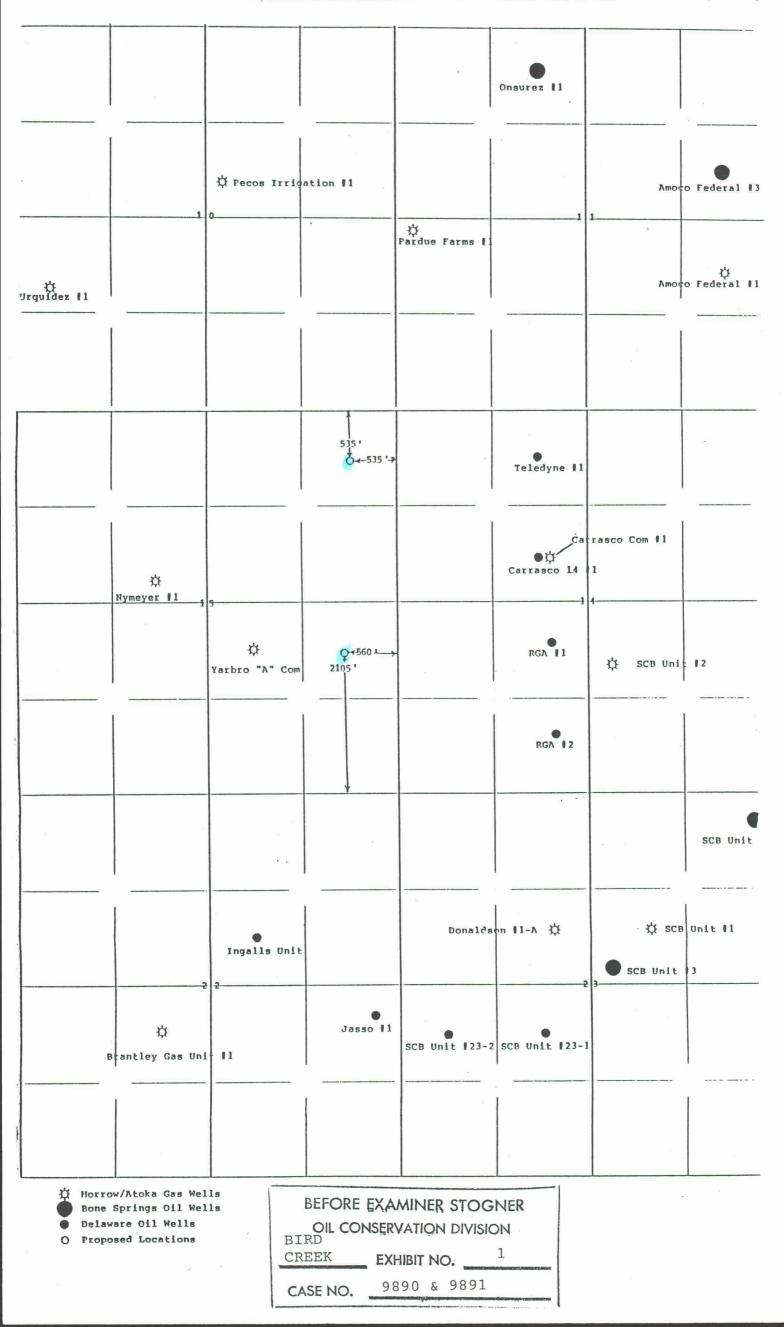
Exhibits 1 through 8 Complete Set





BIRD CREEK RESOURCES, INC.

February 7, 1990

Pogo Producing Co. P.O. Box 10340 Midland, TX 79702

BEFORE	EXAMINER STOC	GNER
	NSERVATION DIVISI	ON
BIRD CREEK		2
CASE NO.	<u>9890 & 9891</u>	

Re: Loving Prospect Proposed 6,300' Delaware Test NE/4 NE/4, Section 15-23S-28E Eddy County, New Mexico

Gentlemen:

This is to advise that Bird Creek Resources, Inc. hereby formally proposes the drilling of a 6,300' Delaware test at a legal location in the NE/4 NE/4 of Section 15-23S-28E, Eddy County, New Mexico. In this regard, please find enclosed two copies of our AFE and one copy of our proposed Operating Agreement with extra signature page.

If you desire to participate in this test, please execute one copy of the AFE and forward to this office. In addition, if the Operating Agreement meets with your approval, we would request that you execute the extra signature page and forward it along with the executed AFE. In the event you have some problem with any provision of the Operating Agreement, please let us know and we will see if we can accommodate your concerns. Also please be advised that Bird Creek owns or has the right to interest making it the largest working interest owner in the NE/4 NE/4 of Section 15.

If you do not desire to participate, we hereby offer to take a farmout of your interest on the following basis:

- On or before June 1, 1989, Bird Creek Resources, Inc. shall commence or cause to be commenced the actual drilling of a 6,300' Delaware test at a legal location in the NE/4 NE/4 of Section 15-23S-28E, Eddy County, New Mexico.
- 2. Upon completion of the initial test as a well capable of producing oil and/or gas in commercial quantities, farmoutor shall assign to Bird Creek all of its interest in the NE/4 NE/4 of Section 15 from the surface down to

1412 South Boston, Suite 550 • Tulsa, Oklahoma 74119 • (918) 582-4242 • Telecopy (918) 560-4930

100 feet below the stratigraphic equivalent of the total depth drilled or to the base of the Delaware formation, whichever is the lesser.

- 3. Farmoutor shall reserve an overriding royalty interest equal to the difference between the existing leasehold burdens and 25%. At payout of the test well, said override shall be convertible to a proportionately reduced 25% working interest.
- 4. Bird Creek shall have the option to conduct a continuous drilling program in the remainder of the E/2 of Section 15 with no more than 120 days between the completion of the preceding test well and the spudding of the next test to earn the same rights in remaining farmout acreage on a well-by-well basis.
- 5. Bird Creek shall furnish all geological and well information on any well drilled on the farmout acreage.
- 6. Each proration unit shall be covered by a Joint Operating Agreement.

We are requesting that you reply within 30 days from the date of this letter after which time it will be necessary for us to file with the Oil Conservation Division for a force pooling hearing so that this operation may be commenced on schedule.

If you have any questions or require further information in this regard, please do not hesitate to contact me.

Sincerely,

aumer Lawrence W. Robinette

Lawrence W. Robinett

Enclosures

WELL COST ESTIMATE

6,300' Delaware Test, NE/4 NE/4, Section 15-23S-28E Eddy County, New Mexico

	<u>Producer</u>	Dry Hole
Tangible Well Cost		
Tubulars - 500' 8-5/8 @ \$ 9.40/ft 6,300' 5-1/2 @ \$ 5.60/ft 6,300' 2-7/8 @ \$ 3.00/ft Transportation and hauling Wellhead Assembly Subsurface Equipment Separation Facilities Tanks Flow Lines Pumping Unit & Compressor Other Equipment	\$ 4,700 35,300 18,900 3,500 6,500 4,000 4,000 15,000 3,000 	\$ 4,700
Total Tangibles	\$ 96,900	\$ 9,700
Intangible Well Cost		
Permits, Surveys Location, Road & Damages Contract Drilling6300 @ \$12/ft 3 days @ \$4300/day Bits Completion Unit 5 days @ \$1200/day Cementing Drilling Fluids Fuel and Water Supplies Mud Logging Wireline Service - Logging Perforating Formation Treating Transportation and Hauling Rentals and Miscellaneous Contract Labor Direct Supervision Engineering Supervision	<pre>\$ 2,000 8,000 75,600 12,900 1,000 6,000 22,000 10,000 1,000 2,000 8,000 3,000 18,000 5,000 5,000 5,000 6,000 3,000</pre>	\$ 2,000 8,000 75,600 8,000 1,000 5,000 1,000 500 2,000 8,000 - 2,000 3,000 3,000 3,000 3,000
Geological Supervision Insurance and Tax Overhead Contingencies	2,000 1,000 3,600 23,000	2,000 1,000 3,000 <u>16,000</u>
Total Intangibles	<u>\$224,600</u>	<u>\$159,100</u>
TOTAL	\$321,500	\$168,800
COMPANY		

BY:

DATE:

BIRD CREEK RESOURCES, INC.

February 13, 1989

J. R. Rowan, Inc. P.O. Box 162 Midland, TX 79708

Re: Loving Prospect Proposed 6,300' Delaware Test NE/4 SE/4, Section 15-235-28E Eddy County, New Mexico

BEFORE EXAMINER STOGNER OIL CONSERVATION DIVISION

m

EXHIBIT NO.

CREEK

9891

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9890

CASE NO

Dear Mr. Rowan,

This is to advise that Bird Creek Resources, Inc. hereby formally proposes the drilling of a 6,300' Delaware test at a legal location in the NE/4 SE/4 of Section 15-23S-28E, Eddy County, New Mexico. In this regard, please find enclosed two copies of our AFE and one copy of our proposed Operating Agreement with extra signature page.

If you desire to participate in this test, please execute one copy of the AFE and forward to this office. In addition, if the Operating Agreement meets with your approval, we would request that you execute the extra signature page and forward it along with the executed AFE. In the event you have some problem with any provision of the Operating Agreement, please let us know and we will see if we can accommodate your concerns. Also please be advised that Bird Creek owns or has the right to interest making it the largest working interest owner in the NE/4 SE/4 of Section 15.

If you do not desire to participate, we hereby offer to take a farmout of your interest on the following basis:

- On or before July 1, 1989, Bird Creek Resources, Inc. shall commence or cause to be commenced the actual drilling of a 6,300' Delaware test at a legal location in the NE/4 SE/4 of Section 15-23S-28E, Eddy County, New Mexico.
- 2. Upon completion of the initial test as a well capable of producing oil and/or gas in commercial quantities, farmoutor shall assign to Bird Creek all of its interest in the NE/4 SE/4 of Section 15 from the surface down to 100 feet below the stratigraphic equivalent of the total depth drilled or to the base of the Delaware formation, whichever is the lesser.

1412 South Boston, Suite 550 • Tulsa, Oklahoma 74119 • (918) 582-4242 • Telecopy (918) 560-4930

- 3. Farmoutor shall reserve an overriding royalty interest equal to the difference between the existing leasehold burdens and 25%. At payout of the test well, said override shall be convertible to a proportionately reduced 25% working interest.
- 4. Bird Creek shall have the option to conduct a continuous drilling program in the remainder of the E/2 of Section 15 with no more than 120 days between the completion of the preceding test well and the spudding of the next test to earn the same rights in remaining farmout acreage on a well-by-well basis.
- 5. Bird Creek shall furnish all geological and well information on any well drilled on the farmout acreage.
- 6. Each proration unit shall be covered by a Joint Operating Agreement.

We are requesting that you reply within 30 days from the date of this letter after which time it will be necessary for us to schedule a force pooling hearing so that this operation may be commenced on schedule.

If you have any questions or require further information in this regard, please do not hesitate to contact me.

Sincerely,

Lawrence W. Robinet Land Manager

Enclosures

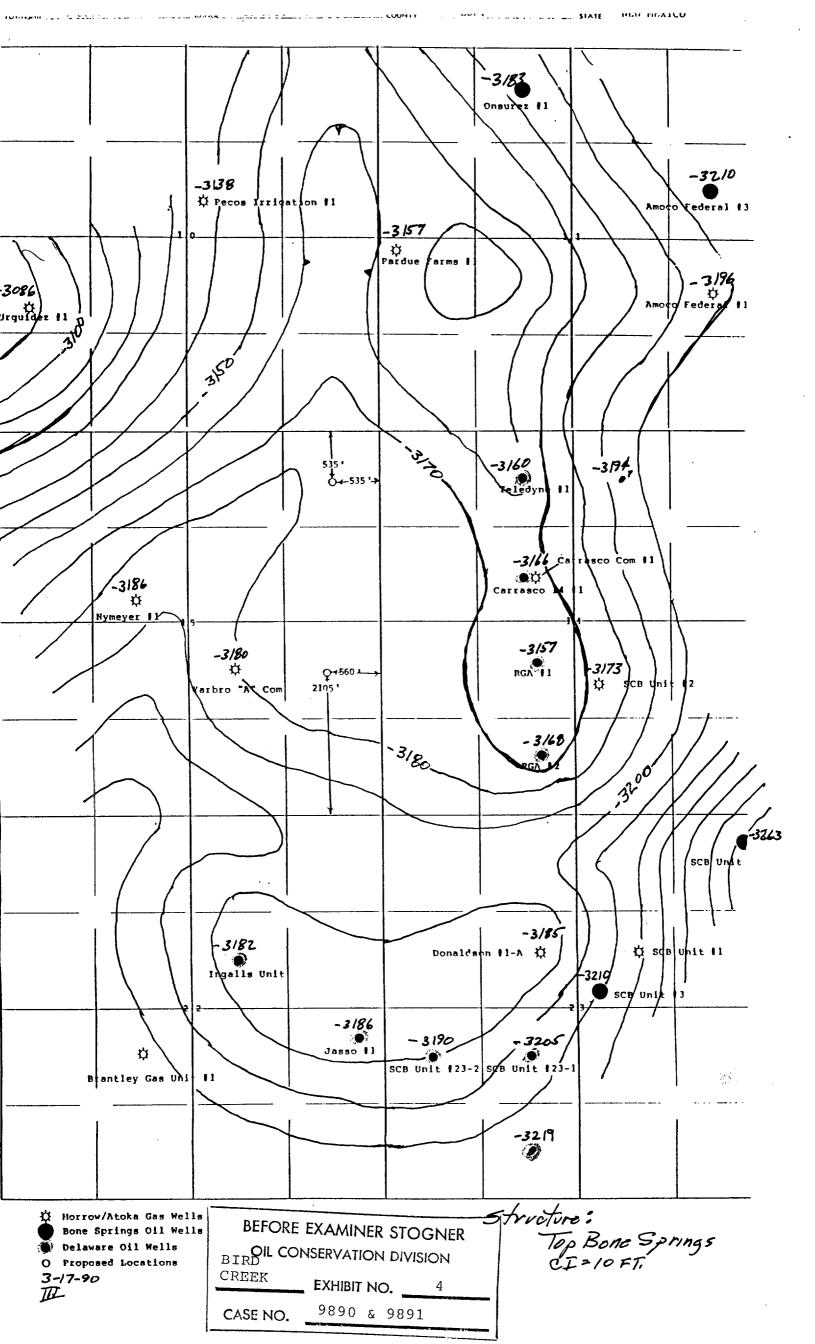
WELL COST ESTIMATE

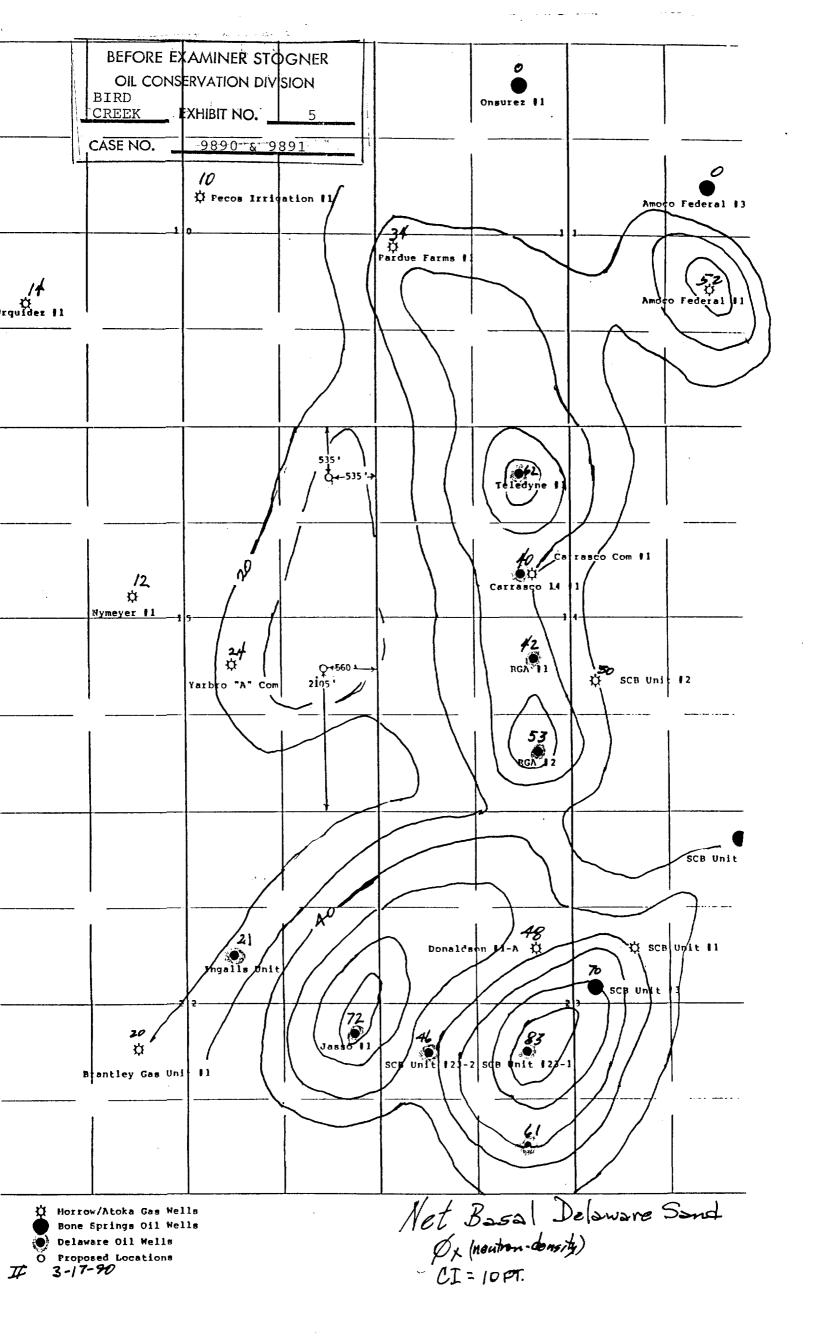
6,300' Delaware Test, NE/4 SE/4, Section 15-23S-28E Eddy County, New Mexico

	Producer	Dry Hole
Tangible Well Cost		
Tubulars - 500' 8-5/8 @ \$ 9.40/ft 6,300' 5-1/2 @ \$ 5.60/ft 6,300' 2-7/8 @ \$ 3.00/ft Transportation and hauling Wellhead Assembly Subsurface Equipment Separation Facilities Tanks Flow Lines Pumping Unit & Compressor Other Equipment	\$ 4,700 35,300 18,900 3,500 6,500 4,000 4,000 15,000 3,000	\$ 4,700 3,500 1,500
Total Tangibles	\$ 96,900	\$ 9,700
Intangible Well Cost		
Permits, Surveys Location, Road & Damages Contract Drilling6300 @ \$12/ft 3 days @ \$4300/day Bits Completion Unit 5 days @ \$1200/day Cementing Drilling Fluids Fuel and Water Supplies Mud Logging Wireline Service - Logging Perforating Formation Treating Transportation and Hauling Rentals and Miscellaneous Contract Labor Direct Supervision Engineering Supervision Geological Supervision Insurance and Tax Overhead Contingencies	<pre>\$ 2,000 8,000 75,600 12,900 1,000 6,000 22,000 10,000 1,000 500 2,000 8,000 3,000 18,000 5,000 5,000 6,000 6,000 3,000 2,000 1,000 3,000 2,000 1,000 3,000</pre>	<pre>\$ 2,000 8,000 75,600 8,000 1,000 5,000 1,000 2,000 8,000 2,000 3,000 3,000 3,000 2,000 1,000 3,000 1,000 3,000 1,000</pre>
Total Intangibles	<u>\$224,600</u>	<u>\$159,100</u>
TOTAL	\$321,500	\$168,800
COMPANY J. R. ROWAN, INC.		

COMPANY J. R. Kowan, Inc. Kowar BY:

DATE: March 7, 1990





STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION FOR BIRD CREEK RESOURCES, INC. FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 9891

CERTIFICATE OF MAILING

AND

COMPLIANCE WITH ORDER R-8054

In Accordance with Division Rule 1207 (Order R-8054) I hereby certify that on February 28, 1990, I caused to be mailed by certified mail return receipt requested notice of this hearing and a copy of the Application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for March 21, 1990, to the parties shown in the Application as evidence by the attached copies of return receipt cards. /

Karen Aubre

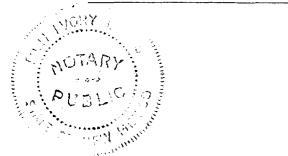
SUBSCRIBED AND SWORN to before me this 20th day of March, 1990.

Joni Lory Cates

Notary Public

My Commission Expires:

7-6-91

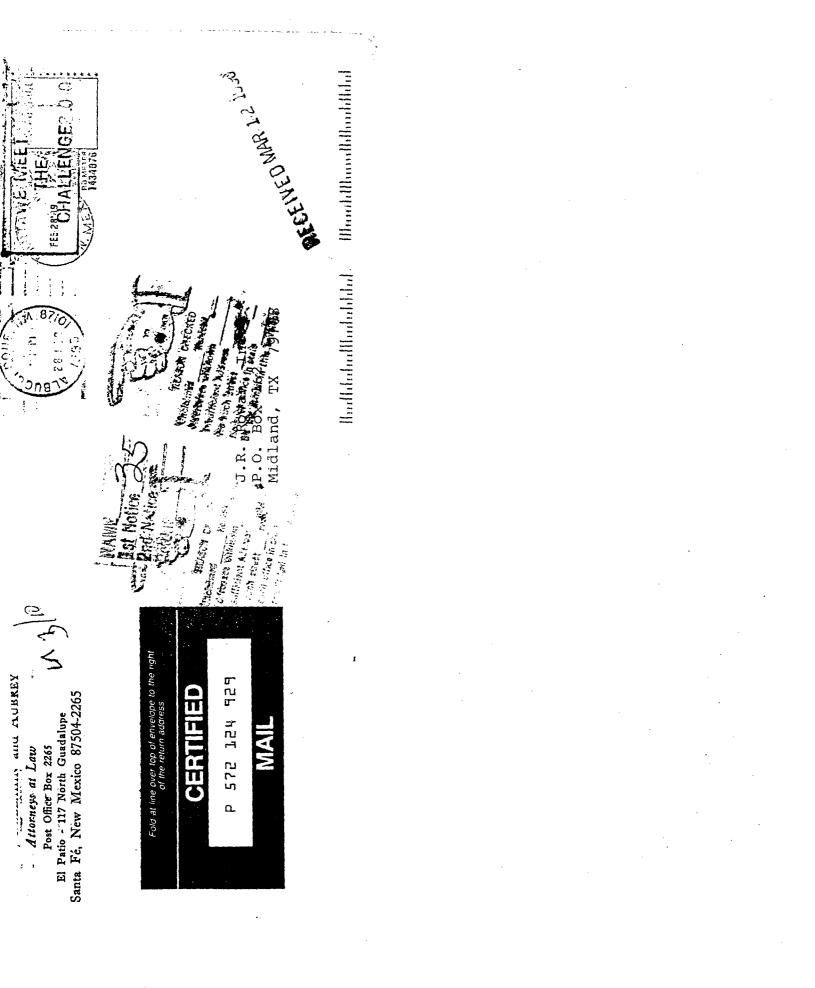


BEFORE	EXAMI	NE	r st	roe	S MER	
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CREEK	EXHIB	T٢	10.		6	
CASE NO.	9890	&	98	91		

nal services are desired, and complete items sverse side. Failure to do this will prevent this ill provide you the name of the person delivered ving services are available. Consult postmaster address	4. Article Number	P 5/2 124 932 Type of Service:		Li Express Mail Li for Merchandise Always obtain signature of addressee	or agent and DATE DELIVERED. 8. Addressee's Address (ONLY if requested and loss out			-212-885 DOMESTIC RETURN RECEIPT	2 when additional services are desired, and complete items	"RETURN TO" Space on the reverse side. Failure to do this will prevent this to you. The return receipt fee will provide you the name of the person delivered ry. For additional fees the following services are available. Consult postmaster es) for additional service(s) requested. felivered, date, and addressee's address. 2. □ Restricted Delivery	(Extra charge)	P 572 124 930	Type of Service:	COD Return Receip	gnature TE DELI	8. Addressee's Address (ONLY if requested and fee paid)			Z-965 DOMESTIC RETURN RECEIPT
SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and the date of delivery for address for additional service(s) requested.	3. Article Addressed to:	OXY USA, INC. P.O. ROX 50250	idland, TX	KA-Bird Creek [*] NE/4SE/4	5. Signature – Address	8. Signature 7 Agen 2 Parts	7. Date of Belivery	PS Form 3811 , Mar. 1988 * U.S.G.P.O. 1988–2	R: Complete items 1 and	is in the "RETURN TO" a returned to you. The ret of delivery. For addition reck box(es) for addition or whom delivered, date,	3 Article Addressed and		Mr.	Austin, TX 78767 $W_{1,5}$	Kh Bird Creek NE/4SE/4	5. Signature - Addreas	6. Signature Agent	Date of Date o	PS Form 3811, Mar 1988 + U.S.G.P.O. 1988+212+865
prior services are desired, and complete reems reverse side. Failure to do this will prevent this will provide you the name of the person delivered wing services are available. Consult postmaster quested. 's address. 2. □ Restricted Delivery	(Extra charge) 4. Article Number	Prices 124 9	E Registered Insured Certified COD Express Mail Retworkedigt	gnature of addre	8. Addressee's Address (ONLY if fequested and fee paid)	- Reemotical	<i>N</i>	1968-212-885 DOMESTIC RETURN RECEIPT	2 when additional services are desired, and complete items	rerse side. Failure to do this will prevent this I provide you the name of the person delivered ng services are available. Consult postmaster ested. address. 2. Restricted Delivery (Extra charge)	4. Article Number	P 572 124 931		Express Mail		8. Addressee's Address (ONLY if requested and fee paid)			2-865 DOMESTIC RETURN RECEIPT
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SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. But your address in the "RETURN TO" Space on the reverse side. Fallure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the dete of delivery. For additional fees the following services are evallable. Consult postmaster for fees and check boxies) for additional fees the requested. 1. CX Show to whom delivered, dete, and addressee's address. 2. D Restricted Delivery	3. Article Addressed to: 4. Article Number	C. Ray Allen 🔪 🛛 P 572 124 927	ox 630 ℃√		KA-BIrd Creek NE/4SE/4 Always obtain agnature of addressee	5. Signardre - Address / B. Addressee's Address (ONLY if requested and fee poid)	6. Signatula - Agany	to Date of Delivery	PS Form 3811, Mar. 1988 4 U.S. Q.P. O. 1988-212-865 DOMESTIC RETURN RECEIP		: Complete items 1 and 2 when additional services are de- ress in the "RETURN TO" Space on the reverse alde. Failure ng returned to you. The return receipt fee will provide you the ne the of elivery. For additional fees the following services are av these boxies for additional service(s) requested.	1. C Show to whom delivered, date, and addressee's address. 2. C Restricted Delivery (Extra charge)	3. Arricle Addressed to: P 572 124 843	Type of Service:	land, TX 79702	KA-Bird Creek NE/45E/4 Always obtain aignature of addressee or accent and DATE DELIVERED.	 5. Signature - Address 8. Addressee's Address (ONLY if requested and fee paid) 	Signatura – Agent	7. Date of Delivery C 2 C 2	PS Form 3811, Mar. 1988 + U.S.Q.P.O. 1988–212–865 DOMESTIC RETURN RECEIPT	
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STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION FOR BIRD CREEK RESOURCES, INC. FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 9890

CERTIFICATE OF MAILING

AND

COMPLIANCE WITH ORDER R-8054

In Accordance with Division Rule 1207 (Order R-8054) I hereby certify that on February 28, 1990, I caused to be mailed by certified mail return receipt requested notice of this hearing and a copy of the Application for the above referenced case along with the cover letter, at least twenty days prior to the hearing set for March 21, 1990, to the parties shown in the Application as evidence by the attached copies of return receipt cards.

Karen Aubrey

SUBSCRIBED AND SWORN to before me this 20th day of March, 1990.

Joni Grouy Notary Public

Commission Expires:

7-6-91

BEFORE B	EXAMINER STOGNER
OIL CON BIRD	SERVATION DIVISION
CREEK	EXHIBIT NO. 7
CASEND.	9890 & 9891

	-865 DOMESTIC RETURN RECEIPT	rm 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865
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	P 5/2 1/2 9/35 Type of Service: Insured Registered Insured Certified COD Express Mail Receipt for Merchandise	Navis, inc. P.U. Box 133 Midland, TX 79702 KA-Bird Creek NE/4NE/4
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	rse side. Failure to do this will prevent this provide you the name of the person delivered g services are available. Consult postmaster idress. 2. Restricted Delivery (Extra charge)	our address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this rom being returned to you. Th <u>e return receipt fee will provide you the name of the person delivered</u> <u>the date of delivery</u> . For additional fees the following services are available. Consult postmaster es and check box(se) for additional service(s) requested. Show to whom delivered, date, and addressee's address. 2. C Restricted Delivery (Extra charge)
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865 DOMESTIC RETURN RECEIPT	PS Form 3811, Mar. 1988 + U.S.Q.P.O. 1988-212-8
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Always obtain signature of eddressee or agent and DATE DELIVERED.	
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	P.U. Eox 630 Midland, TX 79702
P 572 124 937	C. Ray Allen
ss. 2. L Restricted Delivery (Extra charge)	1. A Show to whom delivered, date, and addressee's addre (Extra charge)
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vices are desired, and complete items	SENDER: Complete items 1 and 2 when additional services 3 and 4.
-865 DOMESTIC RETURN RECEIPT	PS Form 3811, Mar. 1988 ★ U.S.Q.P.O. 1988-212-865
-	7. Date of Delivery MAR 0 6 1990
	6. Signature – Agent V X
8. Addressee's Address (ONLY if requested and fee paid)	5. Sigherurd - Andress X GD (FUUUM)
or agent and DATE DELIVERED.	
Ignature	KA-Bird Creek NE/4NE/4
Centified Control Cont	dland, TX
pe pf Service:	0. Box 113
4. Andie Muniber	3. Article Addressed to:
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rovide you the name of the person delivered services are available. Consult postmaster ted.	card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxles) for additional service(s) requested.
1 and 2 when additional services are desired, and complete items IN TO" Space on the reverse side. Failure to do this will prevent this	SENDER: Complete items 1 and 2 when additional services 3 and 4. Put your address in the "RETURN TO" Space on the reverse side.

6. Signatu lo – Agent / / / / / / / / / / / / / / / / / / /		Concise Vil & Gas P.V. Box 378111 Denver, CO 80237 KA-Bird Creek NE/4NE/4	 SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested. I. Q. Show to whom delivered, date, and addressee's address. I. Barticle Addressed to: 	Date of Deliv Form 3811,	KA-Bird Creek NE/4NE/4 5. Sigpature - Addrese X	CHL Energy, Inc. c/o Mr. Charles Hopkins 407 N. Big Spring Midland, TX 70701	SEND 3 and 1 your a and from 1 and the r fees at r fees at Sho
35 DOMESTIC RETURN RECEIPT	Always obtain signature of eddressee or agent and <u>DATE DELIVERED</u> . 8. Addressee's Address (ONLY if requested and fee paid)	572 12,4 941 Pre of Service: Registered Certified Express Mail Recurn Receipt for Merchandise	vices are desired, and complete items side. Failure to do this will prevent this de you the name of the person delivered rvices are available. Consult postmaster as. 2. CRestricted Delivery CEntra charge) Article Number	885 DOMESTIC RETURN RECEIPT	Alwaya obtain algosture of addressee or agent <u>And DATE DELIVERED</u> . 8. Addressee's Address (ONLY if requested and fee paid)	5 / 2 Register Certified Express	ervices are desired, and complete items e side. Failure to do this will prevent this ovide you the name of the person delivered services are available. Consult postmaster ed. 2. Restricted Delivery (Extra charge) 4. Article Number
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865 DOMESTIC RETURN RECEIPT	Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> . 8. Addressee's Address (<i>ONLY if</i> requested and fee paid)	4. Article Number P 572 124 942 Type of Service: Registered Insured Express Mail CDD Express Mail Fetum Receipt	services are desired, and complete items se side. Failure to do this will prevent this rovide you the name of the person delivered services are available. Consult postmaster ted. 2. Restricted Delivery (Extra charge)	12-865 DOMESTIC RETURN RECEIP	gnature TE DELI s Addre d fee pa	4. Article Number n=rsp<572 Type of Service: Registered Insured XB Certified Express Mall	1al services are desired, and complete iverse side. Failure to do this will preve ill provide you the name of the person de ing services are available. Consult post leaded. address. 2. Aestricted Delivery (Extra charge)

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KELLAHIN, KELLAHIN AND AUBREY

W. THOMAS KELLAHIN KAREN AUBREY

CANDACE HAMANN CALLAHAN

DATE:

JASON KELLAHIN Of Counsel

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ATTORNEYS AT LAW EL PATIO BUILDING II7 NORTH GUADALUPE POST OFFICE BOX 2265 SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285 TELEFAX (505) 982-2047

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RECEIVED

HAND DELIVERED

MAR 21 1990

OIL CONSERVATION DIVISION

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TO: Michael E. Stogner Oil Conservation Division State Land Office Santa Fe, New Mexico 87501

March 21, 1990

RE: NMOCD Case Nos. 9890 & 9891 / Bird Creek

The following documents are enclosed:

Bird Creek Resources Exhibit No. 8

Please:

	Per your request For your information only; no action on your part is required
	For your information We would appreciate a response from you on this
	matter In order to proceed, we need a response from you by
<u></u>	If you have any questions on this matter, please do not hesitate to call
	Please call our office, we need to discuss this matter with you
	Please note that some action on your part is re- quired
	Other:

Sincgrely,

KA/tic Enclosure

xc: Lawrence Robinette

BIRD CREEK RESOURCES, INC.

December 18, 1989

BEFORE EXAMINER STOGNER CIL CONSERVATION DIVISION BIRD <u>CREEK</u> EXHIBIT NO. 8 CASE NO. 9890 & 9891

Quinoco Consolidated Partners P.O. Box 378111 Denver, CO 80237

Attn: Mr. Mark Eikerman

Re:	Lovi	ng Prospe	ect	
	E/2,	Section	15-23S-28E	
	Eddy	County,	New Mexico	

Gentlemen:

This is to request that Quinoco Consolidated Partners farmout its interest in the E/2 of Section 15-23S-28E, Eddy County, New Mexico on the following basis:

- On or before June 1, 1989, Bird Creek Resources, Inc. shall commence or cause to be commenced the actual drilling of a 6,300' Delaware test at a legal location in the NE/4 NE/4 of Section 15-23S-28E, Eddy County, New Mexico.
- 2. Upon completion of the initial test as a well capable of producing oil and/or gas in commercial quantities, Quinoco Consolidated Partners shall assign to Bird Creek all of its interest in the NE/4 NE/4 of Section 15 from the surface down to 100 feet below the stratigraphic equivalent of the total depth drilled or to the base of the Delaware formation, whichever is the lesser.
- 3. Quinoco Consolidated Partners shall reserve an overriding royalty interest equal to the difference between the existing leasehold burdens and 25%. At payout of the test well, said override shall be convertible to a proportionately reduced 25% working interest.
- 4. Bird Creek shall have the option to conduct a continuous drilling program in the remainder of the E/2 of Section 15 with no more than 120 days between the completion of the preceding test well and the spudding of the next test to earn the same rights in remaining farmout acreage on a well-by-well basis.

1412 South Boston, Suite 550 • Tulsa, Oklahoma 74119 • (918) 582-4242 • Telecopy (918) 560-4930

- Bird Creek shall furnish all geological and well 5. information on any well drilled on the farmout acreage.
- Each proration unit shall be covered by a Joint Operating 6. Agreement.

If this proposal meets with your approval, please so indicate by signing in the space provided below and returning one copy of this letter to our office. Upon our receipt, we will prepare the formal Farmout Agreement and forward it to you for your review and approval.

This offer shall remain open until February 1, 1989.

If you have any questions or require further information in this regard, please do not hesitate to contact me.

Sincerely,

Wime, Lawrence W. Robinette Land Manager

ACCEPTED AND AGREED TO THIS DAY OF _____, 1990.

By:

BIRD CREEK RESOURCES, INC.

December 18, 1989

Oxy USA, Inc. P.O. Box 50250 Midland, TX 79710

> Re: Loving Prospect E/2, Section 15-23S-28E Eddy County, New Mexico

Gentlemen:

This is to request that Oxy USA, Inc. farmout its interest in the E/2 of Section 15-23S-28E, Eddy County, New Mexico on the following basis:

- On or before June 1, 1989, Bird Creek Resources, Inc. shall commence or cause to be commenced the actual drilling of a 6,300' Delaware test at a legal location in the SE/4 SE/4 of Section 15-23S-28E, Eddy County, New Mexico.
- 2. Upon completion of the initial test as a well capable of producing oil and/or gas in commercial quantities, Oxy USA, Inc. shall assign to Bird Creek all of its interest in the SE/4 SE/4 of Section 15 from the surface down to 100 feet below the stratigraphic equivalent of the total depth drilled or to the base of the Delaware formation, whichever is the lesser.
- 3. Oxy USA, Inc. shall reserve an overriding royalty interest equal to the difference between the existing leasehold burdens and 25%. At payout of the test well, said override shall be convertible to a proportionately reduced 25% working interest.
- 4. Bird Creek shall have the option to conduct a continuous drilling program in the remainder of the E/2 of Section 15 with no more than 120 days between the completion of the preceding test well and the spudding of the next test to earn the same rights in remaining farmout acreage on a well-by-well basis.
- 5. Bird Creek shall furnish all geological and well information on any well drilled on the farmout acreage.

1412 South Boston, Suite 550 • Tulsa, Oklahoma 74119 • (918) 582-4242 • Telecopy (918) 560-4930

Each proration unit shall be covered by a Joint Operating 6. Agreement.

If this proposal meets with your approval, please so indicate by signing in the space provided below and returning one copy of this letter to our office. Upon our receipt, we will prepare the formal Farmout Agreement and forward it to you for your review and approval.

This offer shall remain open until February 1, 1989.

If you have any questions or require further information in this regard, please do not hesitate to contact me.

Sincerely,

Lawrence W. Robinette Land Manager

ACCEPTED AND AGREED TO THIS _____ DAY OF _____, 1990.

By:

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION



GARREY CARRUTHERS GOVERNOR

April 4, 1990

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE, NEW MEXICO 87501 (505) 827-5800

Ms. Karen Aubrey Kellahin, Kellahin & Aubrey Attorneys at Law Post Office Box 2265 Santa Fe, New Mexico

Re: CASE NO.

ORDER NO. 9891 R-9143

Applicant:

Bird Creek Resources, Inc.

Dear Madam:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

orene Alavidson

FLORENE DAVIDSON OC Staff Specialist

Copy of order also sent to:

Hobbs OCDArtesia OCDXAztec OCDX

Other

James Bruce

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

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

CASE NO. 9891 ORDER NO. R-9143

APPLICATION OF BIRD CREEK RESOURCES, INC. FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 21, 1990 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this <u>3rd</u> day of April, 1990, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the time of the hearing, this case was consolidated with Case No. 9890 for purposes of testimony.

(3) The applicant, Bird Creek Resources, Inc., seeks an order pooling all mineral interests from the surface to the base of the Delaware formation, underlying the NE/4 SE/4 of Section 15, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on statewide 40-acre oil spacing within said vertical extent, which includes but is not necessarily limited to the Undesignated Loving-Cherry Canyon Pool and Undesignated East Loving-Delaware Pool.

Case No. 9891 Order No. R-9143 Page No. 2

(4) The applicant has the right to drill and proposes to drill a well at a standard oil well location 2105 feet from the South line and 560 feet from the East line (Unit I) of said Section 15.

(5) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(6) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil in any pool resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(7) The applicant should be designated the operator of the subject well and unit.

(8) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(9) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(10) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(11) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

Case No. 9891 Order No. R-9143 Page No. 3

(12) \$4531.00 per month while drilling and \$438.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(13) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(14) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before June 30, 1990, the order pooling said unit should become null and void and of no further effect whatsoever.

(15) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(16) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Delaware formation, underlying the NE/4 SE/4 of Section 15, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on statewide 40-acre oil spacing within said vertical extent, which includes but is not necessarily limited to the Undesignated Loving-Cherry Canyon Pool and Undesignated East Loving-Delaware Pool, said unit to be dedicated to a well to be drilled at a standard oil well location 2105 feet from the South line and 560 feet from the East line (Unit I) of said Section 15.

<u>PROVIDED HOWEVER THAT</u>, the operator of said unit shall commence the drilling of said well on or before the 30th day of June, 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the vertical extent between the surface and the base of the Delaware formation.

7

Case No. 9891 Order No. R-9143 Page No. 4

<u>PROVIDED FURTHER THAT</u>, in the event said operator does not commence the drilling of said well on or before the 30th day of June, 1990, Decretory Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

<u>PROVIDED FURTHER THAT</u>, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Decretory Paragraph No. (1) of this order should not be rescinded.

(2) Bird Creek Resources, Inc. is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any nonconsenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs. Case No. 9891 Order No. R-9143 Page No. 5

(7) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$4531.00 per month while drilling and \$438.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

Case No. 9891 Order No. R-9143 Page No. 6

(12) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forcepooling provisions of this order.

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

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



STATE OF NEW MEXICO OIL CONSERVATION DIVISION 00

WILLIAM J. LEMAY Director