

10-16-2000

New Mexico Oil Conservation Commission
c/o Ms. Lori Wrotenbery, Director
2040 South Pacheco
Santa Fe, NM 87505

Crawford

Subject: Protest of Application of BP Amoco for establishment of a downhole commingling "reference case" and pre-approval of downhole commingling for formations and pools in the Gallegos Canyon Unit pursuant to Division Rule 303.C and adoption of special administrative rules therefore, San Juan County, New Mexico.

Reference: Amoco Business Associates-
No. 135479-00 Dyvena Crawford - Life Estate, 1091 West Murray Drive,
Apt. 232, Farmington, NM 87401
No. 687829-00 Carroll E. and Bonnie J. Crawford, 83 Road 5295, NBU 3026,
Farmington, NM 87401

Dear Ms. Wrotenbery:

We protest the BP Amoco Downhole Commingling Application on the following bases:

1. BP Amoco is in violation of the Oil and Gas Act Section 70-2-18
2. BP Amoco is in violation of the Oil and Gas Proceeds Payment Act Section 70-10-5 and Section 70-10-3
3. BP Amoco (formerly Amoco) is in violation of the Oil and Gas Lease dated 25 May, 1959 (two) and 27 August, 1963 on file at the San Juan County Clerk's office in Aztec, NM. The leases (two) require (See attached copies):
 - a. One-eighth Royalties (1/8) payable by the Lessee,
 - b. Overriding Royalty of four percent (4%),
 - c. Royalties of the market value at the well of 100% of the oil and gas produced and saved and sold or used off the premises,
 - d. Monthly accounting for 100% of production of oil or gas at the prevailing market rate,
 - e. Royalties paid in proportion which his interest bears to the whole and undivided fee,
 - f. Non-participating interest for all of our non-committed interest in the Gallegos Canyon Unit in Sections 25 and 26, T29N, R12W, San Juan County

First, we are concerned that our and other interests are not properly entered in the BP Amoco accounting system based on three different Division Order requests sent to Mrs. Dyvena Crawford in error after Amoco revised the accounting/payment system in March, 1993 for the following wells:

- 1 - Gallegos Canyon Unit 159E Dakota - SW/Sec. 31-28-12
- 2 - Gallegos Canyon Unit 395 PC - NE/Sec. 30-29-12
- 3 - Gov't Moncrief Federal/DK/#1 and #1E Comm 50%-N/2 Sec. 22-29N-12W
(Re: Mr. Gary Wilson-Amoco Division Order Letter dated 12-30-96 and 5-10-97 attached)

We have never owned property in Sections 22, 30, and 31 and have no entitlement to royalties based on our non-committed interests regarding the Gallegos Canyon Unit.

Secondly, Royalty interests were paid under the new system through November, 1996 for September, 1996 production. Without notice of any kind, Amoco suspended royalty payments in December, 1996 for October 1996 production to the present date. In December 1996 and February 1997, we began inquiries into failure to pay royalties, overriding royalty interests and treatment of uncommitted leases under Amoco's new accounting system. Ms. Shelly Wilhoite, Amoco Analyst, advised that production royalties for gas and NGL were paid at 100% well volume to these leases (*as it should have been per lease*) for the period 10/94 through 9/96 and should have been multiplied by a non-committed decimal resulting in an overpayment per Amoco. In later conversations she backed off the NGL being improperly settled. I challenged her on the Non-committed Decimals Amoco was using for their Lease Numbers 2904490, 29041200, and 19033700 (See her March 20, 1997 Letter attached). The Negative Deferred Detail and Check Detail Summaries were not sufficient to tie to the gas production 100% volumes reported by the gathering pipeline company. Amoco has provided no further accounting of production and market values, on the monthly basis requested per lease. I believe their "creative accounting" system is inherently flawed. Other royalty owners adjoining our lease property (Mr. Hulan Crawford and Ms. Audrie Bennett) advise they have not been able to get Amoco to pay their royalty interest committed to the Gallegos unit due to estate ownership changes. Who is getting their royalties? What is the status of production taxes?

Mrs. Dyvena Crawford did not receive notice of hearing for the Gallegos Canyon Unit Hearing!

The Amoco accounting system that seems to be unable to properly handle simple royalty interest and ownership is unlikely to properly handle more complicated downhole commingled interests!

Thirdly, we make the following requests:

1. That the NMOCC deny BP Amoco's downhold commingling request at October 19, 2000 hearing.
2. That the NMOCC order that any wells having a non-committed interest not be allowed to downhold commingle without a well-by-well hearing before the NMOCC that validates BP Amoco's accounting/ownership records and systems as well as production matters.
3. That the NMOCC order that the following ten (10) non-committed interest wells be shut-in and locked by BP Amoco until they have satisfied lessor's lease terms and full 100% monthly volume and market value accounting since the March, 1993 accounting system changes per validated ownership interests:

Gathering P/L Numbers

<u>Meter Code</u>	<u>Well Name</u>
14-039	Gallegos Canyon Unit 142 DK
03-906	Gallegos Canyon Unit 142E DK
73-778	Crawford Gas Com B 1 DK
14-040	Gallegos Canyon Unit B 143 DK
14-047	Gallegos Canyon Unit Gas Com 179 DK
93-178	Gallegos Canyon Unit Com B 1 E DK
03-899	Gallegos Canyon Unit Gas Com 143 E DK
03-900	Gallegos Canyon Unit G 179 E Dk
97-038	Gallegos Canyon Unit 512 PC
97-458	Gallegos Canyon Unit 518 PC

4. That the NMOCC order BP Amoco to utilize wellhead electronic metering that displays pressures, temperatures, flow rates and accumulated flow volumes on site. The present system lends itself to manipulation and prevents royalty owners from reviewing production parameters on site.

Your assistance in this matter will be greatly appreciated as it is inconvenient at this time to attend the hearing.

Sincerely yours,



Carroll E. Crawford
83 Road 5295 NBU 3026
Farmington, NM 87401-1532
Phone (505) 632-2892
FAX (505) 632-2894

Exhibit Attachments:

- (1) 5-25-59 Lease - Section 25 & 26 T29N-R12W - with Overriding Royalty
- (2) 5-25-59 Lease - Section 24-T29N-R12W - with Overriding Royalty
- (3) 8-27-63 Lease - Section 25-T-29N-R12W w/o Overriding Royalty
- (4) 12-30-96- Gary Wilson - Amoco Lease Reference Letter
- (5) 3-20-97 Shelly Wilhoit - Amoco-Document Activity for Negative balance of royalty account
- (6) 5-10-97 Gary Wilson Amoco Lease Letter on treatment of uncommitted leases
- (7) 9-28-00 Amoco - Gallegos Canyon Unit Area Notice

copy: Mrs. Dyvena Crawford

OIL AND GAS LEASE

AGREEMENT, Made and entered into this 25th day of May, 1959
by and between Burrell H. Crawford and Dyvena Crawford, husband and wife

and Redfern Oil Company Party of the first part, hereinafter called lessor (whether one or more)
and part V of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of TEN AND NO/100 ----- (OVC) ----- DOLLARS,
cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained, the part of lessee to be paid, kept and
performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessor, for the sole and only purpose of
mining and operating for oil and gas and laying pipe lines, and building tanks, towers, stations and structures thereon, to produce, save and take care of said
products, all that certain tract of land situate in the County of San Juan State of New Mexico,
described as follows, to-wit: Southeast quarter of the Northwest quarter (SE $\frac{1}{4}$ NW $\frac{1}{4}$); South one-half of
the Southwest quarter (S $\frac{1}{2}$ SW $\frac{1}{4}$) of Section Twenty Five (25);
The Southeast quarter of the Southeast quarter (SE $\frac{1}{4}$ SE $\frac{1}{4}$) of Section Twenty Six (26)
ALL IN Township Twenty Nine (29) North, Range Twelve (12) West, NMPM.

In addition to the royalties payable by Lessee under paragraph 3, 4, 5, there is hereby
reserved to lessor, as an overriding royalty, 4% of the market value at the well of 100%
of the oil and gas produced and saved from the land then subject to this lease and sold
or used off the premises. The fraction provided herein shall be subject to reduction in
accordance with the lesser interest provisions of paragraph 17.

of Section ---- Township ---- Range ---- and containing 160 acres, more or less.

It is agreed that this lease shall remain in force for a term of Five (5) years from date, and as long thereafter as oil or gas, or either of them,
is produced from said land by the lessee.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which he may connect his wells, the equal one-eighth ($\frac{1}{8}$) part of all oil produced and saved from the
leased premises.

2nd. To pay lessor for gas from each well where gas only is found, the equal one-eighth ($\frac{1}{8}$) of the gross proceeds at the prevailing market rate, for all gas used off the
premises, said payments to be made Monthly and lessor to have gas free of cost from any such well for all space and all inside lights
in the principal dwelling house on said land during the same time by making his own connections with the well at his own risk and expense.

3rd. To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, one-eighth ($\frac{1}{8}$) of the
proceeds, at the mouth of the well, at the prevailing market rate for the gas during which time such gas shall be used, said payments to be made Monthly

If no well be commenced on said land on or before the 25th day of May, 1960, this lease shall terminate
as to both parties, unless the lessee on or before that date shall pay or tender to the lessor or to the lessor's credit in the First National Bank
at Farmington, New Mexico or its successors, which shall continue as the depository regardless of changes in the ownership of said
land, the sum of ONE HUNDRED SIXTY AND NO/100 ----- (\$160.00) ----- DOLLARS,

which shall operate as rental and cover the privilege of deferring the commencement of a well for Twelve (12) months from said date. The payment herein referred to may be
made in currency, oil, or in any other form, and the lessee may tender therefor as to both parties, unless the lessee on or before the expiration of said twelve months shall
address, at the said depository bank, on or before the date of the expiration of the term of this lease, a written notice to the lessor, in which he shall state that he
be further deferred for periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not
only the privilege granted to the date when said first rental is payable, as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights
conferred.

Should the first well drilled on the above described land be a dry hole, then and in that event, if a second well is not commenced on said land within twelve months from the
expiration of the last rental term paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall
resume the payment of rental in the same amount and in the same manner as hereinabove provided. And it is agreed that upon the resumption of the payment of rental, as above
provided, that the last preceding paragraph herein, governing the payment of rentals and the effect thereof, shall continue in force just as though there had been no interruption in the
rental payments.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be
paid to the lessor only in proportion which his interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from wells of lessor.

When requested by the lessor, lessee shall bury his pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall pay for all damages caused by its operations to growing crops on said lands.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the lessor shall commence to drill a well within the term of this lease or any extension thereof, the lessee shall have the right to drill such well to completion with reason-
able diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been
completed within the term of years herein first mentioned.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors,
administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been
furnished with a written transfer or assignment or a true copy thereof, and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above described
lands and the assignment of such part or parts shall fail or make default in the payment of the proportionate part of the rentals due from him or them, such default shall not
operate to defeat or affect this lease in so far as it covers a part or parts of the lands on which the said lessee or any assignee thereof shall make due payment of said rentals. In case
lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

If the leased premises are now or shall hereafter be, owned in severally or in separate tracts, the premises nevertheless shall be developed and operated as one lease, and all
royalties accruing hereunder shall be treated as an entirety and shall be divided among, and paid to, such separate owners in proportion that the acreage owned by each such separate
owner bears to the entire leased acreage: Provided, however, if the leased premises consist of two or more non-abutting tracts, this paragraph shall apply separately to each such
non-abutting tract, and further provided that if a portion of the leased premises is hereafter consolidated with other lands for the purpose of operating the consolidated tract as one
lease, this paragraph shall be inoperative as to such portion so consolidated.

Lessee is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity
thereof, when in lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with the spacing rules of any lawful
authority, or when to do so would, in the judgment of lessee, promote the conservation of the oil and gas in and under and that may be produced from said premises, such pooling to
be into a unit of units not exceeding 220 A.C.S. ----- 220 A.C.S. ----- and no more, and no pooling or unitization shall be necessary or advisable to pool or combine such units or any portion
thereof. Lessee shall execute in writing an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated,
for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be
treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified,
lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein
bears to the total acreage so pooled in the particular unit involved. Provided, lessee shall be under no obligation whatsoever, express or implied, to drill more than one well to
each unitized tract, regardless of when, where or by whom offset wells may be drilled.

The undersigned lessor, for themselves and their heirs, successors and assigns, hereby surrender and release all rights of dower and homestead in the premises herein described,
insofar as said right of dower and homestead may in any way affect the purpose for which this lease is made as recited herein.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated,
in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule
or Regulation.

This lease shall be effective as to each lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the lessors above named
may not join in the execution hereof.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to recover for taxes or for
any mortgages, taxes, or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof.

It is expressly agreed and understood that the first well drilled on acreage covered
herein or with acreage pooled therewith, shall be drilled into the Lakota Sand Formation.

It is further agreed that Lessee shall not enter or drill upon any acreage that at the
time of agreement is being cultivated as an apple orchard and producing same, without the
written consent of the Lessor.

IN TESTIMONY WHEREOF, we sign this 25 day of May

3-25-97

Attn: Mr. Gary Wilson
Amoco Shared Services Center
Business Analyst
Southern Rockies Division Order
(918) 581-4715

FAX 918-581-1074 Pages: Cover + Three

Subject: Oil and Gas Lease (Redfern Oil Co-lease)

Reference: E $\frac{1}{2}$ SE $\frac{1}{4}$ of Section Twenty Four (24), and
a fraction of the North Half of the South
Half of the Southeast quarter
(N $\frac{1}{2}$ S $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 24, all in
Township (29) North, Range Twelve (12) West, N.M.P.M.

Dear Gary,

Enclosed is a copy of the lease covering
Section 24 for Business Associate #135479-00.
per our discussion. Please note the overriding
royalty of 4% of the market value at 100% of
oil and gas produced and saved in addition to the
one-eighth ($\frac{1}{8}$) royalty - paragraph 3-4-5.
Please call if the dark background copy quality is
insufficient to read. Thanks
Carroll E. Crawford

OIL AND GAS LEASE

AGREEMENT, Made and entered into this 25 th day of May, 19 59
by and between Burrel H. Crawford and Dyvena Crawford, husband and wife

Part of the first part, hereinafter called lessor (whether one or more)
and Redfern Oil Company part Y of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of TEN AND NO/100 ----- (OVC) ----- DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said lessee, for the sole and only purpose of mining and operating for oil and gas and laying pipe lines, and building tanks, towers, stations and structures thereon, to produce, save and take care of said products, all that certain tract of land situate in the County of San Juan, State of New Mexico, described as follows, to-wit: SEE RIDER ATTACHED

The East One-half of the Southeast quarter of the Southwest quarter (E¹/₂SE¹/₄SW¹/₄) of Section Twenty Four (24), and a fraction of the North Half of the South Half of the Southeast quarter (N¹/₂S¹/₂SE¹/₄) of Section Twenty Four (24) described as follows; Beginning 300 feet West of the Northeast corner of the South half of the Southeast quarter (S¹/₂SE¹/₄) of Section Twenty Four (24), thence running West 1100 feet; thence South 670 feet to the Bloomfield Irrigation Litch; thence Northeasterly along said ditch to a point 260 feet due South of the place of beginning; thence North to the place of beginning; ALL IN Township Twenty Nine (29) North, Range Twelve (12) West, NM²PM.

In addition to the royalties payable by Lessee under paragraph 3,4,5, there is hereby reserved to Lessor, as an overriding royalty, 4% of the market value at the well of 100% of the oil and gas produced and saved from the land then subject to this lease and sold or used off the premises. The fraction provided herein shall be subject to reduction in accordance with the lesser interest provisions of paragraph 17.

It is expressly agreed and understood that the first well drilled on acreage covered herein or with acreage pooled therewith, shall be drilled into the Lakota Sand Formation.

It is further agreed that Lessee shall not enter or drill upon any acreage that at the time of agreement is being cultivated as an apple or peach orchard and producing same, without the written consent of the Lessor.

Burrel H. Crawford

Dyvena Crawford

ILLEGIBLE

6-B

STATE OF NEW MEXICO.

County of San Juan

(ACKNOWLEDGMENT FOR INDIVIDUAL)

On this 25 day of May, 1959, before me personally appeared Burrel H. Crawford and Dyvena Crawford, husband and wife

to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

Witness my hand and official seal the day and year last above written.

My commission expires 3-7-62

Notary Public

Lacey E. Dugan
Notary Public
Postoffice Box 68, Farmington, NM

STATE OF NEW MEXICO.

County of

(ACKNOWLEDGMENT FOR INDIVIDUAL)

On this day of 19 before me personally appeared

to me known to be the person described in and who executed the foregoing instrument, and acknowledged that executed the same as free act and deed.

Witness my hand and official seal the day and year last above written.

My commission expires

Notary Public

STATE OF NEW MEXICO.

County of

(ACKNOWLEDGMENT FOR CORPORATION)

On this day of 19 before me personally appeared

to me personally known, who being by me duly sworn did say that he is the president of the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said acknowledged said instrument to be the free act and deed of said corporation.

Witness my hand and official seal the day and year last above written.

My commission expires

Notary Public

No.	Oil and Gas Lease	FROM	TO	Date of Acre	Section	Township	Range	County, New Mexico	Term	STATE OF NEW MEXICO.	County of <u>San Juan</u>	This instrument was filed for record on the <u>22</u> day of <u>July</u> , 19 <u>59</u> , at <u>10:06</u> o'clock <u>P.M.</u> , and duly recorded in Book <u>425</u> , page <u>6</u> of the records of this office.	by <u>Sarah Woodbury</u> County Clerk - Register of Deeds	by <u>James L. Lanier</u> Deputy	FILED AND MAILED THIS <u>22</u> day of <u>July</u> , 19 <u>59</u> , at <u>10:06</u> o'clock <u>P.M.</u> , in the County of <u>San Juan</u> , New Mexico.	Bookhart Printing & Stationery Co., Tulsa, Okla.

STATE OF NEW MEXICO.

County of

(ACKNOWLEDGMENT WHERE THE LESSOR SIGNS BY MARK)

On this day of A. D. 19 before me, the undersigned, a Notary Public, in and for the County and State aforesaid, personally appeared and and to me known to be the identical person who executed the within and foregoing instrument by mark in my presence and in the presence of witnesses, and acknowledged to me that executed the same as free and voluntary act and deed for the uses and purposes therein set forth.

Oil, Gas and Mineral Lease

THIS AGREEMENT Entered into this the 27th day of August 19 63

between Burrell H. Crawford and Dyvena Crawford, his wife,

hereinafter called lessor,

and PAN AMERICAN PETROLEUM CORPORATION

hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of Ten and No/100 - - - - - Dollars (\$ 10.00) in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas, casinghead gasoline, and all other mineral, laying pipe lines, building roads, tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in San Juan County, New Mexico, to-wit: A strip of land 20 feet in width

along the West side of the Northwest quarter of the Southeast quarter of Section 25 and
a piece of land twenty feet square lying and being in the Southwest corner of the South
half of the Southwest quarter of the Northeast quarter of said Section 25, all in
Township 29 North of Range 12 West, N.M.P.M.

in Section 25, Township 29-N, Range 12-W, and containing 0.62 acres, more or less.
2. This lease shall remain in force for a term of Five (5) years and as long thereafter as oil, gas, casinghead gas, casinghead gasoline or other mineral or any of them is or can be produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises, or at lessee's option, may pay to the lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall pay lessor, as royalty, one-eighth of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where gas from a well or wells capable of producing gas only is not sold or used, Lessee may pay annually as royalty an amount equal to the delay rental as provided in Section 5 hereof, which payment shall not be less than \$100.00 per well per year, and if such payment is made it will be considered that gas is being produced from the above described land under all of the terms and provisions hereof; The lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to the lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline, or any other product, as royalty, one-eighth of the market value of such gas. If said gas is sold by the lessee, then as royalty one-eighth of the proceeds of the sale thereof; and on all other mineral mined and marketed, one-tenth either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be fifty-cents (50c) per long ton.

5. If operations for the drilling of a well for oil or gas are not commenced on said land or on acreage pooled therewith on or before one year from this date, this lease shall terminate as to both parties, unless the lessee shall, on or before one year from this date, pay or tender to the lessor or for the lessor's credit in the First National Bank at Farmington, New Mexico, or its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease,

regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of only sixty-two cents dollars (\$ 0.62) which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

6. Should any well drilled on the above described land or on acreage pooled therewith during the primary term before production is obtained be a dry hole, or should production on said land or on acreage pooled therewith be obtained during the primary term and thereafter cease, then and in either event, if operations for drilling an additional well are not commenced or operations for reworking an old well are not pursued on said land or on acreage pooled therewith on or before the first rental paying date next succeeding the completion of a dry hole or the cessation of production or drilling or reworking operations on said well or wells, then this lease shall terminate unless Lessee, on or before said date, shall resume the payment of rentals. Upon resumption of the payment of rentals, Section 5 governing the payment of rentals, shall continue in force just as though there had been no interruption in the rental payments. If during the last year of the primary term and prior to the discovery of oil or gas on said land or on acreage pooled therewith, Lessee should drill a dry hole thereon, or if after discovery of oil or gas on said land or on acreage pooled therewith, the production should cease during the last year of said primary term from any cause, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term.

7. Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten per cent (10%) of forty (40) acres, for oil, and not exceeding six hundred and forty (640) acres, plus an acreage tolerance of ten per cent (10%) of six hundred and forty (640) acres, for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on or such production were from or such completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere herein specified, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of unitization identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of unitization is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of unitization shall not become effective until the first day of the calendar month next following the filing thereof. In the absence of production Lessee may terminate any unitized area by filing of record notice of termination.

8. In case said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid to the said lessor only in the proportion which his interest bears to the whole undivided fee.

9. The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operation to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

10. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer or assignment or a certified copy thereof. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

Notwithstanding the foregoing, when such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as

and used by the lessee for the manufacture of gasoline, or any other product, as royalty, one-eighth of the market value of such gas. If said gas is sold by the lessee, then as royalty one-eighth of the proceeds of the sale thereof; and on all other mineral mined and marketed, one-tenth either in kind or value at the well or mine, at Lessee's election, except that on sulphur the royalty shall be fifty-cents (50c) per long ton.

5. If operations for the drilling of a well for oil or gas are not commenced on said land or on acreage pooled therewith on or before one year from this date, this lease shall terminate as to both parties, unless the lessee shall, on or before one year from this date, pay or tender to the lessor or for

the lessor's credit in the **First National** Bank at **Farmington, New Mexico**, or its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease,

regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of **only sixty-two cents** dollars (\$ **0.62**) which shall

operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

6. Should any well drilled on the above described land or on acreage pooled therewith during the primary term before production is obtained be a dry hole, or should production on said land or on acreage pooled therewith be obtained during the primary term and thereafter cease, then and in either event, if operations for drilling an additional well are not commenced or operations for reworking an old well are not pursued on said land or on acreage pooled therewith on or before the first rental paying date next succeeding the completion of a dry hole or the cessation of production or drilling or reworking operations on said well or wells, then this lease shall terminate unless Lessee, on or before said date, shall resume the payment of rentals. Upon resumption of the payment of rentals, Section 5 governing the payment of rentals, shall continue in force just as though there had been no interruption in the rental payments. If during the last year of the primary term and prior to the discovery of oil or gas on said land or on acreage pooled therewith, Lessee should drill a dry hole thereon, or if after discovery of oil or gas on said land or on acreage pooled therewith, the production should cease during the last year of said primary term from any cause, no rental payment or operations are necessary in order to keep the lease in force during the remainder of the primary term.

7. Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten per cent (10%) of forty (40) acres, for oil, and not exceeding six hundred and forty (640) acres, plus an acreage tolerance of ten per cent (10%) of six hundred and forty (640) acres, for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on or such production were from or such completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere herein specified, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then Lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of unitization identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of unitization is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of unitization shall not become effective until the first day of the calendar month next following the filing thereof. In the absence of production Lessee may terminate any unitized area by filing of record notice of termination.

8. In case said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid to the said lessor only in the proportion which his interest bears to the whole undivided fee.

9. The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operation to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

10. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer or assignment or a certified copy thereof. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

11. If the lease is assigned, the lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which said lessee or any assignee hereof shall make due payment of said rental. If at any time there be as many as four parties entitled to rentals or royalties, Lessee may withhold payments hereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

12. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

13. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its terms shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

14. If, at the expiration of the primary term, Lessee is conducting operations for drilling a new well on said land or on acreage pooled therewith or reworking an old well thereon, or, if, after the expiration of the primary term, production on this lease or on acreage pooled therewith shall cease, this lease nevertheless shall continue as long as said operations continue or additional operations are had on this lease or on acreage pooled therewith, which additional operations shall be deemed to be had where not more than sixty (60) days elapse between abandonment of operations on one well and commencement of operations on another well, and if production is discovered, this lease shall continue as long thereafter as oil, gas or other mineral is produced on said land or on acreage pooled therewith, and as long as additional operations are had thereon.

15. Lessee may at any time surrender this lease, in whole or in part, by delivering or mailing a release or releases thereof to the lessor or by placing a release or releases thereof of record in the proper county.

16. It is agreed that this lease shall never be forfeited or cancelled for failure to perform in whole or in part any of its implied covenants, conditions, or stipulations until it shall have first been finally judicially determined that such failure exists, and after such final determination, Lessee is given a reasonable time therefrom to comply with any such covenants, conditions or stipulations.

17. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation, or if prevented by an act of God, of the public enemy, labor disputes, inability to obtain material, failure of transportation, or other cause beyond the control of Lessee.



Amoco Shared Services Center
Post Office Box 591
Tulsa, OK 74102-0591

December 30, 1996

Carroll E. Crawford
83 Road 5295 NBU 3026
Farmington, NM 87401

Ref.: **F-290337, 290449, and 290328**
Gallegos Canyon Unit Properties
San Juan County, New Mexico
BA#s: 687829-00 and 135479-00

This letter is in response to your prior communications with Amoco concerning various overriding royalty interests in San Juan County, New Mexico. A search of Amoco's land records found no reference to overriding royalty interests for properties 29032800 and 29044900. Copies of the original leases that are tied to the tracts in which Mrs. Dyvena Crawford has an interest are enclosed. Amoco records do show that an overriding royalty is tied to Property 29033700. Although this does not appear as a separate interest type on your checks, this override has always been combined with your royalty interest. The following fraction line reflects how your decimal is calculated:

Property No. 29033700, interest being 0.0051563:
 $1/4 \times 40/320 \times 1/8 \text{ RI plus } 1/2 \times 2\% \times 40/320 \text{ ORI}$

We ask that you provide documentation supporting your claim to overriding royalty interests in properties 29032800 and 29044900. Upon receipt of said documents, we will be able to adjust our records accordingly.

You also had a question concerning April to August production on properties we acquired from BHP. Based on information provided to me by Shelly Willhoite- the revenue analyst- Amoco took over beginning with May production. Your August check reflected May and June gas production. BHP was responsible for production prior to May. Please contact me if you have any questions. **Please include the above reference information in future correspondence regarding this matter to speed the routing of your reply.**

Gary Wilson
Business Analyst
Southern Rockies Division Order
(918) 581-4715

FAX 918-581-1074



Amoco Production Company

Southern Rockies BU
Post Office Box 21178
Tulsa, OK 74121-1178

March 20, 1997

Mr. Carroll Crawford
83 Road 5295 NBU 3026
Farmington, NM 87401-1532

RE: Adjustments on BA #687829-00 & #135479-00

Dear Mr. Crawford:

Per our telephone conversation, enclosed are reports which document the activity on your account and the account of Dyvena Crawford. As we discussed, the adjustments which placed both accounts in a negative deferred status were made to correct the volumes allocated to the following wells:

Well Name	Non-Committed Decimal	Amoco lease #
• Gallegos Canyon Unit Com /A/ #142, #142E	.56059080	29044900
• Gallegos Canyon Unit Com /B/ #143, #143E	.37500000	29041200
• Gallegos Canyon Unit Com /G/ #179, #179E	.06250000	29033700

These wells are partially committed to the Gallegos Canyon Unit and the allocation we originally made for production months 10/94 through 9/96 was incorrect. Two problems were involved. (1) We originally paid the 100% well volume to these leases. The volume allocated to these leases should have been the total well volume multiplied by the non-committed decimal noted above. (2) The second problem was for the Natural Gas Liquids (product code 400) the volume was erroneously blown up in our system by an additional 61%.

Enclosed are two reports for each BA#. The first (Attachment A) is a summarization of all the checks you have received. This is sorted by DOI (Amoco's lease number) and production month. This will show you the total original payment made for all leases you own in. Please note a positive amount on this report indicates a payment made.

The second report (Attachment B) is a summarization of your negative deferred balance. This is also by DOI and production month. This lists all activity made on your account since your last check date. Once your negative deferred balance is recouped, this information will appear on your next check. Please note a negative amount on this report indicates a payment and a positive amount indicates a reversal.

As of today, your account - BA 687829 has a negative balance of (\$7108.37), and BA 135479 has a negative balance of (\$13,499.55). Once this balance is recouped, you will begin receiving your monthly checks again.

I apologize for the inconvenience. Please call me with any questions or concerns at (918) 581-4685.

Thank you.

Sincerely,

A handwritten signature in black ink, reading "Shelly Wilbourn". The signature is written in a cursive style with a large, stylized "S" at the beginning.

Enclosures: [4]



Amoco Shared Services Center
Post Office Box 591
Tulsa, OK 74102-0591

June 10, 1997

Carroll E. Crawford
83 Road 5295 NBU 3026
Farmington, NM 87401

Ref.: Flac 290337
San Juan County, New Mexico
BA#s: 687829-00 and 135479-00

I am writing to update you on the status of your question regarding overriding royalty interests in certain properties in San Juan County. I believe I can provide information that shows Amoco is paying these override interests. However, while researching your question, I became concerned with the treatment of the uncommitted leases you mentioned in prior correspondence. I will be working with our Denver office to try to get clarification. Once the issue has been resolved, I will provide you with the information that I have gathered.

Please accept my apologies for the delay in responding to your questions. In order to provide accurate information to you, I want to cover all possibilities.

If you have any questions, please contact me. **Please include the above reference information in future correspondence regarding this matter to speed the routing of your reply.**

A handwritten signature in cursive script that reads "Gary Wilson".

Gary Wilson
Business Analyst
San Juan Business Unit
(918) 581-4715