unit. Meridian's conscious failure and refusal to include the 120 Acre Tract in its allocation of production and revenues from the Britt Nos. 3 and 12 Wells evidences an intent and actual practice to treat the 200-Acre Tract and the 120-Acre Tract as separate tracts and to repudiate prior agreements between the parties and their predecessors in interest. Consequently, there is no longer a practical or legal justification for the 120-Acre Tract to remain part of the existing 320-Acre proration unit.

22. Pursuant to NMSA 1978 § 70-2-18(C), and in order to prevent waste and protect correlative rights, the NMOCD should modify Order R-5448 to reconfigure the 200- Acre Tract and the 120-Acre Tract as separate, nonstandard Eumont proration units, approve the drilling of the Hartman Britt Federal MKA No. 1 well at an orthodox location on the 120-Acre Tract, and dedicate the newly completed Hartman Eumont well to a 120-Acre non-standard Eumont proration unit consisting of the W/2 SE/4, SE/4 SW/4 of Section 7.

23. As both the applicant and largest working interest owner, Hartman should be designated operator of the 120-Acre non-standard Eumont proration unit. Hartman will furnish shortly a 1982 standard form operating agreement for the 120-Acre Tract.

24. Pursuant to NMSA 1978 §70-2-17 (1995 Repl.), Hartman requests that, in order to prevent waste and protect correlative rights, NMOCD order pooling of

Meridian Oil Production Inc.'s interest and that of all other interest owners (see Paragraph 5. above) in the 120-Acre Proration Unit.

25. Finally, pursuant to NMSA 1978 § 70-10-1 et seq. and § 70-2-18(B), Meridian should be ordered to "account to and pay" to Hartman either all unpaid portions of Hartmans' prorata share of production revenues from the 320-Acre proration unit for the period September 1, 1991 through the effective date of approval of this application, or any other amount due and owing to Hartman.

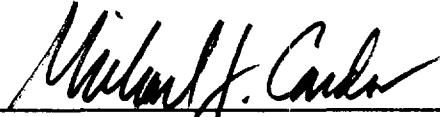
26. In accordance with NMOCD Rule 104(D)(2), Applicant is notifying those affected adjacent and diagonal Eumont operators and the parties to be force pooled by this application as set forth on Exhibit 12 attached hereto. A copy of a plat showing affected acreage, as well as a three dimensional plat related thereto is attached as Exhibit 13.

27. Due to Meridian's repeated and ongoing refusal, in violation of NMSA 1978 Sections 70-2-18 and 70-10-1 et seq., to properly and fully recognize Hartman's documented ownership in the 320-Acre H.M. Britt lease, any effort to obtain voluntary joinder of Meridian in this Application would obviously be futile.

WHEREFORE, Applicant Doyle Hartman Oil Operator requests that, after notice and hearing, this Application be approved as requested and that the Order approving same include provisions for Hartman to recover costs of drilling, equipping, completing and operating the well, its cost of supervision while drilling and after completion, including overhead charges, and imposition of a 200% risk factor for the risk assumed by Hartman in drilling, completing and equipping the well.

Respectfully submitted,

GALLEGOS LAW FIRM, P.C.

By  _____

J. E. GALLEGOS
MICHAEL J. CONDON
460 St. Michael's Drive - Bldg. 300
Santa Fe, New Mexico 87505
(505) 983-6686
Attorneys for Applicant

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5935
Order No. R-5448

APPLICATION OF UNION TEXAS PETROLEUM
FOR A NON-STANDARD PRORATION UNIT AND
SIMULTANEOUS DEDICATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 25, 1977,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 8th day of June, 1977, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

- (1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.
- (2) That the applicant, Union Texas Petroleum, seeks
approval of a 320-acre non-standard gas proration unit comprising
the E/2 W/2 and W/2 E/2 of Section 7, Township 20 South, Range
37 East, NMPM, Lea County, New Mexico, to be simultaneously
dedicated to applicant's Britt Wells Nos. 3 and 12 located at
unorthodox locations in Units G and C of said Section 7,
respectively.
- (3) That the entire non-standard proration unit may
reasonably be presumed productive of gas from the Eumont Gas
Pool and that the entire non-standard gas proration unit can be
efficiently and economically drained and developed by the
aforesaid wells.
- (4) That Commission administrative order NSP-11 should
be superseded.
- (5) That approval of the subject application will afford
the applicant the opportunity to produce his just and equitable
share of the gas in the Eumont Gas 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

-2-
Case No. 5935
Order No. R-5448

number of wells, and will otherwise prevent waste and protect correlative rights.

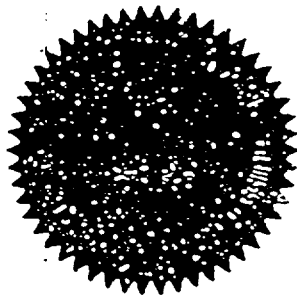
IT IS THEREFORE ORDERED:

(1) That a 320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the E/2 W/2 and W/2 E/2 of Section 7, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby established and simultaneously dedicated to the Union Texas Petroleum Corporation Britt Wells Nos. 3 and 12, located at unorthodox locations in Units G and C of said Section 7, respectively.

(2) That Commission administrative order NSP-11 is hereby superseded.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Phil R. Lucero

PHIL R. LUCERO, Chairman

Emery G. Arnold

EMERY G. ARNOLD, Member

Joe D. Ramey

JOE D. RAMEY, Member & Secretary

S E A L

jr/

H. M. Dutt

38787
PARTIAL ASSIGNMENT
AND
BILL OF SALE

Julius
BOOK 436 PAGE 809

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KNOW ALL MEN BY THESE PRESENTS:

That SUN EXPLORATION AND PRODUCTION COMPANY, P. O. Box 2880, Dallas, Texas 75221-2880, hereinafter referred to as "Assignor", for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby grant, bargain, sell, transfer, assign and convey, WITHOUT COVENANTS OR WARRANTIES OF TITLE, EITHER EXPRESS OR IMPLIED, unto DOYLE HARTMAN, P. O. Box 10426, Midland, Texas 79702, hereinafter referred to as "Assignee", all of Assignor's right, title and interest in and to the Oil and Gas Leases, rights-of-way and surface leases described in Exhibit "A" attached hereto and made a part hereof INsofar ONLY as said Leases cover the lands and depths specifically described in said Exhibit "A", and subject to the provisions of said Leases and to any and all existing royalties, excess royalties, overriding royalty interests or other payments out of production with which said Leases may be burdened.

Assignor, for the same consideration recited above, does hereby sell, transfer, assign, and convey, AS IS AND WITHOUT WARRANTY OF MERCHANTABILITY, CONDITION OR FITNESS EITHER EXPRESS OR IMPLIED, unto Assignee, all of Assignor's right, title and interest in and to all of the wells located on said lands, together with all casing, leasehold equipment, and personal property in or on or used in connection with said wells, as specifically described in Bid Letter #84923 dated September 6, 1984.

TO HAVE AND TO HOLD the same unto Assignee, its successors and assigns, forever.

Assignee, in consideration of the mutual benefits to be derived hereunder, by its acceptance hereof, understands and agrees to the following terms and conditions:

1. Assignee hereby agrees that Assignor's interest in all oil in the lease tanks above the pipeline connections is excluded from this sale and is reserved by, and remains the property of, Assignor. The quantity and the grade of such oil shall be ascertained by the Operator on the effective date hereof, and Assignor will bill Assignee for the value thereof on the basis of the posted price then prevailing in the field for oil of similar grade and quality.
2. Assignee agrees to be solely responsible for any and all sales taxes due by virtue of this transaction on the equipment, material and property hereby assigned and conveyed, and Assignee shall remit such sales taxes to Assignor at time of closing for payment to the State of New Mexico. Assignee also agrees to be responsible for payment of ad valorem taxes for the current year. Assignee will in turn bill Assignor for its proportionate share, prorated to the effective date of this sale.
3. Assignee hereby agrees that it has inspected the leases, wells, personal property and equipment assigned and conveyed herein and that it accepts the same in their present condition. Assignee hereby agrees to assume all responsibility for said wells, the casing, leasehold equipment, plugging requirements or exceptions thereto, including bonding requirements, in and on said wells, and all other personal property used on or in connection therewith, from and after the effective date of this Partial Assignment and Bill of Sale, and Assignee agrees to protect, defend, indemnify and hold Assignor and its employees free and harmless from and against any and all costs, expenses, claims, demands and causes of action of every kind and character arising out of, incident to, or in connection with the above-described leases, land, wells, casing, leasehold equipment, and other personal property, or Assignee's or other parties' operations on said leases and said land, as of the effective date of this Partial Assignment and Bill of Sale, regardless of whether the liability therefor is based upon some alleged act or omission of Assignor, or of Assignee, or of some other party.

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EXECUTED 10-26-84
EFFECTIVE 10-1-84

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4. Assignee agrees to require compliance with all laws, ordinances, rules and regulations, federal, state and municipal, with respect to the abandonment of the above-described wells or the abandonment of any and all of the leasehold equipment and property conveyed hereby, including, where applicable, the use of explosives in shooting or pulling of casing and tubing.

5. Assignee agrees that at such time as any well or wells on the leases assigned hereby are abandoned, such will be properly plugged and abandoned in accordance with the applicable rules and regulations pertaining to the plugging and abandoning of such wells in the State of New Mexico at the time said wells are plugged and abandoned, and Assignee further agrees that the surface of the land around said well or wells will be cleaned and restored as nearly as possible to its original condition. Assignee agrees to be responsible to Assignor for damages in connection with the above referenced operations and to hold Assignor harmless therefrom.

6. The lease assigned hereunder, or portions thereof, may be subject to the terms and conditions of certain agreements, even though such are not listed herein.

7. Although Assignor is selling its interests in any rights-of-way that might be found on the subject acreage, Assignor expressly retains the right for use of such rights-of-way on the leases described in Exhibit "A" where Assignor retains any deep rights.

8. Assignee agrees to assume all obligation for rentals on surface leases. With respect to surface leases which lie over leases in which Assignor retains the deep rights, Assignee agrees to supply Assignor with evidence of such payment within 30 days after the date such rentals are due. With respect to surface leases which lie over leases in which Assignor retains the deep rights, Assignor further retains use of such surface for development of said deep rights.

9. If Assignee or its agent should ever cease production on those leases where Assignor has retained the deep rights, Assignee agrees to notify Assignor of this cessation of production within 7 days. Assignor will then have the option to repurchase the lease or allow it to expire. If and when Assignee's leasehold rights terminate, Assignee agrees to furnish Assignor a copy of the release of such leasehold.

10. Assignor hereby excepts and reserves and retains unto itself, its successors and assigns, the right at all times, and from time to time at its election, to purchase all or any part of the oil produced from or attributed to the leases and lands hereby assigned, at the price posted by the major purchasers for the same or similar grade of oil in the area.

11. This Partial Assignment and Bill of Sale is made subject to all of the terms and conditions of that certain Bid Letter #84923 dated September 6, 1984, and made a part hereof by reference.

This Partial Assignment and Bill of Sale shall be effective as of October 1, 1984, at 7:00 a.m.

EXECUTED this 26th day of OCTOBER, 1984.

SUN EXPLORATION AND PRODUCTION COMPANY

By: E.O. Taubbee
Attorney-in-Fact
E.O. TAULBEE

Approved:
Terms OK
Legal AKT
Desc AKT

ACCEPTED AND AGREED TO this
20th day of October,
1984.

BOOK 436 PAGE 811

By: *Doyle Hartman* ^{13.}
DOYLE HARTMAN

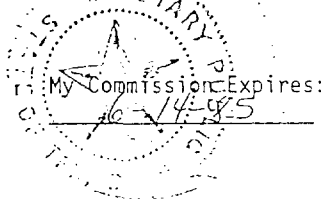
This instrument prepared by:

A. R. Tubb
A. R. Tubb
P. O. Box 2880
Dallas, Texas 75221-2880

STATE OF TEXAS) (

COUNTY OF DALLAS) (

The foregoing instrument was acknowledged before me this 26th day of OCTOBER, 1984, by E. O. TAULBEE III, as Attorney-in-Fact on behalf of SUN EXPLORATION AND PRODUCTION COMPANY, a Delaware corporation.

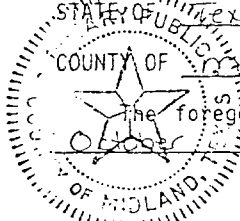


Denise D. Baker
Notary Public
DENISE D. BAKER

STATE OF Texas) (

COUNTY OF Midland) (

The foregoing instrument was acknowledged before me this 29th day of October, 1984, by DOYLE HARTMAN.



Michelle Hembree
Notary Public

My Commission Expires:

MICHELLE HEMBREE, Notary Public
My Commission Expires October 25, 1985

3111-84923-414114, 414112, 414110

EXHIBIT "A"

Attached to and Made Part of
Partial Assignment and Bill of Sale

Lea County, New Mexico

LEASE NUMBER	LESSOR	LESSEE	DATE	RECORDING DATA		DESCRIPTION OF PROPERTY	FOOTNOTE REFERENCE
				Book	Page		

PN 414114

T00699-002

USA Serial No.
 LC-031621-B

Harry M. Britt

5/1/56

Insofar and only insofar as lease covers the SE/4 SW/4 of Section 5, T20S-R37E, N.M.P.M.

1,3

PN 414112 & PN 414110

T00698

USA Serial No.
 LC-031621-A

Harry M. Britt

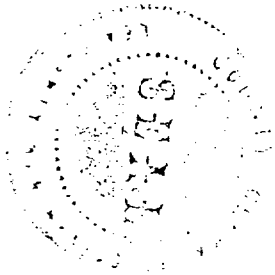
5/1/56

Insofar and only insofar as lease covers the E/2 SW/4 of Section 6, T20S-R37E, N.M.P.M. and the W/2 E/2 and the E/2 W/2 of Section 7, T20S-R37E, N.M.P.M., less and except the Grayburg-San Andres formation in and under the SE/4 SW/4 and W/2 SE/4 of said Section 7.

1,2,3

FOOTNOTE REFERENCES:

1. Subject to "Drilling and Farming Out Contract" dated 2/13/35 as amended by and between Continental Oil Company, et al (T/PC-627).
2. Subject to "Operating Agreement" dated 8/24/59 as amended by and between Anderson-Prichard Oil Corporation, et al (T/PC-659).
3. Subject to "Casinghead Gas Contract" dated 11/3/81 by and between Gulf Oil Corporation as Buyer and Sun Production Company as Seller (G-52772).



STATE OF NEW MEXICO
COUNTY OF LEA
FILED

NOV 2 1984

at 12:32 o'clock P.M.
and recorded in Book 436
Page 813
Pat Smith County Clerk
Deputy

38787

CORRECTION PARTIAL ASSIGNMENT AND BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, by a certain Partial Assignment and Bill of Sale, SUN EXPLORATION AND PRODUCTION COMPANY, P. O. Box 2880, Dallas, Texas 75221-2880, hereinafter referred to as "Assignor", assigned all of its right, title and interest in and to the oil and gas leases and surface leases described in Exhibit "A" attached thereto and made a part thereof unto DOYLE HARTMAN, P. O. Box 10426, Midland, Texas 79702, hereinafter referred to as "Assignee", said Partial Assignment and Bill of Sale being dated October 26, 1984, but effective the 1st day of October, 1984, by and between Assignor and Assignee covering interests in Lea County, New Mexico.

WHEREAS, the Footnote References in Exhibit "A" to said Partial Assignment and Bill of Sale failed to properly refer to a Gas Well Contract dated April 14, 1978 by and between El Paso Natural Gas Company as Buyer and Texas Pacific Oil Company, Inc. as Seller (G-52561);

WHEREAS, it is the desire of the undersigned to correct said Partial Assignment and Bill of Sale by correcting said Exhibit "A" to the Partial Assignment and Bill of Sale dated October 26, 1984, but effective October 1, 1984, in the manner set forth below.

NOW, THEREFORE, the Partial Assignment and Bill of Sale is corrected by this Correction Partial Assignment and Bill of Sale as stated herein by correcting Exhibit "A" to said Partial Assignment and Bill of Sale as follows:

By adding to the Footnote References on Exhibit "A" to said Partial Assignment and Bill of Sale, Footnote Number 4: "Subject to Gas Well Contract dated April 14, 1978 by and between El Paso Natural Gas Company as Buyer and Texas Pacific Oil Company, Inc. as Seller (G-52561)," and by including a number "4" in the Footnote Reference applicable to Sun Property Number 414114.

Exhibit "A" as so corrected is attached hereto and made a part hereof for all purposes and the original Exhibit "A" is deleted in its entirety and the attached Exhibit replaces the original Exhibit "A."

This Correction Partial Assignment and Bill of Sale is subject to all of the terms and conditions contained in that certain Bid Letter No. 84923 dated September 6, 1984, between Assignor and Assignee.

In all other respects, except as expressly corrected herein, the terms of the original Partial Assignment and Bill of Sale remain unchanged as originally written.

This Correction Partial Assignment and Bill of Sale shall be effective as of October 1, 1984, at 7:00 a.m.

WITNESS the execution hereof on this 24th day of April, 1986.

SUN EXPLORATION AND PRODUCTION COMPANY
By: T.E. Maxwell
Attorney-in-Fact
T. E. MAXWELL

Approved:
Terms [initials]
Legal [initials]
Desc [initials]

AGREED AND ACCEPTED this 21st day of May, 1986

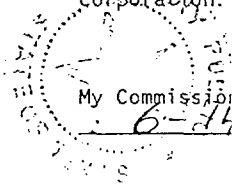
[Signature]
DOYLE HARTMAN

This instrument prepared by:

Marcia A. Faykus
Marcia A. Faykus
P. O. Box 2880
Dallas, Texas 75221-2880

STATE OF TEXAS)(
COUNTY OF DALLAS)(
)

The foregoing instrument was acknowledged before me this 24th day of April, 1986, by T. F. MAXWELL, as Attorney-in-Fact, on behalf of SUN EXPLORATION AND PRODUCTION COMPANY, a Delaware corporation.

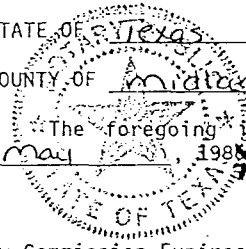


Denise D. Suttice
Notary Public
DENISE D. SUTTICE

My Commission Expires:
6-24-89

STATE OF Texas)(
COUNTY OF Midland)(
)

The foregoing instrument was acknowledged before me this 21st day of May, 1986, by DOYLE HARTMAN.



Michelle Newbree
Notary Public

My Commission Expires:

MICHELLE NEWBREE, Notary Public
My Commission Expires November 8, 1989

MAY 26 1987

at 11:58 o'clock A M
and recorded in Book 410
Page 636
Shirley Hooper, Lea County Clerk
By Sue Walton Deputy

EXHIBIT "A"
Attached to and Made Part of
Correction Partial Assignment and Bill of Sale

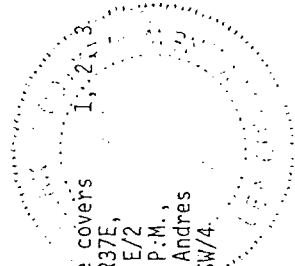
8069

3111-84923-414114, 414112, 414110

Lea County, New Mexico

LEASE NUMBER	LESSOR	LESSEE	DATE	RECORDING DATA		DESCRIPTION OF PROPERTY	FOOTNOTE REFERENCE
				Book	Page		

PN 414114 - BRITT B							
T00699-002	USA Serial No. LC-031621-B	Harry M. Britt	5/1/56	---	---	Insofar and only insofar as lease covers the SE/4 SW/4 of Section 5, T20S-R37E, N.M.P.M.	1, 3, 4
PN 414112 & PN 414110 - BRITT A AND BRITT							
T00698	USA Serial No. LC-031621-A	Harry M. Britt	5/1/56	---	---	Insofar and only insofar as lease covers the E/2 SW/4 of Section 6, T20S-R37E, N.M.P.M. and the W/2 E/2 and the E/2 W/2 of Section 7, T20S-R37E, N.M.P.M., less and except the Grayburg-San Andres formation in and under the SE/4 SW/4 and W/2 SE/4 of said Section 7.	1, 2, 3



FOOTNOTE REFERENCES:

1. Subject to "Drilling and Farming Out Contract" dated 2/13/35 as amended by and between Continental Oil Company, et al (T/PC-627).
2. Subject to "Operating Agreement" dated 8/24/59 as amended by and between Anderson-Pritchard Oil Corporation, et al (T/PC-659).
3. Subject to "Casinghead Gas Contract" dated 11/3/81 by and between Gulf Oil Corporation as Buyer and Sun Production Company as Seller (G-52772).
4. Subject to "Gas Well Gas Contract" dated 4/14/78 by and between El Paso Natural Gas Co. as Buyer and Texas Pacific Oil Co., Inc. as Seller (G-52561).

MMFU

ASSIGNMENT AND BILL OF SALE

Property Name: Britt Federal MKA

STATE OF NEW MEXICO
COUNTY OF LEA

KNOW ALL MEN BY THESE PRESENTS:

That CONOCO INC., AMOCO PRODUCTION COMPANY, ATLANTIC RICHFIELD COMPANY, and CHEVRON U.S.A. INC. (collectively, "Assignor"), for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, for the mutual covenants herein contained, and subject to the reservations, conditions and covenants hereinafter provided, does hereby GRANT, BARGAIN, SELL, CONVEY, and ASSIGN, without warranty of title, either express or implied, unto DOYLE HARTMAN, ("Assignee"), whose address is P.O. Box 10426, Midland, Texas 79702, his heirs, successors and assigns, all of the Assignor's right, title and interest in and to the oil, gas and mineral leases described in Exhibit A, attached hereto and made a part hereof, LIMITED TO the depths specified on Exhibit A, and the leasehold estates created thereby, together with all rights and privileges appurtenant thereto, and all contracts, agreements, permits, franchises, licenses, easements, servitudes, and rights-of-way pertaining to the assigned interest or the production and marketing of hydrocarbons therefrom.

Assignor also does hereby grant, bargain, sell, transfer, assign, convey and deliver unto Assignee, Assignee's heirs, successors and assigns, all of Assignor's right, title and interest in and to the personal property, material and equipment used for and in conjunction with the subject leases, for oil and gas purposes, except as otherwise reserved herein.

The entire right, title, interest, and estate assigned is hereinafter collectively referred to as "Property."

This Assignment and Bill of Sale is made subject to the exceptions, reservations, covenants, and conditions hereinafter set forth:

1. This Assignment and Bill of Sale is made by Assignor and accepted by Assignee without representation of or warranty of title either express or implied.
2. Assignor excepts from this Assignment and Bill of Sale and reserves to itself all rights, title, interest, and estate not expressly assigned hereby, the right of ingress and egress, and such other rights and easements under and by virtue of said Property, including without limitation the concurrent use of water, as may be necessary or desirable to explore, develop, and operate the retained interest of Assignor in said Property.

Exhibit 3

9-1-89

3. This Assignment and Bill of Sale is made and accepted, subject to, and Assignee hereby assumes, any and all overriding royalties, payments out of production, net profits obligations and other burdens or encumbrances to which said Property may be subject.
4. Assignor shall be responsible for all taxes arising from operation of the Property and production therefrom prior to September 1, 1989 (the "Effective Date"). Assignee shall be responsible for all taxes arising from operation of the Property and production therefrom after the Effective Date. Property taxes for the current tax year shall be prorated between Assignor and Assignee as of 7:00 a.m., Mountain Standard Time on the Effective Date. Assignee shall pay and bear all sales taxes, if any, and all documentary transfer taxes relating to the transfer of the Property. Assignee shall promptly cause this Assignment and Bill of Sale to be recorded and shall furnish Assignor with a recorded copy thereof. Assignee shall pay and bear all recording fees and similar costs relative to the Property it acquires.
5. Assignee by these presents assumes and agrees fully to perform all of the Assignor's express and implied covenants and conditions under the terms of the Property assigned herein together with all orders and contracts of whatsoever kind to which said Property may be subject, from and after the Effective Date hereof, including, but not limited to, those set forth in Exhibit A hereto.
6. After the Effective Date, Assignor shall have the right to hold all production prior thereto attributable to the Property for Assignor's account and thereafter for the account of Assignee. In accounting to Assignee for revenues received by Assignor after the Effective Date, Assignor shall offset all attributable costs of production, including overhead (such costs to be computed in accordance with Assignor's existing accounting practices) against net revenues accruing to the Property from proceeds from the sale of such production. Net revenues shall be the proceeds remaining after deduction of all royalties, overriding royalties, and any severance, production, and prorated ad valorem taxes, windfall profits taxes, and all other taxes (except federal income tax), and any other payments out of or with respect to production with which the Property is burdened or encumbered. If such revenues are insufficient to offset such costs, Assignee agrees to remit payment to Assignor for the difference within thirty (30) days of receiving Assignor's invoice.
7. If it becomes necessary to plug and abandon any well(s) covered under this Assignment and Bill of Sale, Assignee, at Assignee's sole risk and expense, will plug and abandon said well(s) in accordance with all local, state and federal rules and regulations, and will restore the premises to the condition they were in prior to the drilling of said well(s). Assignee further agrees to indemnify and hold Assignor harmless from any liability or expense that may become due or payable in connection with any well(s) plugged before or after the Effective Date, whether or not such liability or expense is incurred as a result of demands made by an authorized regulatory body, or any party or parties claiming to have a vested interest in the subject Property, or otherwise. Assignee shall comply with all bonding requirements imposed by applicable state or federal laws or regulations, including the provisions of N.M. STAT. ANN. 70-2-14. Satisfactory evidence of compliance with such laws or regulations shall be a condition precedent to closing.
8. Assignee accepts said Property subject to all of the express and implied covenants and obligations pertaining thereto. Assignee indemnifies and agrees to respond to, defend, and hold Assignor harmless from and against, any and all demands, claims for damages, and forfeitures made by any person, partnership, corporation, or other legal entity, that are based on any failure, or alleged failure, of Assignee to comply with the express or implied covenants of said property (including, without limitation, any claims by royalty owners for royalties or additional royalties for production on or after the Effective Date). Assignee shall further indemnify and agree to respond to, defend, and save Assignor, its officers, directors, and employees, harmless from and against any and all loss, cost (including court costs), expense (including attorneys' fees), and claims for damages (or wrongful death) of every kind and character to persons or property based on, created by, or arising out of or in connection with, or

9. In the event Assignee elects to surrender or abandon said Property, or in the event production, or allocation of production, ceases on said Property, Assignee agrees to immediately notify Assignor in writing. Assignor shall have the right, but not the obligation, to take reassignment, at no cost to Assignor, of all or part of said Property, within twenty days of receipt of said notice. Failure to timely reply to said notice shall be construed as a waiver of Assignor's right to reassignment. Upon such reassignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest reassigned. The parties' assignee will then pay the assigning party the reasonable salvage value of the assigned interest, less estimated salvage and plugging costs.
10. Assignor and Assignee expressly agree that Assignor retains the exclusive right, power and authority to initiate the "good faith negotiation procedures" specified in 18 C.F.R. 270.201, as amended, with respect to any gas sales contract or certificate encumbering the Property. Assignor retains any of the rights, powers or authority that Assignor had prior to the execution of this Assignment and Bill of Sale with respect to such "good faith negotiation procedures." Assignor is expressly given full power, right and authority to initiate, or not to initiate, such "good faith negotiation procedures"; and Assignor shall not be liable for any loss or damage which may be sustained due to such procedures. Any failure by Assignee to observe the foregoing shall constitute a material breach of this Assignment and Bill of Sale and Assignee agrees to fully indemnify and hold Assignor harmless from and against all costs, losses, expenses, attorney's fees, and damages (including indirect and consequential damages) sustained by Assignor by reason of such breach. Assignee shall promptly file for well category determinations and qualifications with appropriate jurisdictional agencies in accordance with the Natural Gas Policy Act of 1978 and the rules and regulations issued thereunder. Assignee shall include in any document by which it may subsequently sell, exchange, or transfer all or any part of the Property a similar provision as to Assignor's right, and which in form and substance effectively binds any successor or assign to observe the conditions and limitations set forth herein for Assignor's benefit.
11. Prior to any transportation of natural gas produced from any of the acreage assigned hereunder that could make Assignor subject to the crediting mechanism described in Section 284.8 (f) or 284.9 (f) of the Regulations of the Federal Energy Regulatory Commission ("FERC"), as promulgated in Order Number 500 and 500-B, -C, and -D, or successor regulations, Assignee shall attempt to obtain the agreement of each potential transporting pipeline not to assert rights under such FERC regulations to credit volumes of gas produced from or allocated to the acreage covered hereby and shipped on such transporting pipeline ("subject gas") against contractual or other obligations of such transporting pipeline to Assignor. If Assignee is unsuccessful in obtaining such agreement(s) from the transporting pipeline(s), Assignor shall execute and deliver such offer(s) of credit(s) or other document as may be required under FERC Regulations to make the subject gas eligible for transportation on the transporting pipeline(s), unless the execution and delivery by Assignor of such an offer(s) of credit(s) would cause the above described crediting against any obligation (whether relating to the acreage covered hereby or any other interest owned by Assignor) of the transporting pipeline to Assignor to occur.

If gas produced from or allocated to properties or interests (i) retained by Assignor hereunder, or (ii) owned by Assignor and not the subject of this transaction ("retained gas") is ineligible for transportation on the transporting pipeline unless Assignee executes an offer(s) of credit(s), Assignor shall attempt to obtain the agreement of such transporting pipeline to waive such condition that Assignee execute an offer of credits. If Assignor is unsuccessful in obtaining

such waiver agreement(s) from the transporting pipeline(s), Assignee shall execute and deliver such offer(s) of credits as may be required under FERC Regulations to make the retained gas eligible for transportation on the transporting pipeline(s), unless the execution and delivery by Assignee of such offer(s) of credit(s) would cause the above described crediting against any obligation (whether related to the acreage covered hereby or any other interest owned by Assignee) of the transporting pipeline to Assignee to occur. However, if the denial of offer(s) of credit(s) would preclude sale of the gas by Assignor, Assignee agrees to negotiate in good faith to provide the necessary offer(s) of credit(s) for transportation of the gas.

12. This Assignment and Bill of Sale and all rights, reservations, and covenants in connection therewith shall be considered covenants running with the lands and shall inure to and be binding upon the parties hereto, their heirs, personal representatives, successors, and assigns; PROVIDED, HOWEVER, no transfer or encumbrance of any of said Property shall be made unless the same be made expressly subject to this Assignment and Bill of Sale and unless the vendee, assignee, or transferee, shall assume all or the applicable part of the obligations hereunder; PROVIDED, FURTHER, no transfer of any of said Property shall be valid or have any force or effect unless Assignor is furnished with a certified copy of the recorded instrument or order of a competent court evidencing the transfer of ownership. The address for the giving of all notices required hereunder, until changed by written notice to the same address, shall be as follows:

ASSIGNOR:

Conoco Inc.
Real Property Administration
P.O. Box 1267
Ponca City, OK 74603

Chevron U.S.A. Inc.
P.O. Box 1635
Houston, TX 77001

Amoco Production Co.
P.O. Box 3092
Houston, TX 77253

Atlantic Richfield Co.
P.O. Box 161C
Midland, TX 79702

ASSIGNEE:

Doyle Hartman
P.O. Box 10426
Midland, Texas 79702

13. Assignee shall comply with all applicable laws, ordinances, rules, and regulations and shall promptly obtain and maintain all permits required by public authorities in connection with the Property.
14. As part of the consideration for the execution and delivery of this instrument by Assignor, Assignee agrees to all of the terms and provisions hereof and joins in the execution of this instrument to evidence this agreement.
15. Assignee acknowledges that it has been cautioned that oil and gas producing formations may contain naturally occurring radioactive material (NORM). Production activities can result in the concentration of certain levels of NORM on production equipment and pipe so that, when brought to the surface, a health hazard may exist in connection with the removal, handling and/or disposal of such NORM-contaminated equipment or pipe, if proper environmental, regulatory and industrial hygiene procedures are not observed. The presence of NORM in or on facilities or equipment on the Property as of the Effective Date shall be the sole responsibility of Assignee, and Assignee shall indemnify and hold Assignor harmless from any and all claims or liabilities arising from the presence of or in connection with the use, removal, handling or disposal of NORM-contaminated equipment or pipe.

TO HAVE AND TO HOLD the Property granted, bargained, sold, conveyed, transferred, assigned and delivered as aforesaid unto Assignee, Assignee's successors and assigns, subject to the matters set forth herein; PROVIDED, HOWEVER, THIS ASSIGNMENT AND BILL OF SALE IS MADE AND ACCEPTED WITHOUT WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WARRANTIES RELATING TO (i) TITLES TO

THE SUBJECT PROPERTY AND (11) THE CONDITION OR MERCHANTABILITY OF THE SUBJECT PROPERTY OR THE FITNESS OF THE SUBJECT PROPERTY FOR A PARTICULAR PURPOSE OR PURPOSES. ASSIGNEE HAS INSPECTED THE SUBJECT MATERIAL, EQUIPMENT AND PERSONAL PROPERTY AND ACCEPTS THE SAME "AS IS, WHERE IS;" Provided, Further, this Assignment and Bill of Sale is made with full substitution and subrogation of Assignee in and to all covenants and warranties by others heretofore given or made in respect of the subject Property or any part thereof insofar as such covenants and warranties extend beyond the Effective Date.

Executed this 25 day of Aug, 1989, but EFFECTIVE September 1, 1989, 7:00 a.m. Mountain Standard Time.

ASSIGNOR:

CONOCO INC.

By: David L. Wacker
David L. Wacker, Attorney-in-Fact

AMOCO PRODUCTION COMPANY

By: _____
Printed Name: _____
Title: _____

ATLANTIC RICHFIELD COMPANY

By: _____
Printed Name: _____
Title: _____

CHEVRON U.S.A. INC.

By: _____
Printed Name: _____
Title: _____

ASSIGNEE:

Buyers Name

THE SUBJECT PROPERTY AND (11) THE CONDITION OR MERCHANTABILITY OF THE SUBJECT PROPERTY OR THE FITNESS OF THE SUBJECT PROPERTY FOR A PARTICULAR PURPOSE OR PURPOSES. ASSIGNEE HAS INSPECTED THE SUBJECT MATERIAL, EQUIPMENT AND PERSONAL PROPERTY AND ACCEPTS THE SAME "AS IS, WHERE IS;" Provided, Further, this Assignment and Bill of Sale is made with full substitution and subrogation of Assignee in and to all covenants and warranties by others heretofore given or made in respect of the subject Property or any part thereof insofar as such covenants and warranties extend beyond the Effective Date.

Executed this 25th day of August, 1989, but EFFECTIVE September 1, 1989, 7:00 a.m. Mountain Standard Time.

ASSIGNOR:

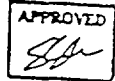
CONOCO INC.

By: David L. Wacker, Attorney-in-Fact

AMOCO PRODUCTION COMPANY

By: J. H. Thair
Printed Name: J. H. Thair
V. P. Whitfield

Title: Attorney - In - Fact



ATLANTIC RICHFIELD COMPANY

By: _____

Printed Name: _____

Title: _____

CHEVRON U.S.A. INC.

By: _____

Printed Name: _____

Title: _____

ASSIGNEE:

Buyers Name

THE SUBJECT PROPERTY AND (11) THE CONDITION OR MERCHANTABILITY OF THE SUBJECT PROPERTY OR THE FITNESS OF THE SUBJECT PROPERTY FOR A PARTICULAR PURPOSE OR PURPOSES. ASSIGNEE HAS INSPECTED THE SUBJECT MATERIAL, EQUIPMENT AND PERSONAL PROPERTY AND ACCEPTS THE SAME "AS IS, WHERE IS;" Provided, Further, this Assignment and Bill of Sale is made with full substitution and subrogation of Assignee in and to all covenants and warranties by others heretofore given or made in respect of the subject Property or any part thereof insofar as such covenants and warranties extend beyond the Effective Date.

Executed this 25 day of Aug, 1989, but EFFECTIVE September 1, 1989, 7:00 a.m. Mountain Standard Time.

ASSIGNOR:

CONOCO INC.

By: David L. Wacker, Attorney-in-Fact

AMOCO PRODUCTION COMPANY

By: _____

Printed Name: _____

Title: _____

ATLANTIC RICHFIELD COMPANY

By: [Signature]

Printed Name: James H. Perkins Jr.

Title: Attorney-in-Fact

CHEVRON U.S.A. INC.

By: _____

Printed Name: _____

Title: _____

ASSIGNEE:

Buyers Name

THE SUBJECT PROPERTY AND (11) THE CONDITION OR MERCHANTABILITY OF THE SUBJECT PROPERTY OR THE FITNESS OF THE SUBJECT PROPERTY FOR A PARTICULAR PURPOSE OR PURPOSES. ASSIGNEE HAS INSPECTED THE SUBJECT MATERIAL, EQUIPMENT AND PERSONAL PROPERTY AND ACCEPTS THE SAME "AS IS, WHERE IS;" Provided, Further, this Assignment and Bill of Sale is made with full substitution and subrogation of Assignee in and to all covenants and warranties by others heretofore given or made in respect of the subject Property or any part thereof insofar as such covenants and warranties extend beyond the Effective Date.

Executed this 25 day of Aug, 1989, but EFFECTIVE September 1, 1989, 7:00 a.m. Mountain Standard Time.

ASSIGNOR:

CONOCO INC.

By: David L. Wacker, Attorney-in-Fact

AMOCO PRODUCTION COMPANY

By: _____

Printed Name: _____

Title: _____

ATLANTIC RICHFIELD COMPANY

By: _____

Printed Name: _____

Title: _____

CHEVRON U.S.A. INC.

By: [Signature]

Printed Name: D. H. MESSER

Title: ASSISTANT SECRETARY

ASSIGNEE:

Buyers Name: [Signature]

Doyle Hartman

STATE OF NEW MEXICO

COUNTY OF San

THE foregoing instrument was acknowledged before me this 25th day of August, 1989, by David L. Wacker, Attorney-in-Fact of CONOCO INC., a Delaware corporation, on behalf of said corporation.

Given under my hand and official seal of office, this 25th day of August, 1989.

Deana Bates
Notary Public



STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1989, by _____ of AMOCO PRODUCTION COMPANY, a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this _____ day of _____, 1989.

Notary Public

My Commission Expires:

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1989, by _____ of ATLANTIC RICHFIELD COMPANY, a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this _____ day of _____, 1989.

Notary Public

My Commission Expires:

STATE OF NEW MEXICO

COUNTY OF _____

THE foregoing instrument was acknowledged before me this _____ day of _____, 1989, by David L. Wacker, Attorney-in-Fact of CONOCO INC., a Delaware corporation, on behalf of said corporation.

Given under my hand and official seal of office, this _____ day of _____, 1989.

Notary Public

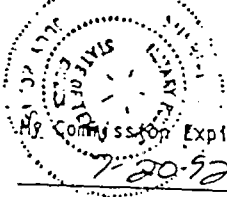
My Commission Expires:

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 25th day of August, 1989, by J. H. Sharp, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this 25th day of August, 1989.



Sherial N. Johnson
Notary Public
Sherial N. Johnson

My Commission Expires:
7-20-92

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1989, by _____ of ATLANTIC RICHFIELD COMPANY, a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this _____ day of _____, 1989.

Notary Public

My Commission Expires:

STATE OF NEW MEXICO

COUNTY OF _____

THE foregoing instrument was acknowledged before me this _____ day of _____, 1989, by David L. Wacker, Attorney-in-Fact of CONOCO INC., a Delaware corporation, on behalf of said corporation.

Given under my hand and official seal of office, this _____ day of _____, 1989.

Notary Public

My Commission Expires:

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1989, by _____ of AMOCO PRODUCTION COMPANY, a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this _____ day of _____, 1989.

Notary Public

My Commission Expires:

STATE OF TEXAS

COUNTY OF Midland

The foregoing instrument was acknowledged before me this 22nd day of August, 1989, by James M. Perkins, ~~Attorney-in-Fact~~ of ATLANTIC RICHFIELD COMPANY, a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this 22nd day of August, 1989.

Sue P. Blair
Notary Public

My Commission Expires:

12-12-92

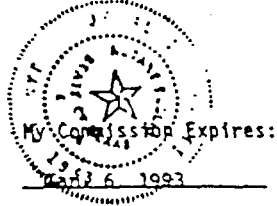


STATE OF New Mexico

COUNTY OF Lea

The foregoing instrument was acknowledged before me this 8th day of September, 1989, by D. H. MESSER, ASSISTANT SECRETARY of CHEVRON U.S.A. INC., a corporation, on behalf of said corporation.

Given under my hand and official seal of office, this 8th day of September, 1989.



[Signature]
Notary Public

STATE OF TEXAS

COUNTY OF Midland

The foregoing instrument was acknowledged before me this 12th day of September, 1989, by Doyle Hartman
Given under my hand and official seal of office, this 12th day of September, 1989.

[Signature]
Notary Public

My Commission Expires:

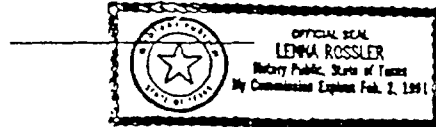


EXHIBIT "A"
TO ASSIGNMENT AND BILL OF SALE
DATED _____, 1989

CONOCO
LEASE NO: 17993

NAME: Britt Federal - MKA
Well Nos. 6,7, and 8

LESSOR: U.S.A. (LC-031621 (a))

LESSEE: Harry M. Britt

DATE: February 10, 1936

RECORDING: unrecorded in County

LANDS COVERED: T20S-R37E, Lea Co., NM
Section 7: SE4SW4, W2SE4

- Surface to Base Eunice Monument Grayburg San Andres (5,105') as identified by Schlumberger's Electrical log on Anderson Pritchard Oil Corporation's Britt No. 13, located 2310' FSL and 1650' FEL, Section 7, T20S, R37E, Lea County, New Mexico and dated August 30, 1955.
- This acreage, 120 acres, is part of an existing 320 acre gas proration unit approved by the New Mexico Oil and Gas Conservation Commission. This Assignment and Bill of Sale DOES NOT include any interest in the remaining 200 acres in the proration unit described as the W/2NE/4, E/2NW/4 and the NESW of Section 7, T20S, R37E, Lea County, New Mexico.

Burdens:

Royalty: 12.5% (Sliding Scale)
ORRI: 7.5%

SUBJECT TO:

C-No. 3322 - Drilling and Farming out Contract dated February 13, 1935 between Continental Oil Company, et al and R. H. Henderson recorded at Book 13, Page 3 in Lea County Courthouse, Lea Co., NM.

C-No. 3564 - Joint Operating Agreement dated July 1, 1935, as amended, by and between Continental Oil Co., The California Co., Stanolind Oil and Gas Co. and Atlantic Oil Producing Co. (NMFU)

Gas Contract No. 4037 dated July 17, 1948, as subsequently amended, By and Between Continental Oil Company (now Conoco Inc.), Standard Oil Company of Texas (now Chevron USA Inc.) The Atlantic Refining Company (now ARCO Oil and Gas Company, a Division of Atlantic Richfield), and Stanolind Oil and Gas Company (now Amoco Production Company) as "Seller" and El Paso Natural Gas Company as "Buyer."

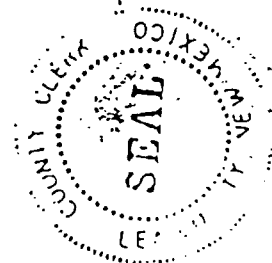
(Please be advised that the contract with El Paso Natural Gas Company is subject to a conditional abandonment pursuant to FERC Order No. 490)

Rollover Gas Contract No. 131 dated January 12, 1984, as subsequently amended, By and Between Conoco Inc., as "Seller" and Warren Petroleum Company, a Division of Gulf Oil Corporation (now Chevron USA Inc.) as "Buyer".

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

SEP 15 1989

at 11:49 o'clock A. M
and recorded in Book _____
Page _____
Shirley Hooper, Lea County Clerk
By [Signature] Deputy



51870

ATTEST:
Certified this 24th day of Sept
19 91, as a true and correct copy of
the original on file in this office.

FAY CHAPPELLE, LEA COUNTY CLERK
Patti Bridgforth Deputy

GF 52599

ASSIGNMENT AND BILL OF SALE

PHILLIPS PETROLEUM COMPANY, ("Phillips") a Delaware corporation, with offices at Bartlesville, Oklahoma, hereinafter referred to as "Assignor", for and in consideration of the sum of Ten Dollars (\$10.00) cash in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby grant, bargain, sell, convey, and assign unto DOYLE HARTMAN, with an office at 500 N. Main, Midland, Texas 79702, hereinafter referred to as "Assignee", all of Assignor's right, title and interest in and to the hereinafter described oil and gas leases described in Exhibit "A" attached hereto and expressly made a part hereof, and the rights, privileges and estates given, created and granted under said leases INSOFAR ONLY as the same cover and affect the oil, gas, and other minerals in and under the lands described in Exhibit "A", hereinafter referred to as the "Assigned Leasehold", together with all of Assignor's right, title and interest in and to all fixtures, facilities, leasehold equipment, material or personal property located therein, thereon or appurtenant thereto, in its present condition and as located on the Assigned Leasehold hereto.

This Assignment is made and accepted upon the following terms and conditions:

1. This Assignment shall be effective as of the 1st day of June, 1991, at 7:00 A.M., local time ("Effective Date"), regardless of the date of execution.

2. ASSIGNOR DOES NOT WARRANT, EITHER EXPRESSLY OR IMPLIEDLY, THE MERCHANTABILITY, CONDITION OR FITNESS FOR ANY PARTICULAR PURPOSE OR USE OF ANY OF THE AFORESAID LEASEHOLD EQUIPMENT, MATERIAL OR PERSONAL PROPERTY, ANY SUCH WARRANTY BEING HEREBY EXPRESSLY DENIED. ASSIGNEE BY ACCEPTANCE OF THE WITHIN ASSIGNMENT HEREBY ACKNOWLEDGES THAT IT HAS MADE A COMPLETE INSPECTION AND INVENTORY OF THE MATERIAL AND EQUIPMENT HEREIN TRANSFERRED AND ASSIGNED TO IT AND IS IN ALL RESPECTS SATISFIED THEREWITH AND IT AGREES TO ACCEPT THE SAME "WHERE IS" AND "AS IS" AND WITHOUT ANY REDUCTION IN THE PURCHASE PRICE.

3. THE WITHIN ASSIGNMENT IS MADE WITHOUT WARRANTY OF TITLE, EITHER EXPRESS OR IMPLIED, AND IS SUBJECT TO ALL VALIDLY EXISTING ENCUMBRANCES AND AGREEMENTS.

4. ASSIGNOR DOES NOT WARRANT THE RESERVOIR PERFORMANCE.

5. Assignee agrees to reimburse Assignor for the value less taxes of the merchantable oil and/or distillate above pipeline connections in the stock tanks located on the Assigned Leasehold as of 7:00 A.M., local time, on the Effective Date hereof, at the prevailing market price adjusted for grade and gravity. Assignor and Assignee shall make a joint gauge of said stock tanks and gas meter readings at 7:00 A.M. on the Effective Date hereof, provided that if Assignee does not participate in the taking of such gauge and gas meter readings on said date, Assignee agrees to accept the gauge and readings taken by Assignor.

JUL 3 6. Assignee agrees to comply with all laws and governmental regulations with respect to abandonment of wells and/or abandonment of the Assigned Leasehold, or any part thereof, including, where applicable, the plugging of wells, the compliance with law or rules regarding inactive or unplugged wells, including bonding requirements, and restoration as specified in the oil and gas leases identified in Exhibit "A" or as required by law or rules. Assignee agrees to protect, defend, indemnify and hold Assignor and its employees free and harmless from and against any

and all costs, expenses, claims, demands and causes of action of every kind and character arising out of, incident to, or in connection with the leases, plant, building, materials, land, wells, casing, leasehold equipment, and other personal property, plugging requirements or exceptions thereto, including bonding requirements, or Assignee's or other party(s)' operations on said leases and said land, as of the 1st day of June, 1991, regardless of whether the liability therefore is based upon some alleged act or omission of Assignor or of the Assignee, or of some other party.

7. Assignee has had a reasonable opportunity to inspect, examine and determine the environmental condition of the leases, wells, equipment, buildings, and facilities, and Assignee is aware of and satisfied with and accepts such environmental condition and Assignee assumes all risk and liability incident to the condition and use thereof and Assignor shall have no obligation after the Closing Date with respect thereto.

8. Assignor will pay all ad valorem, property taxes and other taxes assessed on, based on, or attributable to production that occurred prior to the Effective Date. Assignee will pay all taxes assessed on, based on, or attributable to production that occurred after the Effective Date. It is agreed that whichever party receives said tax statements shall pay such taxes prior to delinquency and the other party hereto agrees to reimburse the paying party its pro rata share thereof promptly upon receipt of an invoice accompanied by evidence of such payment. Assignor and Assignee shall each bear their own costs and expenses, including, but not limited to, attorney's fees incurred in connection with this Assignment. However, Assignee shall pay all applicable state, county, municipality or government sales or use taxes on the leasehold, equipment, material or personal property located thereon.

9. Assignor shall retain all risk and liability of whatsoever nature connected with operations conducted on the Assigned Leasehold therewith prior to the Closing Date and agrees to indemnify, defend and hold Assignee harmless from all liabilities, penalties, claims, causes of action, demands, lawsuits, and expenses. Assignee shall assume all risk and liability of whatsoever nature connected with operations conducted on the Assigned Leasehold therewith from and after the Closing Date forward and agrees to indemnify, defend and hold Assignor harmless from all liabilities, penalties, claims, causes of action, demands, lawsuits, and expenses.

10. Assignee shall assume, pay for and perform the duties, liabilities and obligations relating to the Assigned Leasehold, including but not limited to, all applicable and validly recorded and unrecorded agreements, contracts and instruments (including but not limited to royalties, overriding royalty interest, production payments, net profits interests, carried working interests or similar burdens).

11. As soon as practicable after the execution of this Assignment, Assignor shall reproduce and deliver to Assignee at Assignee's sole cost and expense copies of records, documents, lease files, division order files, title files, title opinions, surveys, agreements, contracts, filings, reports, engineering studies and other similar materials relating to operation or ownership of the Assigned Leasehold (except papers protected by the attorney-client privilege or attorney work product). Assignee shall keep true and correct books and records pertaining to the Assigned Leasehold. Assignor shall have reasonable access to such materials for purpose of audit and determining compliance with the joint operating agreements in place as of the Effective Date, or where, in the opinion of counsel, access is required by law or necessary to its defense or prosecution of legal actions.

12. Assignor reserves and retains unto itself, its successors and assigns the right to purchase all or any part of the liquid production which is attributable to the leasehold interest assigned, at Assignor's posted field price in the area for crude and/or distillate of like grade and gravity produced in the field. In the event Assignee receives a bona fide offer from another party, excluding its subsidiaries and/or affiliates, prior to executing a liquid products purchase contract with Assignor, Assignor shall have thirty (30) days upon written notification of the terms and conditions of such offer in which to elect to purchase such liquid products under the terms and conditions equal to the bona fide offer.

The terms and provisions hereof shall be deemed to be covenants running with the lands, leases, and interests covered hereby and shall extend to, bind and inure to the benefit of the parties hereto, their respective parents, subsidiaries, affiliates, heirs, successors and assigns.

IN WITNESS WHEREOF, this Assignment is executed this 27th day of June, 1991.

PHILLIPS PETROLEUM COMPANY, ASSIGNOR

By: J. E. Carlton
J. E. Carlton, Attorney-in-Fact

ASSIGNEE

By: D. J. Howard
Title: _____

ACKNOWLEDGEMENT

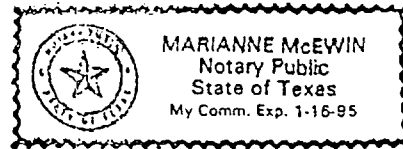
STATE OF TEXAS)
) SS.
COUNTY OF ECTOR)

On this 27th day of June, 1991, before me personally appeared J. E. Carlton, to me personally known, who, being by me duly sworn, did say that he is the Attorney-in-Fact of Phillips Petroleum Company and that the foregoing instrument was signed on behalf of said corporation by authority of its Board of Directors, and said J. E. Carlton acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and seal this 27th day of June, 1991.

Marianne McEwin
Notary Public

My Commission Expires: 1-16-95



STATE OF Texas)
) SS.
COUNTY OF Midland)

On this 1st day of July, 1991, before me personally appeared Doyle Hartman, to me personally known to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Witness my hand and seal this 1st day of July, 1991.

Lenna Rossler
Notary Public

My Commission Expires:

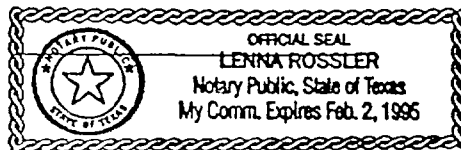


EXHIBIT "A"

ATTACHED TO AND MADE A PART OF ASSIGNMENT AND BILL OF SALE EFFECTIVE JUNE 1, 1991,
BY AND BETWEEN PHILLIPS PETROLEUM COMPANY, AS ASSIGNOR AND DOYLE HARTMAN,
ASSIGNEE.

DESCRIPTION OF ACREAGE ASSIGNED

H. M. BRITT

W/2 E/2 and E/2 W/2 Section 7, T-20S, R-37E, Lea County, New Mexico, from the surface of the earth down to the base of the Blinebry formation, herein defined as the stratigraphic equivalent of that interval from the ground down to and including a depth of 6,238 feet, as found in the Amerada Hess-L.M. Lambert No. 2 Well located in Unit G, Section 6, Township 20 South, Range 37 East, Lea County, New Mexico.

BRITT "A"

E/2 SW/4 Section 6, T-20S, R-37E, Lea County, New Mexico, from the surface of the earth down to the base of the Blinebry formation, as above defined.

DESCRIPTION OF OIL AND GAS LEASE

Lease No.: 19005-000
Date of Lease: 2/1/56
Lessor: United States of America (NM-LC-031621-A)
Lessee: Harry M. Britt
Covering: W/2 E/2, E/2 W/2 Section 7 and E/2 SW/4 Section 6, T-20S, R-37E, Lea County, New Mexico (among other lands not included herein)

DESCRIPTION OF ACREAGE ASSIGNED

BRITT "B"

SE/4 SW/4 Section 5, T-20S, R-37E, Lea County, New Mexico, from the surface of the earth down to the base of the Blinebry formation, as above defined.

DESCRIPTION OF OIL AND GAS LEASE

Lease No.: 019005-003
Date of Lease: 5/1/56
Lessor: United States of America (LC-031621-B)
Lessee: Harry M. Britt
Covering: SE/4 SW/4 Section 5, T-20S, R-37E, Lea County, New Mexico (among other lands not included herein)

David L. Wicker
Division Manager
Production Department
Market Division
North American Production

Conoco Inc.
726 East Michigan
P.O. Box 460
Houston, TX 77261
68061287-8800

July 20, 1989

Union of Texas Petroleum
P.O. Box 2120
Houston, TX 77252-2120

Gentlemen:

Gas Proration Unit
Union Texas' operated - Britt Lease
Lea County, New Mexico

Please be advised the Britt Federal NMA Lease (120 acres - W/2SE/4, SESV, Section 7, T20S, R37E, Lea County, New Mexico) is being sold by Conoco on behalf of the NMFU partners (Conoco, ARCO, Amoco, and Chevron). Conoco also owns a 12.5% WI in the Britt Lease which Union Texas operates (W/2NE/4, E/2NW/4 and N/2SW, Section 7, T20S, R37E). The above mentioned acreage is part of an existing 120-acre gas proration unit. The sale of the Britt NMA Lease will be effective September 1, 1989.

As operator of the Britt Lease it will be your responsibility to appear before the New Mexico Oil and Gas Commission to request a change in the gas proration unit. We have attached a map showing the acreage previously discussed.

If you have any questions please contact Mr. David Lindros (505) 397-3885.

Very truly yours,


David L. Wicker
Division Manager

DAL/lk
750

cc: KAI WVB OFF DCS JEP JLM

Memorandum

Union Texas Petroleum

RECEIVED

AUG 23 1989

LAND OPERATIONS

Date: August 22, 1989
To: B.S. Hamilton
From: C.W. Latch *CWL*
Subject: BRITT LEASE
EUMONT GAS POOL
SECTION 7, T20S, R37E
LEA COUNTY, NEW MEXICO

Attached is a letter from Conoco on behalf of themselves, ARCO, Amoco, and Chevron stating that they are selling their combined 50% WI in the 120 acre MKA Oil Properties Britt Federal Lease (see pink highlight on attached map) effective 9/1/89. Conoco has verbally informed us that Doyle Hartman is buying this interest. The current gas proration unit encompasses the entire 320 acres outlined in red on the attached map. This proration unit was established by NMOC Order No. R-5448 (attached). The two Eumont Gas Pool wells referenced by the aforementioned Order are the UTP Britt Nos. 3 and 12, and are located in Unit Letters G and C of the yellow highlighted map area. After this sale is completed, Working Interest will no longer be common in the current proration unit.

Conoco states in this letter that it is UTP's responsibility to request a change in the gas proration unit as a result of this sale. Informal discussion with NMOC representative Mike Stogner in Santa Fe, NM indicates that unless there is some out-of-the-ordinary or extraneous lease provision, Conoco's Working Interest sale will not affect our proration unit. However, a complete lease investigation may reveal the need for a Compulsory Pooling Hearing to avoid a loss of dedicated acreage and a reduction of gas allowable. The Midland District requests your assistance to investigate and fully clarify this matter.

RJP/ejw
3:rjp00033

cc: W.N. Mahne
G.R. Hendricks
R.J. Paradise

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

RECEIVED

'91 OCT 11 PM 12 01

DALLEY'S LAND SURVEY P.C.

October 8, 1991

VIA FAX AND CERTIFIED MAIL

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
Box 2088
Santa Fe, New Mexico 87501

Re: Order R-5448
W/2 E/2, E/2 W/2
Section 7, T-20-S, R-37-E
(320-acre Eumont Proration Unit)

Gentlemen:

Reference is made to NMOCD Order NSP-11 dated October 10, 1954 and Order R-5448 dated June 8, 1977 (copies enclosed) corresponding to the 320-acre H.M. Britt Eumont Proration Unit consisting of W/2 E/2, E/2 W/2 Section 7, T-20-S, R-37-E, Lea County, New Mexico.

Recently, Union Texas Petroleum (UTPC) entered into a sale of its domestic assets to Meridian Oil. Doyle Hartman is the largest working interest owner in the entire above described 320-acre Eumont Proration Unit and has attempted to exercise his preferential right to purchase UTPC's 20.8333% working interest in the entire 320-acre proration unit under Article XXII of the February 13, 1935 operating agreement covering the subject proration unit. To date, Union Texas Petroleum and Meridian have failed to fully recognize Hartman's preferential right to purchase UTPC's interest as to the entire 320-acre Eumont Proration Unit, and are currently improperly recognizing Hartman's preferential right to purchase only as to the 120-acre portion of the 320-acre proration unit consisting of the W/2 SE/4 and SE/4 SW/4, Section 7, T-20-S, R-37-E.

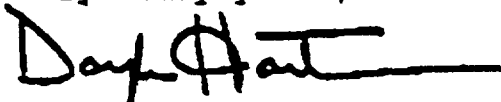
Moreover, and of specific importance to the NMOCD, Mr. George F. Kutzschbach of Fulbright & Jaworski, title attorney for Union Texas Petroleum and Meridian, refuses to recognize that the Britt No. 3 well (G-7-20-37) and Britt No. 12 well (C-7-20-37) are simultaneously dedicated under NMOCD Order R-5448 to the 320-acre Eumont Proration Unit consisting of the W/2 E/2, E/2 W/2, Section 7 with the entire 320-acre proration unit sharing in the Eumont gas production from the Eumont gas wells located thereon (Britt No. 3 and Britt No. 12).

Since the allowable for the Britt No. 3 and No. 12 wells (as per Order R-5448) is derived from the entire "320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the E/2 W/2 and W/2 E/2 of section 7, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico," Doyle Hartman hereby respectfully requests that the NMOCD immediately suspend the Eumont allowable being granted to the subject Eumont wells until Union Texas and/or Meridian are willing to operate the subject wells in accordance with Order R-5448 as previously approved by the NMOCD on June 8, 1977.

Under Order R-5448, the NMOCD retained jurisdiction as to all prorationing matters related to the subject 320-acre Eumont Proration Unit and we are therefore requesting that the NMOCD assure that all interest owners under the subject NMOCD approved 320-acre proration unit receive their proportionate share of the production produced therefrom. In his letter of October 4, 1991 (excerpt enclosed), Mr. Kutzschbach of Fulbright & Jaworski proclaimed that "Union Texas does not believe that it is obligated to 'expressly recognize and agree' that the interest of Union Texas being conveyed to Hartman is in the 'Eumont Proration Unit' or covers 'its prorata interest in the Britt No.3 and Britt No. 12 wells'."

Although Union Texas and/or Meridian (as interim operator) may not believe they are obligated to recognize the direct association between the 120 acres consisting of the SE/4 SW/4 and W/2 SE/4, Section 7 and the Britt No. 3 and Britt No. 12 Eumont wells, NMOCD Order R-5448 most certainly recognizes the direct association and consequently, it is imperative that the allowable presently being granted to the Britt No. 3 and No. 12 wells be suspended until the Britt No. 3 and No. 12 wells are operated in accordance with Order R-5448 and the right to production produced from the Britt No. 3 well (G-7-20-37) and Britt No. 12 well (C-7-20-37) is recognized as to all interest owners having property rights under the NMOCD approved 320-acre proration unit.

Very truly yours,



Doyle Hartman

DH/rcp
wp51\corresp.dh\un-tx
enclosures

cc: Daniel S. Nutter
105 E Alicante
Santa Fe, N M 87501

Mary Walta
Gallegos Law Firm
141 E Palace Ave
Santa Fe, NM 87501

Michael J. Condon
Gallegos Law Firm
141 E Palace Ave
Santa Fe, NM 87501

Don Maddox
Maddox, & Saunders
P.O. Box 5370
Hobbs, NM 88241

George F. Kutzschbàch
Fulbright & Jaworski
1301 McKinney, Suite 5100
Houston, TX 77010-3095

Jerry Sexton
NMOCD
District 1 Office
Box 1980
Hobbs, NM 88240

James A. Davidson
P.O. Box 494
Midland, TX 79702

R. C. Anderson
District Manager
Chevron USA Inc.
P.O. Box 1150
Midland, TX 79705

S. H. Martin
District Supervisor-West District
Chevron USA Inc.
P.O. Box 1150
Midland, TX 79705

M. J. Johnson
Landman
Conoco, Inc.
10 Desta Drive West
Midland, TX 79705

Eric Siegmund
ARCO Oil & Gas Company
P.O. Box 1610
Midland, TX 79702-1610

Ms. Penny Judge
ARCO Oil & Gas Company
P.O. Box 1610
Midland, TX 79702-1610

William T. Hale
Regional Land Manager
Amoco Production Company
P.O. Box 3092
Houston, TX 77253

Bill Dukes
Land Manager, West Texas & NM
Amoco Production Company
P.O. Box 3092
Houston, TX 77253

Van Whitfield
Amoco Production Company
P.O. Box 3092
Houston, TX 77253

Bureau of Land Management
P.O. Box 506
Carlsbad, NM 88220

FULBRIGHT & JAWORSKI

1301 MCKINNEY, SUITE 8100
HOUSTON, TEXAS 77010-3008

HOUSTON
WASHINGTON, D.C.
AUSTIN
SAN ANTONIO
DALLAS
NEW YORK
LOS ANGELES
LONDON
ZURICH
MOMBAY

TELEPHONE: 713/681-8181
TELEX: 78-2889
FACSIMILE: 713/681-8244

October 4, 1991

VIA TELECOPY

Re: SE/4SW/4 & W/2SE/4,
Section 7, T20S, R37E,
Lea County, New Mexico

Ms. Mary E. Walta
Gallegos Law Firm
141 East Palace Avenue
Santa Fe, New Mexico 87501

Dear Mary:

I have the following comments regarding the items set forth in your October 3, 1991 letter to me:

1. I have forwarded to Meridian copies of your letters dated October 2 and October 3 claiming that Doyle Hartman is entitled to receive an interest in the Britt #8 and Britt #12 Wells by virtue of his preferential right in the SE/4SW/4 and W/2SE/4 of Section 7. Union Texas does not believe that it is obligated to "expressly recognize and agree" that the interest of Union Texas being conveyed to Hartman is in the "Eumont Proration Unit" or covers "its prorated interest in the Britt #8 and Britt #12 Wells."

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5935
Order No. R-5448

APPLICATION OF UNION TEXAS PETROLEUM
FOR A NON-STANDARD PRORATION UNIT AND
SIMULTANEOUS DEDICATION, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 25, 1977,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 8th day of June, 1977, the Commission, a
quorum being present, having considered the testimony, the record
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

- (1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.
- (2) That the applicant, Union Texas Petroleum, seeks
approval of a 320-acre non-standard gas proration unit comprising
the E/2 W/2 and W/2 E/2 of Section 7, Township 20 South, Range
37 East, NMPM, Lea County, New Mexico, to be simultaneously
dedicated to applicant's Britt Wells Nos. 3 and 12 located at
unorthodox locations in Units G and C of said Section 7,
respectively.
- (3) That the entire non-standard proration unit may
reasonably be presumed productive of gas from the Eumont Gas
Pool and that the entire non-standard gas proration unit can be
efficiently and economically drained and developed by the
aforesaid wells.
- (4) That Commission administrative order NSP-11 should
be superseded.
- (5) That approval of the subject application will afford
the applicant the opportunity to produce his just and equitable
share of the gas in the Eumont Gas 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

-2-

Case No. 5935
Order No. R-5448

number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

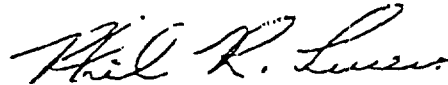
(1) That a 320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the E/2 W/2 and W/2 E/2 of Section 7, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby established and simultaneously dedicated to the Union Texas Petroleum Corporation Britt Wells Nos. 3 and 12, located at unorthodox locations in Units G and C of said Section 7, respectively.

(2) That Commission administrative order NSP-11 is hereby superseded.


(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



PHIL R. LUCERO, Chairman



EMERY C. ARNOLD, Member



JOE D. RAMEY, Member & Secretary

S E A L

jr/

OIL CONSERVATION COMMISSION
P. O. BOX 871
SANTA FE, NEW MEXICO

NSP-11

ILLEGIBLE

October 10, 1954

Anderson-Prichard Oil Corporation
District II Field Office
107 West Sanger Street
HOHNS NEW MEXICO

Attention: Mr. E. L. Malton, District Engineer

Gentlemen: Administrative Order NSP-11

Reference is made to your application (received September 10, 1954) for approval of a 300-acre non-standard gas production unit consisting of the following acreage:

1/2 1/2 and 1/2 1/2 of Section 7,
Township 23 South, Range 37 East,
NMPH, Lea County, New Mexico;

said unit to be adjoined to your E. M. Britt Well No. 3, located 2310 feet from the north line and 1650 feet from the east line of Section 7, Township 23 South, Range 37 East.

By authority granted me under provisions of Rule 5, Section (b)-6 of the Special Rules and Regulations for the Desert Gas Pool as set forth in Order B-222, you are hereby authorized to operate the above-described acreage as a non-standard gas production unit, with allowable to be assigned thereto in accordance with pool rules.

Very truly yours,

W. E. Hooy
Secretary-Director

WHE:BT

cc: Oil Conservation Commission:
Hobbs

N. M. Oil & Gas Reg. Committee:
Hobbs

NSP-11

ANDERSON-PRICHARD OIL CORPORATION



*RECEIVED
OCT 10 11 29*

DISTRICT II FIELD OFFICE
107 WEST SANGER STREET
HOBBS, NEW MEXICO

P. O. BOX 2197
PHONE 3-2131

GENERAL OFFICE
LIBERTY BANK BLDG.
OKLAHOMA CITY 2, OKLAHOMA

September 8, 1954

Mr. W. E. Macey
New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Dear Mr. Macey:

In conformance with Order No. R-520, Anderson-Prichard Oil Corporation is applying for permission to assign the W/2 E/2 and E/2 W/2 Section 7-20S-37E to its Britt No. 3 Well located 2310 FNL and 1650 FEL Section 7-20S-37E, Monument Field, Lea County, New Mexico. Said well is to be plugged back from the Monument oil pay to the Eunont Gas Field.

Sunray Oil Company has assigned the W/2 W/2 Section 7 to its Cooper No. 3 Well located in the NW/4 NW/4 Section 7-20S-37E. Attached plat indicates that portion of the Section 7 which is intended to be assigned.

Yours very truly,

Anderson-Prichard Oil Corporation

M. L. Melton,
District Engineer.

MLM:erl
cc: Sinclair Oil and Gas Company
Box 123
Hobbs, New Mexico

Attachment: Plat

NEW MEXICO
OIL CONSERVATION COMMISSION

Gas Well Plat

Date September 8, 1951

Anderson-Prichard Oil Corp. Britt 3
Operator Lease Well No.

Name of Producing Formation Queen Pool Bumont

No. Acres Dedicated to the Well 320

NSP-11

SECTION _____ TOWNSHIP _____ RANGE _____

Sunray * #3	Anderson-Prichard, et al		Sinclair
		#3	
Cooper	H. M. Britt		Barber

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

Name *Wm. L. Connelly*
Position District Engineer
Representing Anderson-Prichard Oil Corporation
Address Box 2197, Hobbs, New Mexico

EXHIBIT "C"

TO PURCHASE AND SALE AGREEMENT DATED NOVEMBER 15, 1989 BETWEEN
UNION TEXAS PETROLEUM CORPORATION AND DOYLE HARTMAN

Agreements Subject to Preferential Right to Purchase

Drilling and Farming Out Contract between Continental Oil Company and The California Company as first parties and R. H. Henderson as second party dated February 13, 1935 (covering Township 20 South, Range 37 East, Section 5: SE/4 SW/4, Section 6: E/2 SW/4, Section 7: W/2 E/2, E/2 W/2, Section 18: NE/4, SW/4 and also including other lands) (C-816).

ILLEGIBLE

Book 13 Page 3, Misc. Records, Lea County, New Mexico

MISC BOOK 13

TIC

1 4848

DRILLING AND PAVING OUT CONTRACT

C-2522

STATE OF NEW MEXICO
COUNTY OF LEA

THIS AGREEMENT, made and entered into by and between CONTINENTAL OIL COMPANY, a Delaware corporation, and THE CALIFORNIA COMPANY, a Montana corporation, both qualified to do business in New Mexico, hereinafter called First Parties, and R. E. HENDERSON, of Midland, Texas, hereinafter called Second Party;

WITNESSETH:

WHEREAS, on the 16th day of June, 1925, pursuant to an application therefor, there was issued to Alva Nye Itz, under Section 13 of the Act of Congress, approved February 25, 1920 (41 Stat. 457), a Permit, Serial No. 026444, Las Cruces, New Mexico, Land Office, and Serial No. 026588, Maxwell, New Mexico Land Office, granting to him the exclusive right for a period of two years from the date thereof to prospect for oil and gas upon the following described lands situated in Lea County, State of New Mexico, to-wit:

Corporate Seal

All Sec. 11 and 12; N¹/₄, N²/₄ & Sec. 14; N¹/₄, S¹/₄ Sec. 15; S¹/₄ Sec. 25; T. 21 N., R. 22 E., N.M.P.M., containing 2560 acres, more or less;

AND, WHEREAS, the said Continental Oil Company is the present owner of an undivided three-fourths (3/4) interest, and the said The California Company is the present owner of an undivided one-fourth (1/4) interest in and to all of the right, title and interest formerly owned by the Harland Oil Company of Colorado in, to and under that certain DRILLING AND OPERATING AGREEMENT entered into on the 21st day of January, 1927, by and between Alva Nye Itz, designated therein as "OWNER", and Harland Oil Company of Colorado, designated therein as "CONTRACTOR" in so far as the said drilling and operating agreement affects the lands described therein; and,

WHEREAS, on the 19th day of May, 1925, pursuant to an application therefor, there was issued to Honore Jiminez, under Section 13 of the Act of Congress, approved February 25, 1920 (41 Stat. 457), a Permit, Serial No. 030489, Las Cruces, New Mexico, Land Office, granting to him the exclusive right for a period of two years from the date thereof, to prospect for oil and gas upon the following described lands situated in Lea County, State of New Mexico, to-wit:

Corporate Seal

Lots 1 to 8 inclusive Sec. 6, T. 21; N¹/₄, S¹/₄ Sec. 10; S¹/₄ Sec. 11; S¹/₄ Sec. 12; N¹/₄ S¹/₄ Sec. 18; N¹/₄, S¹/₄ Sec. 21; N¹/₄, N²/₄ S¹/₄ S¹/₄ Sec. 22, T. 20 N., all in R. 22 E., N.M.P.M., containing 2266.39 acres, more or less;

AND, WHEREAS, on the 31st day of August, 1924, Honore Jiminez, assigned, with the approval of the Secretary of the Interior, said permit unto Peter L. Rappholz; and,

WHEREAS, the said Continental Oil Company is the present owner of an undivided three-fourths (3/4) interest, and the said The California Company is the present owner of an undivided one-fourth (1/4) interest in and to all of the right, title and interest formerly owned by the Harland Oil Company of Colorado in, to and under that certain DRILLING AND OPERATING AGREEMENT entered into on the 2nd day of February, 1927, by and between Peter L. Rappholz, of Las Cruces, New Mexico, therein designated as "OWNER", and Harland Oil Company of Colorado, therein designated as "CONTRACTOR" in so far as the said drilling and operating agreement affects the lands described therein; and,

WHEREAS, on the 11th day of November, 1926, pursuant to an application therefor, there was issued to Harry M. Britt, under Section 13 of the Act of Congress, approved February 25, 1920 (41 Stat. 457), a Permit, Serial No. 051621, Las Cruces, New Mexico Land Office, granting to him the exclusive right for a period of two years from the date thereof, to prospect for oil and gas upon the following described lands situated in Lea County, State of New Mexico, to-wit:



MISC BOOK 13 MAY 11

11493

ILLEGIBLE

hereof.

Operator agrees to furnish non-operator with itemized statements of all expenditures, receipts, charges and credits covering each month's business and that such statements covering the preceding month's business shall be mailed by operator to non-operator on or before 30 days thereafter; and within 15 days thereafter non-operator shall pay operator, subject to further audit and adjustment, if necessary, at Midland, Texas, its proportionate part of all sums expended for and in the development and operation of said jointly owned property and upon failure of non-operator to pay operator within 15 days, as aforesaid, the said sum or sums shall bear interest at the rate of six (6%) per cent per annum until so paid.

In order to assure operator in the operation and/or development of said premises and all of them for oil and gas mining purposes, for all sums properly due from non-operating party, incurred by operator in the operation of said jointly owned property, operator shall at any and all times during the continuance of this contract have a first and prior lien upon all right, title and interest or estate of non-operating party in said jointly owned property covered by this contract, including all equipment thereon and all oil, gas and casinghead gas produced or to be produced and saved therefrom, owned by or accruing to the credit of non-operating party to the full extent of said sum paid by operator for non-operating party's account. In the operation of said premises covered by this contract for oil and gas mining purposes.

Corporate Seal

ARTICLE XIII.

Purchase Option- It is further understood and agreed by and between the parties hereto that if at any time either party desires to sell its or his interest, or any part thereof, in the above described jointly owned property, and finds a purchaser or purchasers ready, able and willing to purchase the same at a bona fide price, the other party shall have an option for a period of ten days after written notice of such offer to purchase at such price the interest of the party so desiring to sell. If the option is not exercised within such period, then the party so desiring to sell may dispose of its or his interest or interests to such purchaser or purchasers; provided, however, that should any of the parties hereto merge or become consolidated with any corporation or corporations, such change shall not be considered a sale within the meaning of the provisions of this article.

ARTICLE XIV.

Governmental Regulation- Nothing herein contained shall be construed as being in any manner in derogation of the terms, conditions and provisions of the Act of Congress under a by virtue of which said above-mentioned permits were issued, or of any regulations of the Department of the Interior of the United States lawfully promulgated thereunder; but on the contrary, this agreement shall, in all particulars, be deemed amenable to reformation to eliminate or modify any portions thereof found to be in contravention of the provisions of said act or such regulations, and shall remain and be in full force and effect as to all provisions not so eliminated or modified.

Corporate Seal

ARTICLE XV.

Non-Partnership- It is further expressly understood and agreed by and between the parties hereto that this contract shall never be construed as constituting a partnership between the parties hereto and that the liability of the parties is limited to the provisions of this contract.

ARTICLE XVI.

Notices- All notices required to be given or served by either of the parties hereto upon the other shall be in writing and shall be served in the following manner.

By first parties upon second party by depositing such notice in the registered United

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



BRUCE KING
GOVERNOR

October 11, 1991

CC. CS
FILE LEGAL
UTP BRIT LEASE
New Mexico
DRUG FREE
It's a State of Mind

POST OFFICE BOX 2058
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

Mr. Doyle Hartman
Oil Operator
P. O. Box 10426
Midland, Texas 79702

Re: Order R-5448
W/2 E/2 and E/2 W/2 of Sec. 7,
T-20-S, R-37-E

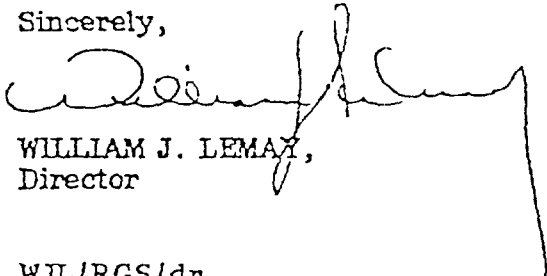
Dear Mr. Hartman:

We received your letter of October 8, 1991, requesting the Division to cancel the allowable granted to the Britt No. 3 and No. 12 Wells. You are correct that the W/2 of the E/2 and the E/2 of the W/2 of Section 7 are an approved non-standard proration unit. It is also correct that that proration unit is simultaneously dedicated to the Britt Wells Nos. 3 and 12, both of which are at approved unorthodox locations. Therefore it would be correct that all production from either or both of those wells should be allocated to the interest owners in the entire proration unit.

However, it appears that from Division records that these wells are being fully operated in accordance with the rules and regulations of the Division. Any dispute between Doyle Hartman and Union Texas Petroleum and Meridian Oil is contractual and the Oil Conservation Division does not have the jurisdiction or authority to enter into or resolve such disputes. Nor does the Division have the authority to cancel the allowable of the well based upon a private contract dispute.

Therefore your request to cancel the allowable for this proration unit is hereby denied.

Sincerely,


WILLIAM J. LEMAY,
Director

WJL/RGS/dr

cc: Jerry Sexton
OCD - Hobbs

OCT 21 1991

LAW OFFICES OF
KEMP, SMITH, DUNCAN & HAMMOND
A PROFESSIONAL CORPORATION
400 WEST ILLINOIS, SUITE 1400
POST OFFICE BOX 2796
MIDLAND, TEXAS 79702-2796
TELEPHONE (915) 687-0011 FAX (915) 687-1735

J. RANDY TURNER
MEMBER TEXAS
AND NEW MEXICO BARS

December 30, 1991

ORIGINAL LEASEHOLD
ACQUISITION TITLE OPINION

EL PASO, TEXAS 79901-4441
2000 MARINE PLAZA
P. O. DRAWER 2000, 79900-2000
(915) 833-4424 FAX (915) 844-4244
CARTLAGE, 84437203
TELEX: 3100010000 KEMP UG

ALBUQUERQUE, NEW MEXICO 87102-5121
200 MARQUETTE, N.W., SUITE 1200
P. O. BOX 1070, 87102-1070
(505) 847-2315 FAX (505) 843-6000

SANTA FE, NEW MEXICO 87501-1901
200 PASCO DE PERALTA, SUITE 200
P. O. BOX 8000, 87500-8000
(505) 962-1912 FAX (505) 962-7603

BROWNSVILLE, TEXAS 77821-4000
2000 SOCA CHICA BOULEVARD, SUITE 400
(409) 844-5774 FAX (409) 844-5607

Meridian Oil Inc.
3300 N. "A" Street
Building 6
Midland, Texas 79705-5406

Attention: Mr. Don W. Davis, Area Landman

Re: The interests owned by Union Texas Petroleum Corporation,
Doyle Hartman and James A. Davidson in Federal Lease
LC-031621(a) insofar as it covers the following-described land
in Lea County, New Mexico:

" " Township 20 South, Range 37 East, N.M.P.M.
E. 1/4 Section 6: E/2 SW/4
H.M. Butt Section 7: E/2 W/2, W/2 SE/4

containing 400 acres, more or less.

Gentlemen:

We have examined the following:

MATERIALS EXAMINED

Examination of the Records

We have examined all of the instruments affecting captioned
interests which have been recorded in the Records of Lea County,
New Mexico from inception of the records to December 16, 1991 at
7:00 a.m., as reflected by the indices of Elliott & Waldron Title
and Abstract Co., Inc.

We have also examined all of the instruments affecting
captioned interests which have been filed in the Case File for
captioned lease in the Bureau of Land Management State Office in
Santa Fe, New Mexico, from inception of the records to December 20,
1991 at 9:00 a.m.

Instruments

Various documentation pertaining to captioned land prepared by
and contained in the files of Union Texas Petroleum Corporation.

THE INTERESTS OWNED BY UNION TEXAS PETROLEUM
CORPORATION, DOYLE HARTMAN AND JAMES A. DAVIDSON

Based upon examination of the foregoing and subject to the
title requirements and other matters hereinafter made, we find that
Union Texas Petroleum Corporation, Doyle Hartman and James A.
Davidson own the following interests in captioned lease:

The Interest In Captioned Lease Owned By
Union Texas Petroleum Corporation

Part A
E/2 SW/4 of Section 6:

Union Texas Petroleum Corporation owns an undivided .4166667 interest in the operating rights in captioned lease insofar as it covers the E/2 SW/4 of Section 6, as to all depths EXCEPT the stratigraphic equivalent of the top of the Grayburg Formation found at a depth of 3,642 feet down to and including the stratigraphic equivalent of the base of the San Andres Formation found at a depth of 5,050 feet as found in the electrical log of the Amerada Hess-Monument Abo Unit No. 1 Well, located in Section 2, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

This interest must bear its proportionate share (.4166667) of (i) the sliding-scale royalty provided for in the lease analyzed below and (ii) overriding royalty interests totaling 7-1/2% of the oil and gas produced and saved from said land.

The W/2 NE/4, E/2 NW/4 and NE/4 SW/4 of Section 7:

Union Texas Petroleum Corporation owns an undivided .2083333 interest in the operating rights in captioned lease insofar as it covers the W/2 NE/4, E/2 NW/4 and NE/4 SW/4 of Section 7, as to all depths EXCEPT the stratigraphic equivalent of the top of the Grayburg Formation found at a depth of 3,642 feet down to and including the stratigraphic equivalent of the base of the San Andres Formation found at a depth of 5,050 feet as found in the electrical log of the Amerada Hess-Monument Abo Unit No. 1 Well, located in Section 2, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

This interest must bear its proportionate share (.2083333) of (i) the sliding-scale royalty provided for in the lease analyzed below and (ii) overriding royalty interests totaling 7-1/2% of the oil and gas produced and saved from said land.

The W/2 SE/4 and SE/4 SW/4 of Section 7:

A. Union Texas Petroleum Corporation owns an undivided .2083333 interest in the operating rights in captioned lease insofar as it covers the W/2 SE/4 and SE/4 SW/4 of Section 7, EXCEPT the oil and gas produced from the Grayburg-San Andres Formation from the following-described wells:

The Britt #6 Well - located 660 feet from the South line and 1,980 feet from the West line of Section 7.

The Britt #7 Well - located 1,650 feet from the South line and 1,650 feet from the East line of Section 7.

The Britt #8 Well - located 660 feet from the North line and 1,980 feet from the East line of Section 7.

This interest must bear its proportionate share (.2083333) of (i) the sliding-scale royalty provided for in the lease analyzed below and (ii) overriding royalty interests totaling 7-1/2% of the oil and gas produced and saved from said land.

B. Union Texas Petroleum Corporation owns an overriding royalty interest equal to .2083333 of 7-1/2% (.0156250) of the oil and gas produced and saved from the Grayburg-San Andres Formation from the Britt #6, #7 and #8 Wells, described above.

By virtue of the foregoing, Union Texas Petroleum Corporation must bear the share of the costs of oil and gas operations conducted on the various portions of captioned land described below which is set forth below under the caption "Working Interest" and Union Texas Petroleum Corporation is entitled to the interest in the oil and gas produced and saved from captioned land which is set forth below under the caption "Net Revenue Interest":

<u>Portion of Captioned Land</u>	<u>Well Nos.</u>	<u>Working Interest</u>	<u>Net Revenue Interest</u>
The E/2 SW/4 of Section 6 as to all depths EXCEPT the stratigraphic equivalent of the top of the Grayburg Formation found at a depth of 3,642 feet down to and including the stratigraphic equivalent of the base of the San Andres Formation found at a depth of 5,050 feet as found in the electrical log of the Amerada Hess-Monument Abo Unit No. 1 Well located in Section 2, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico	Britt "A" Well Nos. 1 & 6	.4166667	.3333333*
The W/2 NE/4, E/2 NW/4 and NE/4 SW/4 of Section 7, as to all depths EXCEPT the stratigraphic equivalent of the top of the Grayburg Formation found at a depth of 3,642 feet down to and including the stratigraphic equivalent of the base of the San Andres Formation found at a depth of 5,050 feet as found in the electrical log of the Amerada Hess-Monument Abo Unit No. 1 Well located in Section 2, Township 20 South, Range 36 East, N.M.P.M., Lea County, New Mexico	Britt Well Nos. 3, 5, 10 & 12	.2083333	.1666667*
The W/2 SE/4 and SE/4 SW/4 of Section 7, as to all depths EXCEPT the oil and gas produced from the Grayburg-San Andres Formation from the Britt #6, #7 and #8 Wells, described above	Britt Well No. 13	.2083333	.1666667*
The oil and gas produced from the Grayburg-San Andres Formation from the Britt #6, #7 and #8 Wells	Britt Well Nos. 6, 7 & 8	-0-	.0156250**

* The Net Revenue Interest is calculated assuming that the royalty payable to the United States of America pursuant to the sliding-scale royalty provision in the lease analyzed below is 12-1/2%.

** This interest is an overriding royalty interest and is subject to suspension pursuant to 43 C.F.R. §3103.4-1.

The Interests Owned By Doyle Hartman

A. An undivided .0592447 interest in the operating rights in captioned lease insofar as it covers the E/2 SW/4 of Section 6, as to all depths.

B. An undivided .0416667 interest in the operating rights in captioned lease insofar as it covers the W/2 E/2 and E/2 W/2 of Section 7, as to all depths EXCEPT the Grayburg-San Andres Formation in and under the SE/4 SW/4 and W/2 SE/4 of Section 7.

C. An undivided one-half (1/2) interest in the operating rights in captioned lease insofar as it covers the SE/4 SW/4 and W/2 SE/4 of Section 7 from the surface to the base of the Eunice Monument Grayburg-San Andres Formation (5,105') as identified by Schlumberger's Electrical log on Anderson-Prichard Oil Corporation's Britt #13 Well, located 2,310 feet from the South line and 1,650 feet from the East line of Section 7.

D. An undivided 1/4 interest in the operating rights in captioned lease insofar as it covers the W/2 E/2 and E/2 W/2 of Section 7, from the surface down to the base of the Blinebry Formation, defined as the stratigraphic equivalent of that interval from the surface down to and including a depth of 6,238 feet as found in the Amerada Hess-L.M. Lambert No. 2 Well, located in Unit G of Section 6, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico.

E. An undivided one-half (1/2) interest in the operating rights in captioned lease insofar as it covers the E/2 SW/4 of Section 6, from the surface down to the base of the Blinebry Formation, defined as the stratigraphic equivalent of that interval from the surface down to and including a depth of 6,238 feet as found in the Amerada Hess-L.M. Lambert No. 2 Well, located in Unit G of Section 6, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico.

F. An undivided .2083333 interest in the operating rights in the W/2 NE/4, E/2 NW/4 and NE/4 SW/4 of Section 7, from the stratigraphic equivalent of the top of the Grayburg Formation found at a depth of 3,642 feet down to and including the stratigraphic equivalent of the base of the San Andres Formation found at a depth of 5,050 feet as found in the electrical log of the Amerada Hess-Monument Abo Unit No. 1 Well located in Section 2, T-20-S, R-36-E, N.M.P.M., Lea County, New Mexico.

Each of the interests owned by Doyle Hartman must bear its proportionate share of (i) the sliding-scale royalty provided for in the lease analyzed below and (ii) overriding royalty interests totaling 7-1/2% of the oil and gas produced and saved from the above-described lands in which Doyle Hartman owns an interest as set forth above.

By virtue of the foregoing, Doyle Hartman must bear the share of the costs of oil and gas operations conducted on the various tracts of lands in which he owns an interest which are set forth below under the caption "Working Interest" and he is entitled to the interests in the oil and gas produced and saved from said tracts of land which are set forth below under the caption "Net Revenue Interest":

Portion of Captioned Land	Working Interest	Net Revenue Interest
✓ A. The E/2 SW/4 of Section 6, as to all depths	✓ .0592447	.0473957* <i>Britt #3, #4, #6, #7</i>
✓ B. The W/2 E/2 and E/2 W/2 of Section 7, as to all depths EXCEPT the Grayburg-San Andres Formation in and under the SE/4 SW/4 and W/2 SE/4	.0411667 .02926224	.03333333* .023697892
C. The SE/4 SW/4 and W/2 SE/4 of Section 7, from the surface down to the base of the Eunice Monument Grayburg-San Andres	.5000000	.4000000*

Formation (5,105') as identified by Schlumberger's Electrical log on Anderson Prichard Oil Corporation's Britt #13 Well, located 2,310 feet from the South line and 1,650 feet from the East line of Section 7

✓ D.	The W/2 E/2 and E/2 W/2 of Section 7, from the surface down to the base of the Blinebry Formation, defined as the stratigraphic equivalent of that interval from the surface down to and including a depth of 6,238 feet as found in the Amerada Hess-L.M. Lambert No. 2 Well, located in Unit G of Section 6, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico	.2500000	.2000000*
✓ E.	The E/2 SW/4 of Section 6 from the surface down to the base of the Blinebry Formation, defined as the stratigraphic equivalent of that interval from the surface down to and including a depth of 6,238 feet as found in the Amerada Hess-L.M. Lambert No. 2 Well, located in Unit G of Section 6, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico	.5000000	.4000000*
✓ F.	The W/2 NE/4, E/2 NW/4 and NE/4 SW/4 of Section 7, from the stratigraphic equivalent of the top of the Grayburg Formation found at a depth of 3,642 feet down to and including the stratigraphic equivalent of the base of the San Andres Formation found at a depth of 5,050 feet as found in the electrical log of the Amerada Hess-Monument Abo Unit No. 1 Well, located in Section 2, T-20-S, R-36-E, N.M.P.M., Lea County, New Mexico	.2083333	.1666667*

* The Net Revenue Interest is calculated assuming that the royalty payable to the United States of America pursuant to the sliding-scale royalty provision in the lease analyzed below is 12-1/2%.

The Interests Owned by James A. Davidson

A. James A. Davidson owns an undivided .0208333 interest in the operating rights in captioned lease, insofar as it covers the E/2 SW/4 of Section 6, as to all depths.

B. James A. Davidson owns an undivided .0104167 interest in the operating rights in captioned lease, insofar as it covers the W/2 E/2 and E/2 W/2 of Section 7, as to all depths EXCEPT the Grayburg-San Andres Formation under the SE/4 SW/4 and W/2 SE/4.

Each of the above-described interests owned by James A. Davidson is subject to its proportionate share of (i) the sliding-scale royalty provided for in the lease analyzed below and (ii) overriding royalty interests totaling 7-1/2% of the oil and gas produced and saved from said land.

By virtue of the foregoing, James A. Davidson must bear the share of the costs of oil and gas operations conducted on the above-described lands and which is set forth below under the caption "Working Interest" and James A. Davidson is entitled to the interests in the oil and gas produced and saved from said land which is set forth below under the captioned "Net Revenue Interest":

<u>Portion of Captioned Land</u>	<u>Working Interest</u>	<u>Net Revenue Interest</u>
A. The E/2 SW/4 of Section 6, as to all depths	.0208333	.0166667*
B. The W/2 E/2 and E/2 W/2 of Section 7, as to all depths <u>EXCEPT</u> the Grayburg-San Andres Formation in and under the SE/4 SW/4 and W/2 SE/4	.0104167	.0083333*

* The Net Revenue Interest is calculated assuming that the royalty payable to the United States of America pursuant to the sliding-scale royalty provision in the lease analyzed below is 12-1/2%.

EXISTING OIL AND GAS LEASE

Serial No.: LC-031621(a).

Date: February 1, 1956.

Recorded: Unrecorded; however, there is no need to record the lease in the County Records.

Lessor: The United States of America.

Lessee: Harry M. Britt.

Land Covered: Township 20 South, Range 37 East
 Section 6: SW/4
 Section 7: E/2 W/2, W/2 E/2
 Section 18: NE/4 NW/4, NW/4 NE/4
 containing 558.01 acres, more or less.

Interest Covered: All interest therein.

Primary Term: Five (5) years from date.

Royalties: (a) On Oil. When the average production for the calendar month in barrels for well per day is:

<u>Over</u>	<u>Over</u>	<u>The royalty shall be</u>
0	110	12.5%
110	130	13.0%
130	150	19.0%
150	200	20.0%
200	250	21.0%

250	300	22.0%
300	400	23.0%
350	450	24.0%
400	500	25.0%

(b) On gas. When the average production of gas per well per day for the calendar month does not exceed 5,000,000 cubic feet, the royalty shall be 12-1/2%. When such production exceeds 5,000,000 cubic feet, the royalty shall be 16-2/3%.

Minimum Royalties:

At the expiration of each lease year after discovery, minimum royalties in a sum equal to \$1.00 per acre, or, if there is production, the difference between the actual royalty paid during the year and the prescribed minimum royalty of \$1.00 per acre; provided, however, that on unitized leases, the minimum royalty shall be payable only on the participating acreage.

Delay Rentals:

No longer applicable since this is a producing lease.

Shut-in Gas Well Royalties:

None provided for in the lease or by federal regulations; however, if a well is shut-in, minimum royalties as described above become effective.

Pooling Provision:

None provided for in the lease; however, federal regulations provide for communitization of the lease or a portion thereof with other leases.

Lease Form:

This is an exchange lease issued on Form 4-218 (February, 1952).

History of the Lease:

Oil and Gas Prospecting Permit LC-031621 was originally issued on November 11, 1926 to Harry M. Britt. This prospecting permit covered the following-described lands:

Township 20 South, Range 37 East
 Section 3: NE/4 SW/4
 Section 5: SE/4 SW/4
 Section 6: SW/4
 Section 7: W/2 E/2, E/2 W/2
 Section 8: NE/4 NW/4

Lea County, New Mexico, containing 2,325.05 acres, more or less.

This prospecting permit granted Harry M. Britt the exclusive right to explore for oil and gas on the lands covered thereby for a period of two (2) years from the date thereof and upon compliance with the terms of the prospecting permit, the permittee could select 1/4 of the lands covered by the permit to be covered by and oil and gas lease in which the United States would reserve a 5% royalty with a term of twenty (20) years with the preferential

right to renew the lease for successive periods of ten (10) years each. The remaining lands would be covered by a separate lease wherein the United States would reserve a flat 12-1/2% royalty.

Several extensions of the time within which to comply with the terms of the prospecting permit were granted, but the following-described land was ultimately selected as 1/4 of the lands covered by the permit which would be covered by a lease wherein the United States reserved a 5% royalty:

Township 20 South, Range 37 East
Section 6: SW/4
Section 7: E/2 W/2, W/2 E/2
Section 18: NE/4 NW/4, NW/4 NE/4

Lea County, New Mexico, containing 558.01 acres.

This lease was assigned Serial No. LC-031621(a). The remaining land covered by the permit was covered by a separate lease designated Serial No. LC-031621(b).

Upon the expiration of the 20-year term of LC-031621(a), the lease was exchanged for a lease covering the same land as originally covered by lease LC-031621(a). The Exchange Lease was for a term of five (5) years and so long thereafter as oil and/or gas is produced in paying quantities from the lands covered thereby or from lands communitized or unitized therewith. The royalty in the Exchange Lease was increased from the 5% provided for in the original lease to the sliding-scale royalty as set forth in our analysis of the lease above.

This lease apparently has been held by production since its issuance, February 1, 1956.

ASSIGNMENTS

1. Harry M. Britt, the original permittee under Oil and Gas Prospecting Permit LC-031621, entered into a Drilling and Operating Agreement with Marland Oil Company of Colorado, dated February 23, 1927, recorded in Book 9, page 70, Miscellaneous Records of Lea County, wherein Marland was granted the exclusive right to explore for oil and gas under the permit. Upon the issuance of a lease on acreage on which the United States reserves a 5% royalty, Britt was to receive a 7-1/2% overriding royalty interest.

2. By Assignment dated July 10, 1928, recorded in Book 45, page 168, Miscellaneous Records of Lea County, Marland Production Company assigned an undivided 1/4 interest in the above-described Drilling and Operating Agreement to The California Company. This Assignment has been filed with and approved by the BLM.

3. By Conveyance dated July 10, 1928, Marland Production Company (the successor in interest to Marland Oil Company of Colorado) conveyed an undivided 1/4 interest in the above-described Drilling and Operating Agreement (among many other such agreements) to The California Company. This Conveyance has not been recorded in the Records of Lea County.

4. By Drilling and Farming Out Contract dated February 13, 1935, recorded in Book 13, page 3, Miscellaneous Records of Lea County, Continental Oil Company (the successor in interest to Marland Production Company), as to an undivided 3/4 interest, and the California Company, as to an undivided 1/4 interest, assigned their rights under the above-described Drilling and Operating Agreement to R. H. Henderson.

5. By Assignment dated February 27, 1935, recorded in Book 13, page 19, Miscellaneous Records of Lea County, R. H. Henderson and wife, Lula H. Henderson, assigned all of their right, title and interest in and to the above-described Drilling and Operating Agreement to Anderson-Prichard Oil Corporation.

6. By Contract dated May 29, 1935, recorded in Book 13, page 23, Miscellaneous Records of Lea County, Anderson-Prichard Oil Corporation agreed to assign to Phillips Petroleum Company an undivided 1/2 of any interest that Anderson-Prichard earns under the above-described Drilling and Operating Agreement subject to the terms and conditions contained in this Contract.

7. By Assignment dated January 13, 1936, recorded in Book 27, page 371, Oil and Gas Records of Lea County, Continental Oil Company and The California Company assigned to Anderson-Prichard Oil Corporation all of their right, title and interest in the above-described Drilling and Operating Agreement insofar as it covers the E/2 SW/4 of Section 6, and 1/2 of their right, title and interest in the Drilling and Operating Agreement insofar as it covers the E/2 W/2 and W/2 E/2 of Section 7.

8. By Assignment dated March 10, 1936, recorded in Book 13, page 519, Miscellaneous Records of Lea County, Anderson-Prichard Oil Corporation assigned to Phillips Petroleum Company an undivided 1/2 interest in the above-described Drilling and Operating Agreement insofar as it covers the E/2 SW/4 of Section 6 and an undivided 1/4 interest in the Drilling and Operating Agreement insofar as it covers the E/2 W/2 and W/2 E/2 of Section 7. This Assignment is made pursuant to and subject to the terms and provisions of the above-described Contract dated May 29, 1935, between Anderson-Prichard Oil Corporation and Phillips Petroleum Corporation, described in Assignment No. 6, above.

9. By Assignment dated July 1, 1935, recorded in Book 14, page 45, Miscellaneous Records of Lea County, Continental Oil Company assigned an undivided 1/4 interest in the above-described Drilling and Operating Agreement, among other such agreements, to Atlantic Oil Producing Company.

10. By Assignment dated July 1, 1936, recorded in Book 27, page 634, Oil and Gas Records of Lea County, Continental Oil Company assigned an undivided 1/4 interest in the above-described Drilling and Operating Agreement, among other such agreements, to Stanolind Oil and Gas Company.

11. By Assignment dated November 1, 1960, recorded in Book 171, page 232, Miscellaneous Records of Lea County, Anderson-Prichard Oil Corporation assigned an undivided 1/4 interest in captioned lease insofar as it covers the E/2 W/2 and W/2 E/2 of Section 7 and an undivided 1/2 interest in captioned lease insofar as it covers the E/2 SW/4 of Section 6 to the following parties in the respective fractional interests set forth opposite their names:

Union Texas Natural Gas Corporation 5/6
 Joseph E. Seagram & Sons, Inc. 1/6

In this Assignment, Anderson-Prichard reserved a production payment in the primary sum of \$70,000,000.00, to be known as the Anderson-Prichard Production Payment, and in Part II of this conveyance, Anderson-Prichard Oil Corporation assigned the Anderson-Prichard Production Payment to Brookston Oil Company. The Anderson-Prichard Production Payment has been released of record.

12. Union Texas Natural Gas Corporation was merged into Allied Chemical Corporation effective March 30, 1962, as evidenced by Certificate of Merger recorded in Book 184, page 256, Miscellaneous Records of Lea County, New Mexico. This merger was accepted and approved by the BLM by Decision dated June 18, 1962.

13. By Assignment dated August 4, 1970, recorded in Book 291, page 913, Miscellaneous Records of Lea County, Allied Chemical Corporation assigned to Sam D. Gardiner all of the oil and gas produced from the Grayburg-San Andres Formation in the following described wells:

- Britt #6 - located 660 feet from the South line and 1,980 feet from the West line of Section 7.
- Britt #7 - located 1,650 feet from the South line and 1,650 feet from the East line of Section 7.
- Britt #8 - located 660 feet from the South line and 1,980 feet from the East line of Section 7.

In this Assignment, Allied Chemical Corporation reserved an overriding royalty interest equal to 7-1/2% of the oil and gas produced and saved from the above-described wells, which overriding royalty interest is to be proportionately reduced by the interest owned by Allied Chemical Corporation in the lease insofar as it covers the lands assigned. This Assignment was approved by the BLM effective January 21, 1972.

14. By Assignment dated November 1, 1970, recorded in Book 293, page 673, Miscellaneous Records of Lea County, Phillips Petroleum Company assigned to Sam D. Gardiner all of its right, title and interest in captioned lease insofar as it covers the SE/4 SW/4 and W/2 SE/4 of Section 7 as to the Grayburg-San Andres Formation, together with all of its right, title and interest in and to the Britt #6, #7 and #8 Wells as to the Grayburg-San Andres Formation, reserving an overriding royalty interest equal to 7-1/2% of the oil and gas produced and saved from such wells, proportionately reduced by the interest in said wells owned by Phillips. This Assignment has not been filed with or approved by the BLM.

15. By Assignment dated August 20, 1969, unrecorded in the Records of Lea County, Joseph E. Seagram & Sons, Inc. assigned to Texas Pacific Oil Company, Inc. all of its right, title and interest in and to captioned lease insofar as it covers the E/2 SW/4 of Section 6 and the E/2 W/2 and W/2 E/2 of Section 7, among other lands. This Assignment was approved by the BLM effective May 27, 1970.

16. By Conveyance dated August 29, 1980, recorded in Book 378, page 624, Miscellaneous Records of Lea County, Joseph E. Seagram & Sons, Inc. assigned to Texas Pacific Oil Company, Inc. all of its right, title and interest in captioned lease, being an undivided 1/12 interest in the SE/4 SW/4 and W/2 SE/4 of Section 7 except the Grayburg-San Andres Formation, and all depths in the NE/4 SW/4, E/2 NW/4 and W/2 NE/4 of Section 7 and an undivided 1/6

interest in captioned lease insofar as it covers the E/2 SW/4 of Section 6.

17. By Conveyance dated August 29, 1980, recorded in Book 378, page 664, Miscellaneous Records of Lea County, Texas Pacific Oil Company, Inc. assigned to Sun Oil Company (Delaware) the identical interests assigned in Assignment No. 16, immediately above, from Joseph E. Seagram & Sons, Inc. to Texas Pacific Oil Company, Inc. This Assignment was approved by the BLM effective October 1, 1980.

18. By Certificate of Name Change dated September 30, 1982, effective October 29, 1981, Sun Oil Company (Delaware) changed its name to Sun Exploration & Production Company. This Certificate of Name Change apparently has not been recorded in the Records of Lea County; however, it has been filed with and approved by the BLM.

19. By Assignment of Operating Rights dated May 24, 1982, approved by the BLM effective June 1, 1983, Allied Corporation, formerly Allied Chemical Corporation, assigned to Union Texas Petroleum Corporation an undivided 20.83% interest in the operating rights in the E/2 W/2 and W/2 E/2 of Section 7 and an undivided 41.66% interest in the operating rights in the E/2 SW/4 of Section 6, as to all formations except the Grayburg-San Andres Formation under the W/2 SE/4 and SE/4 SW/4 of Section 7. This Assignment has not been recorded in the Records of Lea County.

20. By Assignment dated October 26, 1984, recorded in Book 436, page 809, Miscellaneous Records, Sun Exploration & Production Company assigned to Doyle Hartman all of its right, title and interest in captioned lease insofar as it covers the E/2 SW/4 of Section 6 and the W/2 E/2 and E/2 W/2 of Section 7, less and except the Grayburg-San Andres Formation under the SE/4 SW/4 and W/2 SE/4 of Section 7. A Transfer of Operating Rights on the required BLM form, dated October 26, 1984, has been filed with and approved by the BLM effective January 1, 1987.

This Assignment is made subject to the following:

- (a) Drilling and Farming Out Contract dated February 13, 1935, as amended, more particularly described under Assignment No. 4 above.
- (b) Operating Agreement dated August 24, 1959, as amended, between Anderson-Prichard Oil Corporation, et al.
- (c) Casinghead Gas Contract dated November 3, 1981, by and between Gulf Oil Corporation, as Buyer, and Sun Production Company, as Seller.

By Correction Partial Assignment and Bill of Sale dated April 24, 1986, recorded in Book 410, page 636, Miscellaneous Records, this Assignment was amended so that it is also subject to a Gas Well Gas Contract dated April 14, 1978, by and between El Paso Natural Gas Company, as Buyer, and Texas Pacific Oil Company, Inc., as Seller. In this Assignment, Sun reserves the right to purchase all or any part of the oil produced from or attributed to the lease and lands assigned herein at the price posted by the major purchasers for the same or similar grade of oil in the area.

This Assignment is also made subject to the terms and conditions of that certain Bid Letter No. 84923 dated September 6, 1984.

21. By Assignment dated April 10, 1987, recorded in Book 480, page 641, Miscellaneous Records of Lea County, Doyle Hartman and his wife, Margaret M. Hartman, assigned the parties set forth below the percentage interests set forth opposite their names of all of their right, title and interest in and to captioned lease insofar

as it covers the E/2 SW/4 of Section 6 and the W/2 E/2 and E/2 W/2 of Section 7, less and except the Grayburg-San Andres Formation under the SE/4 SW/4 and W/2 SE/4 of Section 7:

James A. Davidson	25%
James E. Burr78125%
Larry A. Nermyr	1.56250%
Jack Fletcher78125%
Ruth Sutton78125%

This Assignment has not been filed with or approved by the BLM.

22. The California Company changed its name to Chevron Oil Company, effective July 1, 1965, This name change has been approved by the BLM.

23. The Atlantic Refining Company changed its name to Atlantic Richfield Company as evidenced by Decision of the BLM dated August 10, 1966.

24. Chevron Oil Company changed its name to Chevron U.S.A. Inc. effective January 1, 1977, as evidenced by Decision of the BLM dated April 6, 1978.

25. Continental Oil Company changed its name to Conoco Inc. effective July 1, 1979, as evidenced by Decision of the BLM dated October 24, 1979.

26. By Assignment dated August 25, 1989, recorded in Book 442, page 653, Miscellaneous Records of Lea County, Conoco Inc., Amoco Production Company, Atlantic Richfield Company and Chevron U.S.A. Inc. assigned to Doyle Hartman all of their right, title and interest in and to captioned lease insofar as it covers the SE/4 SW/4 and W/2 SE/4 of Section 7, from the surface down to the base of the Eunice Monument Grayburg-San Andres Formation (5,105) as identified by the Schlumberger Electrical log on the Anderson-Prichard Oil Corporation's Britt #13 Well located 2,310 feet from the South line and 1,650 feet from the East line of Section 7. A corresponding Transfer of Operating Rights executed on the form required by the BLM dated September 12, 1989 was approved by the BLM effective October 1, 1989.

27. By Assignment and Bill of Sale dated December 19, 1989, recorded in Book 447, page 361, Miscellaneous Records of Lea County, Union Texas Petroleum Corporation assigned to Amerada Hess Corporation all of its right, title and interest in and to captioned lease insofar as it covers the E/2 SW/4 of Section 6 from the stratigraphic equivalent of the top of the Grayburg Formation found at a depth of 3,642 feet down to and including the stratigraphic equivalent of the base of the San Andres Formation, found at a depth of 5,050 feet, as such depths are found on the electric log of the Amerada Hess-Monument Abo Unit No. 1 Well located in Section 2, T-20-S, R-36-E, Lea County, New Mexico. Union Texas Petroleum Corporation excepted from this Assignment the Britt "A" #1 Well and the Britt "A" #6 Well located in Section 6. This Assignment was made subject to the following:

(a) The above-described Drilling and Farming Out Contract between Continental Oil Company, The California Company, and R. H. Henderson more particularly described as Assignment No. 4, above;

(b) The above-described Drilling and Operating Agreement described as Assignment No. 1, above;

- (c) Conveyance of Leasehold, Mineral and Other Interest dated as of November 1, 1960, from Anderson-Prichard Oil Corporation, as Grantor, to Union Texas Natural Gas Corporation and Joseph E. Seagram & Sons, Inc., as Grantees, containing Joint Operating Agreements dated April 1, 1961 and amended January 1, 1978, between Union Texas Petroleum Corporation, a successor in interest of Union Texas Natural Gas Corporation, as Operator, and Sun Exploration & Production Company, a successor in interest to Joseph E. Seagram & Sons, Inc., et al, as Non-Operators;
- (d) Conveyance effective December 31, 1979, from Allied Chemical Corporation, as Grantor, to Union Texas Petroleum Corporation, as Grantee, recorded in Book 341, page 31, Oil and Gas Records of Lea County;
- (e) Casinghead Gas Contract dated April 7, 1976, by and between Warren Petroleum Company and Allied Chemical Corporation, covering the E/2 W/2 and W/2 E/2 of Section 7;
- (f) Casinghead Gas Contract dated April 7, 1976, by and between Warren Petroleum Company and Allied Chemical Corporation, et al, covering the E/2 SW/4 of Section 6, among other lands;
- (g) Contract dated May 29, 1935, by and between Phillips Petroleum Company and Anderson-Prichard Oil Corporation covering the E/2 SW/4 of Section 6 and the W/2 E/2 and E/2 W/2 of Section 7, among other lands;
- (h) Development Contract dated February 28, 1935, by and between Anderson-Prichard Oil Corporation and R. H. Henderson, covering the E/2 SW/4 of Section 6 and the W/2 E/2 and E/2 W/2 of Section 7, among other lands; and
- (i) Articles of Agreement for the Construction and Operation of the Eunice-Monument-Eumont Saltwater Disposal System dated June 10, 1958, by and between Rice Engineering & Operating, Inc., as Operator, and Anderson-Prichard Oil Corporation, et al, as Non-Operators.

28. By Assignment and Bill of Sale dated June 27, 1991, recorded in Book 465, page 447, Miscellaneous Records of Lea County, Phillips Petroleum Company assigned to Doyle Hartman, all of its right, title and interest in and to captioned lease, insofar as it covers the W/2 E/2 and E/2 W/2 of Section 7 from the surface down to the base of the Blinbry Formation, defined herein as the stratigraphic equivalent of that interval from the ground down to and including a depth of 6,238 feet, as found in the Amerada Hess-L.M. Lambert No. 2 Well located in Unit G, Section 6, T-20-S, R-37-E, N.M.P.M., Lea County, New Mexico, and the E/2 SW/4 of said Section 6 from the surface down to the base of the Blinbry Formation, as defined above. Two separate corresponding Transfers of Operating Rights, each dated June 27, 1991, one covering an undivided 50% interest in the operating rights in the E/2 SW/4 of Section 6 from the surface down to the base of the Blinbry Formation, and one covering an undivided 25% interest in the operating rights in the W/2 E/2 and E/2 W/2 of Section 7 from the surface down to the base of the Blinbry Formation, have been filed with and approved by the BLM effective August 1, 1991.

TITLE REQUIREMENTS

1.

The primary term of the oil and gas lease analyzed above has long since expired.

REQUIREMENT: You must satisfy yourself that captioned lease is currently in force and effect.

2.

Many of the assignments described above contain provisions or are subject to other agreements or instruments with which you should familiarize yourself.

REQUIREMENT: You should thoroughly familiarize yourself with all of the terms and provisions of the above-described assignments and any instruments to which such assignments are subject.

3.

The Drilling and Farming Out Contract described under Assignment No. 4, above, contains a preferential right to purchase which requires that a party desiring to sell his interest in any jointly owned property under this agreement must give the other parties written notice of the terms of any offer received for his interest and the other parties receiving such notice shall have ten (10) days in which to elect to exercise their preferential right to purchase such interest on the same terms and provisions as offered to the party desiring to sell his interest.

You have furnished us a copy of a letter dated November 21, 1991, addressed to Amoco Production Company, Arco Oil & Gas, Chevron U.S.A. Inc. and Conoco Inc., wherein you notify each of such addressees of your offer to purchase the interest of Union Texas Petroleum Corporation under the above-described Drilling and Farming Out Contract. We have assumed that this letter was in fact mailed to each of the addressees and that none of these parties elected to exercise its preferential right to purchase the interest of Union Texas. The interest of Doyle Hartman and James A. Davidson is also subject to this preferential right to purchase.

REQUIREMENT: You must give Amoco Production Company, Atlantic Richfield Company, Chevron U.S.A. Inc. and Conoco Inc. notice of your offer to purchase the interests of Doyle Hartman and James A. Davidson in the E/2 W/2 and W/2 E/2 of Section 7.

4.

Apparently, the records of Union Texas Petroleum Corporation reflect that Union Texas owns a .2172437 Working Interest in the Britt #12 Well, which is located in the NE/4 NW/4 of Section 7. Our examination of the records indicates that Union Texas owns only a .2083333 Working Interest in this tract of land.

REQUIREMENT: You should investigate the discrepancy between the interest owned of record by Union Texas Petroleum Corporation in the NE/4 NW/4 of Section 7 and the .2172437 Working Interest which Union Texas apparently is claiming in the Britt #12 Well.

5.

We have examined the Records of Lea County, New Mexico pertaining to captioned interests from inception of the records to December 16, 1991 at 7:00 a.m. and the Records of the BLM

pertaining to captioned interests from inception of the records to December 20, 1991 at 9:00 a.m.

REQUIREMENT: You must check the Records of Lea County, New Mexico from December 16, 1991 at 7:00 a.m. and the Records of the BLM from December 20, 1991 at 9:00 a.m., up to the time of closing to ensure that nothing adverse to the interests you are acquiring has been filed in such records since such dates.

6.

The laws of the State of New Mexico require that any conveyances of community property must be joined in by both spouses in order to be valid.

REQUIREMENT: Advisory as to the fact that the wives of Doyle Hartman and James A. Davidson must join in any assignments that you receive from such parties.

7.

We have ordered Uniform Commercial Code search reports covering captioned interests.

REQUIREMENT: None at this time; however, we will advise you of the contents of such search reports once we have received them.

Respectfully submitted,

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

By: 

J. Randy Turner

JRT:lf

Britt Fed MKA

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

VIA FEDERAL EXPRESS

May 5, 1992

Meridian Oil Production, Inc.
801 Cherry Street, Suite 700
Ft. Worth, TX 76102

Attn: Frank Ramirez, Supervisor
Division Order Section

Re: H.M. Britt (LC-031621-A)
Lea County, New Mexico
E/2W/2, W/2E/2, Section 7, T-20-S,
R-37-E, N.M.P.M.
320 acre proration unit

Britt Federal MKA (LC-031621-A)
Lea County, New Mexico
Section 7: SE/4SW/4, W/2SE/4, T-20-S,
R-37-E, N.M.P.M.

Surface to the base of the Eunice Monument
Grayburg San Andres (5,105') as identified by
the Schlumberger's Electrical log on Anderson
Prichard Oil Corporation's Britt #13, located
2,310' FSL & 1,650' FEL, Section 7, T-20-S,
R-37-E, N.M.P.M., Lea County, New Mexico and
dated August 30, 1955

Gentlemen:

Reference is made to the captioned property. Effective 7:00 a.m., September 1, 1989, Doyle Hartman acquired all right, title and interest of the NMFU partners in and under Section 7: SE/4SW/4, W/2SE/4, T-20-S, R-37-E, as evidenced by the following:

- 1) Fully executed copy of Assignment and Bill of Sale dated August 25, 1989, effective 7:00 a.m., September 1, 1989, by and between Conoco, Inc., et al, as Assignor, and Doyle Hartman, as Assignee, recorded in Book 442, page 653, Oil and Gas Records, Lea County, New Mexico.
(Attached as Exhibit 1)

Exhibit 10

Meridian Oil Production, Inc.
May 5, 1992
Page 2

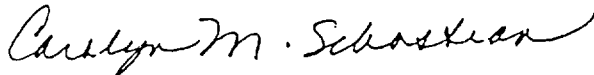
- 2) BLM Transfer of Operating Rights dated September 12, 1989, approved October 1, 1989, by and between Conoco, Inc., et al, as Transferor, and Doyle Hartman, as Transferee. (Attached as Exhibit 2)

The assigned interest is part of and subject to the above-referenced 320 acre proration unit which is dedicated to and producing from the Britt #3 and #12 wells by virtue of NMOCD Order R-5448 dated June 8, 1977, a copy of which is attached as Exhibit 3, and confirmed by the letter of William J. Lemay, Director, NMOCD, to Doyle Hartman dated October 11, 1991, a copy of which is attached as Exhibit 4.

Please issue an appropriate division order/transfer order reflecting this change of ownership for execution and return. Should you have any questions, please do not hesitate to call.

Very truly yours,

DOYLE HARTMAN



Carolyn M. Sebastian
Contract Landman

enclosures (3)

rcp
wp51\corresp.cms\lbritt3

cc: Doyle Hartman
820 Chance Court
Aspen, CO 81611
w/enclosures

Doyle Hartman
4600 St. Johns
Dallas, TX 75250
w/enclosures

Gallegos Law Firm
141 East Palace Avenue
Santa Fe, NM 87501
Attn: Mary E. Walta
w/enclosures

Meridian Oil Production, Inc.
May 5, 1992
Page 3

Hand Delivered
Meridian Oil, Inc.
2919 Allen Parkway
P.O. Box 4239
Houston, TX 77210
Attn: Thomas H. Owen
Associate General Counsel
w/enclosures

Hand Delivered
Meridian Oil Production, Inc.
P.O. Box 51810
Midland, TX 79710-1810
Attn: Don Davis
w/enclosures

*cc Doyle & File, hand
for 5-12-95*

*agreement
Britt Fred M*

MICHAEL L. KLEIN
500 W. TEXAS, SUITE 1230
MIDLAND, TEXAS 79701-4271

915-684-6442

May 11, 1995

Mr. Doyle Hartman
P. O. Box 10426
Midland, Texas 79702-7426

Re: Britt No's 6, 7 & 8 wells,
SE/4 SW/4, NW/4 SE/4 and
SW/4 SE/4 of Section 7,
Township 20 South, Range 37
East, Lea County, New Mexico

Dear Doyle:

I submitted to you, some time ago, an AFE to plug and abandon the subject wells. At that time you asked me to delay plugging the wells in order for you to confirm your ownership of Eumont rights with the NMFU Companies, so that you might re-enter the wells in the future.

Doyle, I just can't delay plugging operations any longer as I am exposing all working interest owners to fines by the BLM.

I am enclosing herewith copy of the BLM letter of August 2, 1994 notifying us that the wells be promptly plugged and abandoned. On September 9, I submitted BLM Form 3160-5 to secure approval to P & A the three wells, (copies enclosed), which was approved on October 19, 1994. The Bureau of Land Management requires plugging operations to commence within 90 days from the approval date of the plugging procedure, as set out on the last page of the BLM notice. We are way beyond this date and are receiving calls from the BLM. We must comply with their regulations.

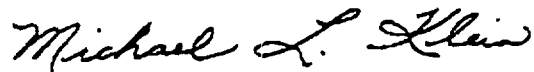
I urge you to approve the plugging of these wells immediately by

Exhibit 11

signing and returning the AFE.

Thank you.

Yours very truly,



Michael L. Klein

MLK/bmg

encl.

cc: Mr. Doyle Hartman
3811 Turtle Creek Blvd.
Suite 730
Dallas, TX 75219

PARTIES TO BE POOLED/AFFECTED PARTIES

Larry A. Nermyr
HC-57
Box 4106
Sidney, Montana 59270

James A. Davidson
Post Office Box 494
Midland, Texas 79702

Ruth Sutton
2826 Moss Avenue
Midland, Texas 79705

ARCO Oil and Gas Company
Central District Office
600 North Marienfeld (79701)
Post Office Box 1610
Midland, Texas 79702

Chevron USA Production
15 Smith Road
Midland, Texas 79705

MWJR Petroleum Corp.
2000 Post Oak Blvd., Suite 100
Houston, Texas 77056-4400

James E. Burr
3803 Wedgewood Ct.
Midland, Texas 79707

Meridian Oil, Inc.
Building 6
3300 North A Street
Midland, Texas 79705

Delphia Lorene Fletcher
3803 Cimmaron
Midland, Texas 79707

Conoco Inc.
10 Desta Drive
Midland, Texas 79705

Amoco Production Company
Permian Basin Division
501 Westlake Park Blvd. (77079)
Post Office Box 4891
Houston, Texas 77210

AFFECTED ADJACENT AND DIAGONAL EUMONT OPERATORS

ARCO Oil and Gas Company
Central District Office
600 North Marienfeld (79701)
Post Office Box 1610
Midland, Texas 79702

Oryx Energy Company
13155 Noel Road (75240-5067)
Post Office Box 2880
Dallas, Texas 52221-2880

Conoco Inc.
10 Desta Drive
Midland, Texas 79705

John H. Hendrix Corporation
223 West Wall, Suite 525
Midland, Texas 79701-4519

Meridian Oil, Inc.
Building 6
3300 North A Street
Midland, Texas 79705

H. M. BRITT P.U.

(320 ACRES/ORDER R-5448)

Gas Com
Cook-Hartley
Westin
Belio
Jett V
Cute

