

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MURPHY OPERATING  
CORPORATION FOR APPROVAL OF  
EXPANSION OF HALEY CHAVEROO  
SAN ANDRES UNIT, CHAVES AND  
ROOSEVELT COUNTIES, NEW MEXICO

No. ~~9589~~ 9590

Murphy Operating Corporation hereby applies to the New Mexico Oil Conservation Division for an order approving the expansion of the Haley Chaveroo San Andres Unit by the inclusion therein of the following lands:

Chaves County, New Mexico

Township 8 South, Range 33 East, N.M.P.M.

Section 3: SW $\frac{1}{4}$ SW $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$

comprising 80 acres, more or less.

and in support thereof, states:

1. Statutory authority for the Haley Chaveroo San Andres Unit is found in Section 19-10-45, et seq., N.M.S.A. 1978 Comp.
2. Applicant, Murphy Operating Corporation, is the operator of the Haley Chaveroo San Andres Unit pursuant to the terms of the Unit Agreement and Unit Operating Agreement, each dated August 16, 1988, and effective August 15, 1988.
3. The Haley Chaveroo San Andres Unit Agreement was approved by Oil Conservation Division Order No. R-8750 entered September 28, 1988 in Case 9477; and the Haley Chaveroo San Andres Waterflood Project was approved by Oil Conservation Division Order No. R-8760 entered October 5, 1988 in Case No. 9478.
4. Authority for the proposed expansion of the Haley Chaveroo San Andres Unit is found in Section 4 of the Unit Agreement

previously submitted to the Division as well as in Finding No. Four (4) and Order Paragraph (4) of Division Order R-8750.

5. The owners of 100% of the working interest within the current Haley San Andres Unit, as well as the owners of 100% of the working interest relative to the leases and lands for which expansion is sought, have consented to the proposed expansion.

6. Under the proposed expansion, the State and each beneficiary of the lands involved will receive its fair share of the recoverable oil or gas in place under its lands in the area affected and the proposed unit expansion is in all respects for the best interest of the State and will prevent waste and protect correlative rights.

7. Exhibit "A" attached hereto shows a map of the Unit Area, expanded as proposed herein. Exhibit "B" attached hereto is an amended schedule of ownership and leases within the unit area, as expanded, together with the new Unit tract participation factors resulting from the proposed expansion.

WHEREFORE, Murphy Operating Corporation requests that this application be set for hearing before the Division at the earliest possible date, and that the Division enter its order amending Division Order No. R-8750 to approve the expansion of the Haley Chaveroo San Andres Unit to include the SW $\frac{1}{4}$ SW $\frac{1}{4}$  and NE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 3, Township 8 South, Range 33 East, N.M.P.M., Chaves County, New Mexico, and also amending Order No. R-8760 so that said Order will apply to the Haley Chaveroo San Andres Unit, as expanded.

Applicant further incorporates in this Application, by this reference, the evidence offered and exhibits entered in Case Nos. 9477 and 9478, as amended by Exhibits "A" and "B" attached hereto.

DATED: January 9, 1989.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD & HENSLEY

By: T. Calder Ezzell, Jr.  
T. Calder Ezzell, Jr.  
P. O. Box 10  
Roswell, New Mexico 88202  
(505) 622-6510

ATTORNEYS FOR APPLICANT - MURPHY OPERATING  
CORPORATION

HALEY CHAVEROO SAN ANDRES UNIT  
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO



1,920.70 ACRES

100% UNIT AREA

**— ORIGINAL UNIT OUTLINE**

--- EXPANDED UNIT OUTLINE

MAP REVISED 01 - 03 - 89

EXHIBIT "B"

Tract No.	Lease Name, Description of Land, and No. Acres	Serial No. & Lease Date	Overriding Royalty		Basic Royalty & Percentage	Owner or Production Payment Interest (PPI)	Percent Ownership	San Andres Production		W.I.	
			Lessee of Record	Owner or Production				W.I. Ownership	Percent Ownership	Percent Unit Participation	
1.	Hobbs U I-7-S, R-33-E Sec. 33: W½/NE¼ 80.00 acres	E-9235-6 8/16/55	Murphy Operating Corporation	None	State of N.M. 12.5%	None	--	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	0.629825 2.834213 1.574563 5.038601	
2.	Hobbs T T-7-S, R-33-E Sec. 33: E½NE¼, SE½NW¼, NW¼SW¼, W½SE¼, SE½SE¼ Sec. 34: NW¼NW¼, SW¼NE¼, NW¼SW¼, SE½SW¼, N½SE¼, SW¼SE¼ 560.00 acres Roosevelt County, N.M.	K-1369-3 4/18/61	Murphy Operating Corporation	None	State of N.M. 12.5%	None	--	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	4.303635 19.366356 10.759087 34.429078	
3.	State AZ I-7-S, R-33-E Sec. 33: N½NW¼, SW¼NW¼, NE¼SW¼, S½SW¼, NE¼SE¼ Sec. 34: SW¼NW¼, E½NW¼, N½NE¼, SE¼NE¼, NE¼SW¼, SW¼SW¼, SE¼SE¼ 640.00 acres Roosevelt County, N.M.	K-3935-1 2/18/64	Sun Operating Limited Partnership	None	State of N.M. 12.5%	None	--	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	4.084404 18.379817 10.211009 32.675230	
4.	State BF I-8-S, R-33-E Sec. 3: Lots 1, 2, 3, 4, S½N½, N½SW¼, SE¼SW¼, W½SE¼, SE¼SE¼ 560.70 acres Chaves County, N.M.	OG-1195-2 8/20/57	Murphy Operating Corporation	None	State of N.M. 12.5%	None	--	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	2.895068 13.027809 7.237672 23.160549	
5.	Champlin State I-8-S, R-33-E Sec. 3: NE¼SE¼, SW¼SW¼ 80.00 acres Roosevelt County, N.M.	K-2019 12/19/61	Bristol Resources 1987-1 Acquisition Program	None	State of N.M. 12.5	None	--	Bristol Resources 1987-1 Acquisition Program	100.00000 100.00000	4.696542 4.696542	
TOTAL STATE ACREAGE									GRAND TOTAL		100.000000
TOTAL UNIT ACREAGE											100.000000

TOTAL STATE ACREAGE 1,920.70 = 100% of Unit  
TOTAL UNIT ACREAGE 1,920.70

REQUEST FOR UNIT EXPANSION  
Haley Chaveroo San Andres Unit  
OCD Case Nos. 9589, 9590  
March 1, 1989

INDEX OF EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
A	Expanded Unit Area Map, revised 01/27/89.
B	Correspondence dated 01/30/89 to P.A.J.W. Corporation (Notice of Unit Expansion, approval by WI Owner).
C	Correspondence dated 01/30/89 to American Energy Capital Corporation (Notice of Unit Expansion, approval by WI Owner).
D	Ratification of Unit Agreement by Murphy Operating Corporation, as record title owner.
E	Ratification of Unit Agreement and Unit Operating Agreement by Murphy Operating Corporation, as Unit Operator and WI owner.
F	Ratification of Unit Agreement and Unit Operating Agreement by American Energy Capital Corporation, as WI owner.
G	Ratification of Unit Agreement by Murphy Operating Corporation, as overriding royalty interest owner.
H	Correspondence from State of New Mexico, Commissioner of Public Lands dated 01/09/89 granting preliminary approval of expansion request.
I	Chart of Derivation of Revised Tract Participation Factors.
J	Exhibit "B" to Unit Agreement, revised 01/30/89.
K	Exhibit "C" to Unit Operating Agreement, revised 01/30/89.

**BEFORE EXAMINER LYON**

**Oil Conservation Division**

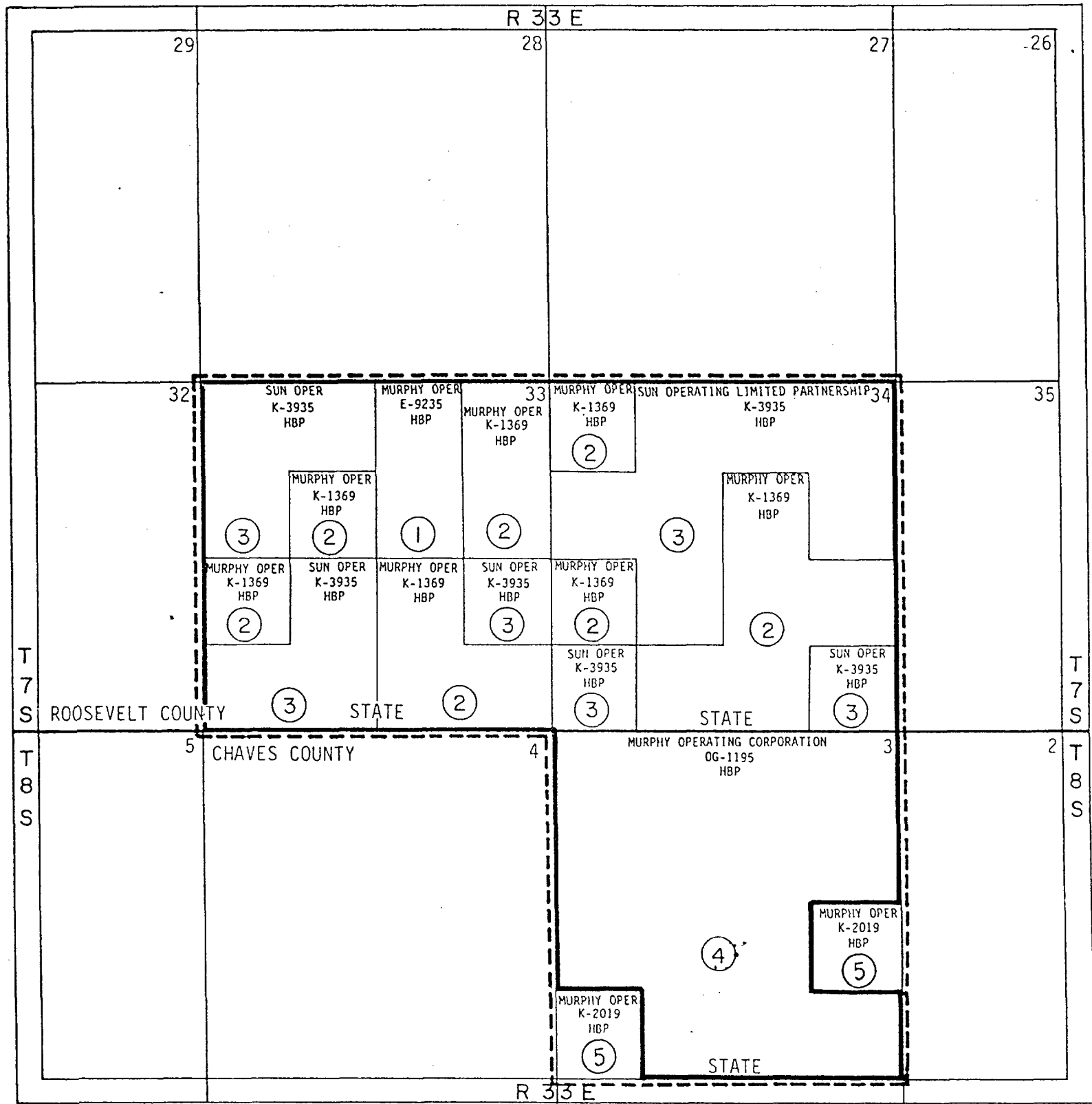
**Exhibit No. 1**

**Case No. 9589/9590**

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN UNIT AGREEMENT, HALEY CHAVEROO  
SAN ANDRES UNIT, COUNTIES OF CHAVES AND ROOSEVELT, STATE OF NEW MEXICO,  
DATED AUGUST 15, 1988.

HALEY CHAVEROO SAN ANDRES UNIT  
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO



SCALE: 1" = 2000'

- TRACT NUMBER
- UNIT OUTLINE
- STATE LANDS
- ORIGINAL UNIT OUTLINE
- EXPANDED UNIT OUTLINE

1,920.70 ACRES  
100% UNIT AREA

MAP REVISED 01-27-89

MURPHY OPERATING CORPORATION  
 UNITED BANK PLAZA, SUITE 300  
 400 NORTH PENNSYLVANIA AVENUE  
 POST OFFICE BOX 2648  
 ROSWELL, NEW MEXICO 88202-2648

TELEPHONE  
 505 623-7210

January 30, 1989

VIA TELEFAX; HARD COPY VIA FEDERAL EXPRESS

John H. Slayton, Esq., Vice President  
 P.A.J.W. Corporation  
 Suite 953, Watergate 600  
 600 New Hampshire, N. W.  
 Washington, District of Columbia 20037

Mr. Marcus C. Rowland, Chief Executive Officer ← THIS COPY IS FOR  
 American Energy Capital Corporation  
 1111 Fannin, Suite 1470  
 Houston, Texas 77002

Re: NOTICE OF UNIT EXPANSION:  
 EXPANSION OF UNIT BOUNDARIES TO INCLUDE:  
Township 8 South, Range 33 East, NMPM  
Section 3: NE/4SE/4, SW/4SW/4  
 Roosevelt County, New Mexico

Haley Chaveroo San Andres Unit  
 Chaves and Roosevelt County, New Mexico

Gentlemen:

As you are aware from our previous correspondence, we are scheduled to go before the New Mexico Oil Conservation Division at 8:00am on Wednesday, February 1, 1989 to request approval for the expansion of the Haley Chaveroo San Andres Unit boundaries. In spite of their earlier expressions of intent to join the Unit, we were informed on Thursday of last week that Bristol Resources Corporation has now decided to decline participation in the Unit. After lengthy discussions, Bristol has agreed to sell to Murphy Operating Corporation and American Energy Capital Corporation the 80-acre tract at issue. Assuming Bristol's title is acceptable, we expect to close this transaction sometime tomorrow with an effective date of February 1, 1989. Due to these altered circumstances, it was necessary to revise the certain exhibits to the Unit documents. I have enclosed herewith for your review and substitution in the Unit documents the following revised exhibits:

1. Exhibit "A", Unit Area Map, to the Unit Agreement;
2. Exhibit "B", Schedule of Tracts and Participation, to the Unit Agreement; and
3. Exhibit "C", Percentage of Unit Participation Schedule, to the Unit Operating Agreement.

To conform to the procedure for expansion of the Unit area as outlined in Section 4 of the Unit Agreement, please bear with me as I reiterate certain of the following information.

Pursuant to Section 4 B.(1), please consider this to be formal notice of the proposed expansion of the Unit boundaries to include the NE/4SE/4 and the SW/4SW/4 of Section 3, Township 8 South, Range 33 East, N.M.P.M., Roosevelt County, New Mexico. This acreage is necessary to promote the conservation of oil and gas and the better utilization of reservoir energy. Under the operations proposed, the State and each beneficiary of the lands involved will receive its fair share of the recoverable oil and gas in place under its lands in the area affected, and the proposed Unit, as expanded, and waterflood project is in all other respects for the best interest of the State and will prevent waste and protect correlative rights.

As stated to the Office of the State Land Commissioner and to the New Mexico Oil Conservation Division, it was not previously possible to obtain voluntary joinder by the owner of this acreage at the time of the original unitization proceedings because this tract was involved in a sale by broker. However, the new owner has agreed to sell the tract to certain existing Unit participants who, in turn, wish to include the tract in the Unit.



Based upon the original tract participation formula as contained in Section 12 of the Unit Agreement and as approved by the appropriate governing bodies, the tract participation percentage allocated to this additional tract shall be 4.696542. The revised tract participation of the respective tracts included within the Unit area prior to this enlargement remains in the same ratio of one to another.

The effective date of the joinder and the revised tract participation percentages shall be February 1, 1989. Please be advised that thirty (30) days will be allowed for your submittal to the Unit Operator of any objections to such proposed expansion unless you indicate your approval of the expansion and waiver of the 30-day period by executing in the space provided below.

If the foregoing meets with your approval and you agree to be bound by the terms of the expansion of the Unit boundaries as outlined hereinabove and as set forth in the enclosed Exhibits, please so indicate by providing your signature in the space below and return one copy to us by telefax by 12:00 noon, MST, Tuesday, January 31, 1989. The hard copy should be returned by an express courier.

Sincerely,

MURPHY OPERATING CORPORATION

*Ann Murphy Ezzell*

Ann Murphy Ezzell, Esq.  
Chairman and Chief Executive Officer

AME:fnr

cc: Mr. Tom R. Moore

THE UNDERSIGNED HEREBY ACCEPTS AND AGREES TO THE EXPANSION OF THE HALEY CHAVEROO SAN ANDRES UNIT AS OUTLINED HEREINABOVE AND IN THE ATTACHED EXHIBITS. FURTHER, THE UNDERSIGNED EXPRESSLY WAIVES THE 30-DAY PERIOD FOR OBJECTIONS TO THE EXPANSION AS PROVIDED BY 14.b.(2) OF THE UNIT AGREEMENT.

AMERICAN ENERGY CAPITAL CORPORATION

Dated:

January 31, 1989

*Marcus C. Rowland*  
\_\_\_\_\_  
Marcus C. Rowland, C.E.O. ✓

P.A.J.W. CORPORATION

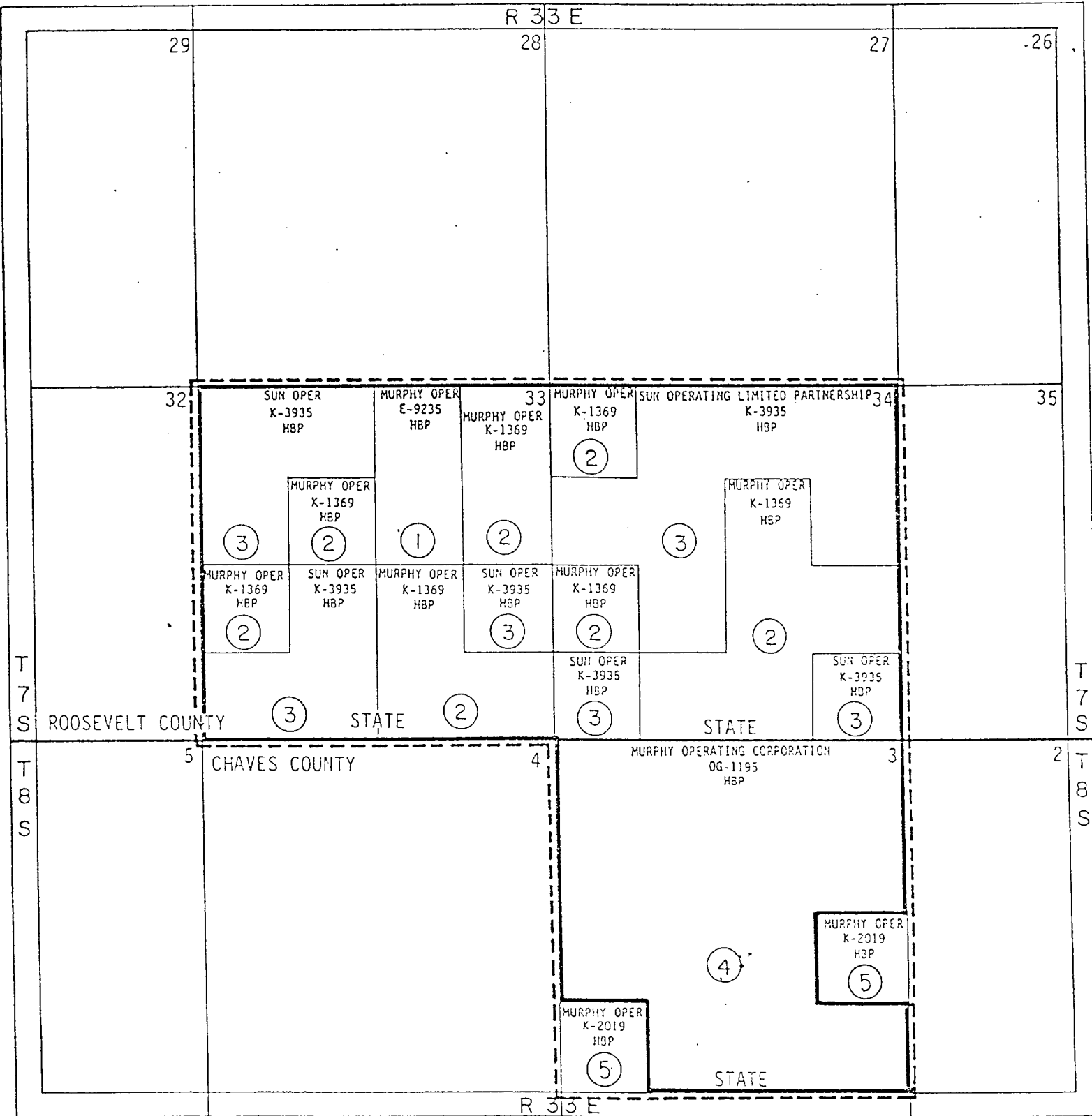
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John H. Slayton, Vice President

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HALEY CHAVEROO SAN ANDRES UNIT  
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  - STATE LANDS
  - ORIGINAL UNIT OUTLINE
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100% UNIT AREA

MAP REVISED 01-27-89

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					Owner or Production Payment Interest (PPI)	Percent Ownership	San Andres Production W.I. Ownership	Percent Unit Participation
1.	Hobbs U T-7-S, R-33-E Sec. 33: W½/NE¼ 80.00 acres	E-9235-6 8/16/55	Murphy Operating Corporation	State of N.M. 12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000 0.629825 2.834213 1.574563 5.038601
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				100.00000	4.696542			
TOTAL STATE ACREAGE				1,920.70	GRAND TOTAL			
TOTAL UNIT ACREAGE				1,920.70	100.000000			

EXHIBIT "C"

Attached to that certain Unit Operating Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico, dated August 15, 1988.

---

(revised 01/30/89)

HALEY CHAVEROO SAN ANDRES UNIT  
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

<u>UNIT INTEREST OWNER</u>	<u>PERCENTAGE UNIT PARTICIPATION</u>
American Energy Capital Corporation	57.717669
Murphy Operating Corporation	12.500000
P.A.J.W. Corporation	<u>29.782331</u>
Total	<u>100.000000</u>

RETURN THIS COPY

MURPHY OPERATING CORPORATION  
UNITED BANK PLAZA, SUITE 300  
400 NORTH PENNSYLVANIA AVENUE  
POST OFFICE BOX 2648  
ROSWELL, NEW MEXICO 88202-2648

TELEPHONE  
505 623-7210

January 30, 1989

VIA TELEFAX; HARD COPY VIA FEDERAL EXPRESS

John H. Slayton, Esq., Vice President ← THIS COPY IS FOR  
P.A.J.W. Corporation  
Suite 953, Watergate 600  
600 New Hampshire, N. W.  
Washington, District of Columbia 20037

Mr. Murray C. McKinnon, President  
American Energy Capital Corporation  
1111 Fannin, Suite 1470  
Houston, Texas 77002

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EXPANSION OF UNIT BOUNDARIES TO INCLUDE:  
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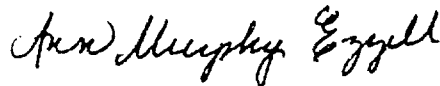
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Chairman and Chief Executive Officer

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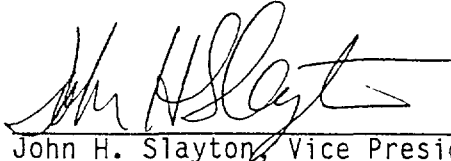
Dated: \_\_\_\_\_

\_\_\_\_\_  
Marcus C. Rowland, C.E.O.

P.A.J.W. CORPORATION

Dated: \_\_\_\_\_

2/24/89



\_\_\_\_\_  
John H. Slayton, Vice President

ATTACHED TO AND MADE A PART OF THAT CERTAIN UNIT AGREEMENT, HALEY CHAVEROO  
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MAP REVISED 01-27-8

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TOTAL STATE ACREAGE 1,920.70 = 100% of Unit

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GRAND TOTAL

100.000000



EXHIBIT "C"

Attached to that certain Unit Operating Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico, dated August 15, 1988.

---

(revised 01/30/89)

HALEY CHAVEROO SAN ANDRES UNIT  
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

<u>UNIT INTEREST OWNER</u>	<u>PERCENTAGE UNIT PARTICIPATION</u>
American Energy Capital Corporation	57.717669
Murphy Operating Corporation	12.500000
P.A.J.W. Corporation	<u>29.782331</u>
Total	<u><u>100.000000</u></u>

(Record Title)

RATIFICATION OF AGREEMENT ENTITLED  
"UNIT AGREEMENT"  
HALEY CHAVEROO SAN ANDRES UNIT  
ROOSEVELT AND CHAVES COUNTIES, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, the undersigned owner of a record title interest or interests hereby acknowledges receipt of a true and correct copy of that certain agreement dated August 15, 1988, entitled "Unit Agreement, Haley Chaveroo San Andres Unit, Counties of Roosevelt and Chaves, State of New Mexico," (hereinafter the "Unit Agreement"); and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which became a part of the Haley Chaveroo San Andres Unit as initially approved and which will become a part of the Haley Chaveroo San Andres Unit by virtue of the proposed expansion; and

WHEREAS, the undersigned represents that it is a "Lessee of Record" as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits; and

WHEREAS, the undersigned "Lessee of Record", being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement.

NOW THEREFORE, the undersigned who is the owner of a record title interest or interests only does hereby ratify and confirm said Unit Agreement with respect to all of its interests in all of the separately owned Tracts identified by said Exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, the undersigned party has executed this instrument on the 31st day of January, 1989, but made effective for all purposes on the 1st day of February, 1989.

ATTEST:

MURPHY OPERATING CORPORATION

Nadine Reed  
Nadine Reed, Secretary

By: Ann Murphy Ezzell  
Ann Murphy Ezzell, Chairman & C.E.O.

STATE OF NEW MEXICO    )  
                                  ) ss  
COUNTY OF CHAVES    )

The foregoing instrument was acknowledged before me this 31st day of January, 1989, by Ann Murphy Ezzell, Chairman and Chief Executive Officer of Murphy Operating Corporation, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

August 24, 1990

Clara Talbert  
Clara Talbert, Notary Public

(Unit Operator and W.I. Owner)

RATIFICATION OF AGREEMENTS ENTITLED  
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"  
HALEY CHAVEROO SAN ANDRES UNIT  
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, the undersigned Unit Operator of the Unit and owner of a working interest(s) hereby acknowledges receipt of a true and correct copy of that certain agreement dated August 15, 1988, entitled "Unit Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico" (hereinafter the "Unit Agreement") and a true and correct copy of that certain agreement dated August 15, 1988, entitled "Unit Operating Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico" (hereinafter the "Unit Operating Agreement"); and

WHEREAS, Exhibits "A" and "B", attached to and made a part of the Unit Agreement, identify the separately owned tracts which became a part of the Haley Chaveroo San Andres Unit as initially approved and which will become a part of the Haley Chaveroo San Andres Unit by virtue of the proposed expansion; and

WHEREAS, the undersigned represents that it is the Unit Operator of the Unit and a Working Interest Owner, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits; and

WHEREAS, the undersigned Working Interest Owner and Unit Operator of the Unit, being familiar with the contents thereof, desires to ratify and confirm the Unit Agreement and the Unit Operating Agreement.

NOW THEREFORE, the undersigned, who is the Unit Operator of the Unit and the owner of a working interest(s) does hereby ratify and confirm the Unit Agreement and the Unit Operating Agreement with respect to all of its interests in all of the separately owned Tracts identified by said Exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, the undersigned party has executed this instrument on the 31st day of January, 1989, but made effective for all purposes on the 1st day of February, 1989.

"UNIT OPERATOR AND WORKING INTEREST OWNER"

MURPHY OPERATING CORPORATION

ATTEST:

Nadine Reed  
Nadine Reed, Secretary

Ann Murphy Ezzell  
Ann Murphy Ezzell, Chairman & C.E.O.

STATE OF NEW MEXICO    )  
                                  ) ss  
COUNTY OF CHAVES     )

The foregoing instrument was acknowledged before me this 31st day of January, 1989, by Ann Murphy Ezzell, Chairman and Chief Executive Officer of Murphy Operating Corporation, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

August 24, 1990

Clara Talbert  
Clara Talbert, Notary Public

(W.I. Owner)

RATIFICATION OF AGREEMENTS ENTITLED  
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"  
HALEY CHAVEROO SAN ANDRES UNIT  
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, the undersigned owner of a working interest(s) hereby acknowledges receipt of a true and correct copy of that certain agreement dated August 15, 1988, entitled "Unit Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico" (hereinafter the "Unit Agreement") and a true and correct copy of that certain agreement dated August 15, 1988, entitled "Unit Operating Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico" (hereinafter the "Unit Operating Agreement"); and

WHEREAS, Exhibits "A" and "B", attached to and made a part of the Unit Agreement, identify the separately owned tracts which became a part of the Haley Chaveroo San Andres Unit as initially approved and which will become a part of the Haley Chaveroo San Andres Unit by virtue of the proposed expansion; and

WHEREAS, the undersigned represents that it is a Working Interest Owner, as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits; and

WHEREAS, the undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm the Unit Agreement and the Unit Operating Agreement.

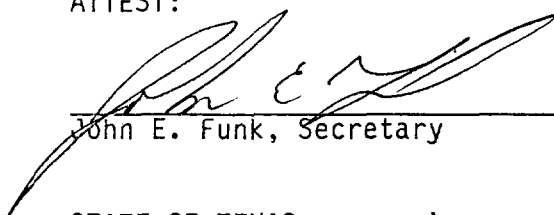
NOW THEREFORE, the undersigned, who is the owner of a working interest(s) does hereby ratify and confirm the Unit Agreement and the Unit Operating Agreement with respect to all of its interests in all of the separately owned Tracts identified by said Exhibits, thereby becoming a party thereto.

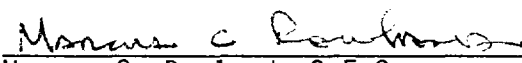
IN WITNESS WHEREOF, the undersigned party has executed this instrument on the 31st day of January, 1989, but made effective for all purposes on the 1st day of February, 1989.

"WORKING INTEREST OWNER"

AMERICAN ENERGY CAPITAL CORPORATION

ATTEST:

  
John E. Funk, Secretary

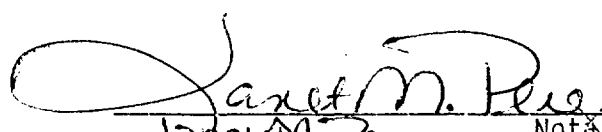
  
Marcus C. Rowland, C.E.O.

STATE OF TEXAS            )  
                                  ) ss  
COUNTY OF HARRIS        )

The foregoing instrument was acknowledged before me this 31st day of January, 1989, by MARCUS C. ROWLAND, Chief Executive Officer of American Energy Capital Corporation, a Texas corporation, on behalf of said corporation.

My Commission Expires:

12-10-91

  
Janet M. Perez, Notary Public

(Overriding Royalty Interest Owner)

RATIFICATION OF AGREEMENTS ENTITLED  
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"  
HALEY CHAVEROO SAN ANDRES UNIT  
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, the undersigned owner of an overriding royalty interest(s) hereby acknowledges receipt of a true and correct copy of that certain agreement dated August 15, 1988, entitled "Unit Agreement, Haley Chaveroo San Andres Unit, Counties of Roosevelt and Chaves, State of New Mexico," (hereinafter the "Unit Agreement"); and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which became a part of the Haley Chaveroo San Andres Unit as initially approved and which will become a part of the Haley Chaveroo San Andres Unit by virtue of the proposed expansion; and

WHEREAS, the undersigned represents that it is an overriding royalty interest owner as defined in said Unit Agreement, in one or more of the Tracts identified by said Exhibits; and

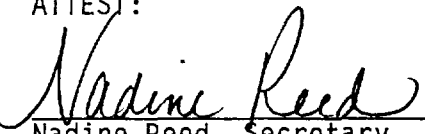
WHEREAS, the undersigned overriding royalty interest owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement.

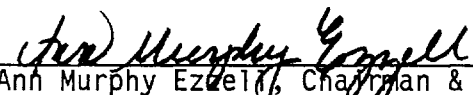
NOW THEREFORE, the undersigned who is the owner of an overriding royalty interest(s) only does hereby ratify and confirm said Unit Agreement with respect to all of its interests in all of the separately owned Tracts identified by said Exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, the undersigned party has executed this instrument on the 31st day of January, 1989, but made effective for all purposes on the 1st day of October, 1988.

MURPHY OPERATING CORPORATION

ATTEST:

  
Nadine Reed, Secretary

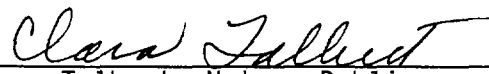
By:   
Ann Murphy Ezzell, Chairman & C.E.O.

STATE OF NEW MEXICO     )  
                                  ) ss  
COUNTY OF CHAVES     )

The foregoing instrument was acknowledged before me this 31st day of January, 1989, by Ann Murphy Ezzell, Chairman and Chief Executive Officer of Murphy Operating Corporation, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

August 24, 1990

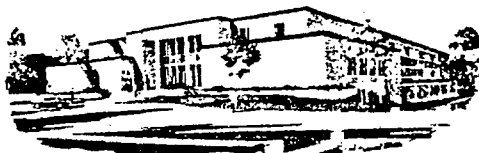
  
Clara Talbert, Notary Public

SLO REF NO OG-998



W.R. HUMPHRIES  
COMMISSIONER

State of New Mexico



Commissioner of Public Lands

January 9, 1989

P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

Murphy Operating Corporation  
Attn: Mrs. Ann Murphy Ezzell, Esq.  
P. O. Box 2648  
Roswell, New Mexico 88202-2648

Re: Haley Chaveroo San Andres Unit,  
Chaves & Roosevelt Counties, NM  
Notice of Proposed Unit Expansion

Gentlemen:

This office is in receipt of your letter of January 4, 1989, wherein Murphy Operating Corporation as Unit Operator of the Haley Chaveroo San Andres Unit area, has notified this office of the proposed expansion of the Unit boundaries to include 80.00 acres described as the NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 3, Township 8 South, Range 33 East, Roosevelt County, New Mexico.

Please be advised that the Commissioner of Public Lands has no objection to your proposed request, and has this date granted you preliminary approval to expand said unit area.

Upon the expiration of the thirty-day notice period for expansion, please submit the following:

1. Three copies of your final application for approval. Your application should include a statement that all principals were provided proper notice, with a copy of any objections that have been received by the unit operator. The application should also contain a copy of the notice indicating the proposed effective date.
2. An instrument containing the appropriate joinders in compliance with the qualification requirements of Section 13, Tracts Qualified for Unit Participation.

EXHIBIT H

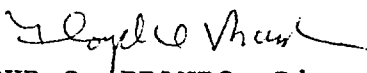
Murphy Operating Corporation  
January 9, 1989  
page 2

3. Approval by the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.

If we may be of further help, please do not hesitate to call on us.

Very truly yours,

W. R. HUMPHRIES  
COMMISSIONER OF PUBLIC LANDS

BY:   
FLOYD O. PRANDO, Director  
Oil and Gas Division  
(505) 827-5744

WRH/FOP/pm  
encls.  
cc: OCD

Exhibit "VIII.H." PROPOSED HALEY CHAVEROO SAN ANDRES UNIT  
Chaves and Roosevelt Counties, New Mexico  
Derivation of Tract Participation Factors

Tract	Original Well #	Well Location	Status	New Unit Well #	A			B			Tract Participation Factor
					#	Useable Wells %	X	20%	Total Primary Recovery to 01 January 1988 Bbls	100% X	80%
1 Hobbs U	1G	33 7S 33E	P	33-07	1				100275		
	2B	33 7S 33E	S	33-02	1				66487		
					2	04.651163	0.930233		166762	05.135460	04.108368
2 Hobbs T	1F	33 7S 33E	P	33-06	1				82021		
	2L	33 7S 33E	P	33-12	1				76911		
	3J	33 7S 33E	P	33-10	1				73511		
	40	33 7S 33E	P	33-15	1				72522		
	5H	33 7S 33E	P	33-08	1				84659		
	6A	33 7S 33E	P	33-01	1				98925		
	7L	34 7S 33E	S	34-12	1				84303		
	8J	34 7S 33E	P	34-10	1				79943		
	9D	34 7S 33E	P	34-04	1				139994		
	10G	34 7S 33E	P	34-07	1				84118		
	11P	33 7S 33E	I	33-16	1				0		
	12I	34 7S 33E	S	34-09	1				69872		
	13N	34 7S 33E	P	34-14	1				79392		
	150	34 7S 33E	P	34-15	1				107021		
					14	32.558140	06.511628		1133192	34.896813	27.917450
3 State A Z	1E	33 7S 33E	P	33-05	1				86381		
	2K	33 7S 33E	T	33-11	1				67376		
	3C	33 7S 33E	T	33-03	1				59822		
	4M	33 7S 33E	T	33-13	1				47936		
	5D	33 7S 33E	A	33-04	1				40372		
	6N	33 7S 33E	T	33-14	1				56354		
	7I	33 7S 33E	T	33-09	1				20110		
	8E	34 7S 33E	S	34-05	1				94747		
	9F	34 7S 33E	S	34-06	1				103085		
	10K	34 7S 33E	S	34-11	1				48196		
	11C	34 7S 33E	S	34-03	1				87215		
	12B	34 7S 33E	S	34-02	1				63375		
	13A	34 7S 33E	T	34-01	1				65803		
	14H	34 7S 33E	S	34-08	1				60623		
	15P	34 7S 33E	T	34-16	1				50591		
	16M	34 7S 33E	T	34-13	1				72257		
					16	37.209302	07.441860		1024243	31.541713	25.233370
4 State B F	1A	3 8S 33E	S	03-01	1				104982		
	2B	3 8S 33E	P	03-02	1				54716		
	3C	3 8S 33E	P	03-03	1				39794		
	4H	3 8S 33E	F	03-08	1				92213		
	5D	3 8S 33E	A	03-04	0				111		
	6G	3 8S 33E	F	03-07	1				88977		
	7F	3 8S 33E	P	03-06	1				51880		
	8J	3 8S 33E	P	03-10	1				98505		
	9P	3 8S 33E	P	03-16	1				93017		
	100	3 8S 33E	P	03-15	1				123713		
	11K	3 8S 33E	P	03-11	1				3403		
	N	3 8S 33E	A		0				0		
	E	3 8S 33E	Undrilled		0				0		
	L	3 8S 33E	Undrilled		0				0		
					10	23.255814	04.651163		751311	23.136732	18.509386
(Atlantic Rich-field)					1	02.325581	00.465116		171757	05.289282	04.231426
(Tierra Ex/Annarco)					43	100.000000%	20.000000%		3247265	100.000000%	80.000000%
					Totals						
5 Bristol											

\*Based upon the 1987 Annual Report of the New Mexico Oil and Gas Engineering Committee.

Tract Participation Formula

Tract Participation = 20% A + 80% B

Where A = Percent of Total Useable Wells in Unit Area.

Where B = Percent of Total Primary Oil Recovery in Unit Area as of January 1, 1988.

Legend

A Permanently Abandoned

F Flowing

I Injection

P Producing

S Shut In



Tract No.	Lease Name, Description of Land, and No. Acres	Serial No. & Lease Date	Basic Royalty & Percentage	Overriding Royalty		W.I.		
				Owner or Production Payment Interest (PPI)	Percent Ownership	San Andres Production W.I. Ownership	Percent Ownership	Percent Unit Participation
1.	Hobbs U T-7-S, R-33-E Sec. 33: W½/NE¼ 80.00 acres	E-9235-6 8/16/55	State of N.M. 12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	0.629825 2.834213 1.574563 5.038601
2.	Hobbs T T-7-S, R-33-E Sec. 33: E½NE¼, SE¼NW¼, NW¼SW¼, W½SE¼, SE¼SE¼ Sec. 34: NW¼NW¼, SW¼NE¼, NW¼SW¼, SE¼SW¼, N½SE¼, SW¼SE¼ 560.00 acres Roosevelt County, N.M.	K-1369-3 4/18/61	State of N.M. 12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	4.303635 19.366356 10.759087 34.429078
3.	State AZ T-7-S, R-33-E Sec. 33: N½NW¼, SW¼NW¼, NE¼SW¼, S½SW¼, NE¼SE¼ Sec. 34: SW¼NW¼, E½NW¼, N½NE¼, SE¼NE¼, NE¼SW¼, SW¼SW¼, SE¼SE¼ 640.00 acres Roosevelt County, N.M.	K-3935-1 2/18/64	State of N.M. 12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	4.084404 18.379817 10.211009 32.675230
4.	State BF T-8-S, R-33-E Sec. 3: Lots 1, 2, 3, 4, S½N½, N½SW¼, SE¼SW¼, W½SE¼, SE¼SE¼ 560.70 acres Chaves County, N.M.	OG-1195-2 8/20/57	State of N.M. 12.5%	Murphy Operating Corp.	2.34375	Murphy Operating Corporation American Energy Capital Corp. P.A.J.W. Corporation	12.50000 56.25000 31.25000 100.00000	2.895068 13.027809 7.237672 23.160549
5.	Champlin State T-8-S, R-33-E Sec. 3: NE¼SE¼, SW¼SW¼ 80.00 acres Chaves County, N.M.	K-2019 12/19/61	State of N.M. 12.5	None	--	Murphy Operating Corporation American Energy Capital Corp.	12.50000 87.50000 100.00000	0.587068 4.109474 4.696542
				100.00000	4.696542			
</								

EXHIBIT "C"

Attached to that certain Unit Operating Agreement, Haley Chaveroo San Andres Unit, Counties of Chaves and Roosevelt, State of New Mexico, dated August 15, 1988.

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(revised 01/30/89)

HALEY CHAVEROO SAN ANDRES UNIT  
CHAVES AND ROOSEVELT COUNTIES, NEW MEXICO

<u>UNIT INTEREST OWNER</u>	<u>PERCENTAGE UNIT PARTICIPATION</u>
American Energy Capital Corporation	57.717669
Murphy Operating Corporation	12.500000
P.A.J.W. Corporation	<u>29.782331</u>
Total	<u><u>100.000000</u></u>