

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

January 24, 1985

BEFORE EXAMINER STOGNER

Oil Conservation Division

Hartman Exhibit No. 6

Case No. 8769

Mr. R. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85016

Re: Carlson Federal Nos. 2 & 3
SE/4 SE/4 Section 23 (#3)
SE/4 NE/4 Section 26 (#2)
T-25-S, R-37-E
Lea County, New Mexico

Dear Mr. Olsen:

Reference is made to the phone conversations between your office and Jim Burr of our office regarding the following for the above noted wells:

1. Production volume--we have checked the production for the subject well for the years 1983 and 1984 and find that for the year 1983 the Carlson Federal No. 3 (No. 2 well not producing) averaged 24 MCFPD and since we became operator on June 1, 1984, this well has averaged 35 MCFPD.
2. Pricing--at the time we assumed operations of the Carlson Federal No. 3, El Paso Natural Gas Company arbitrarily lowered the price from the stripper price previously paid to Sun Oil Company to an approximate net price of \$1.35/MCF. We have already discussed this matter with El Paso and have requested that the price be restored to the stripper price.
3. Operational costs--as to the Carlson No. 3, we are charging exactly what it costs us to operate this well, which is the same rate as we charge for all wells that we operate. We do not feel we should be asked to operate any well at a loss, which you can surely understand being an independent yourself. As you know, Congress provided stripper pricing for wells such as the Carlson Federal No. 3 in order that such low volume wells can continue to be operated at a profit and not be plugged. If you feel it necessary, we can furnish you back-up data to justify our operating costs.

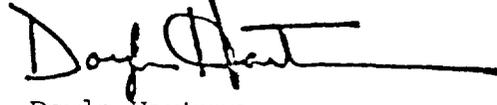
We can certainly understand your concern generally since the well operations have been recently shifted from Sun with whom you are familiar to us with whom you are not familiar. We hope this explanation answers your questions and, in this regard, we would be willing to offer you \$22,500.00 for all of your right, title, and interest in the above noted wells and acreage. This offer is higher on a pro rata basis than the consideration paid to Sun for its 75% working interest. If you are

Mr. R. Howard OJ 1
January 24, 1985
Page 2

agreeable to a sale, we would be willing to pay all legal fees incident to the sale and title approval.

Thank you for your consideration and please let us hear from you as soon as is conveniently possible.

Very truly yours,

A handwritten signature in black ink, appearing to read "Doyle Hartman". The signature is written in a cursive style with a long horizontal line extending to the right.

Doyle Hartman

DH/mh

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

July 10, 1985

Mr. Edward Olsen
Post Office Box 32279
Phoenix, Arizona 85018

Re: Proposed Infill Well
Carlson Federal No. 4
SE/4 SE/4 Section 23
T-25-S, R-37-E
Lea County, New Mexico
(40-acre Langlie Mattix)

Dear Mr. Olsen:

Reference is made to our previous communications concerning operations as to the Langlie Mattix pool covering SE/4 SE/4 Section 23, T-25-S, R-37-E, Lea County, New Mexico. Please be informed that we are proposing the drilling of an infill well on the captioned lease in order to efficiently and effectively drain all remaining Langlie Mattix gas reserves under the SE/4 SE/4 Section 23, T-25-S, R-37-E, that will not be drained by the Carlson No. 3 well which is also situated on the subject 40-acre proration unit.

Since the drilling of a new well is not covered by any existing agreement between the current owners of the subject lease, we invite you to join us with your 25% working interest in drilling the proposed new well. If you wish to participate in the drilling of our proposed new well, we will prepare and forward to you an Operating Agreement for your review and approval. We are enclosing with this letter an AFE covering the cost of drilling our proposed Carlson No. 4 infill well.

In the event you do not wish to participate in the drilling of the proposed new well, we further offer you the following additional options:

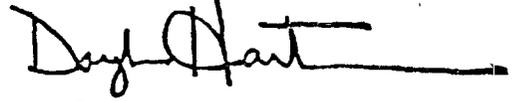
1. We again extend our offer of January 24, 1985 to purchase your net interest for \$22,500.
2. We will be happy to take a farmout of your interest and drill the well to earn a 70% net revenue interest.

Since we hope to spud the proposed new well within the next forty-five days, we are at this time proceeding with all necessary regulatory procedures for the drilling of the subject well. Therefore, we

Mr. Howard Ol 1
July 10, 1985
Page 2

respectfully request hearing from you as soon as possible concerning
your decision in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Doyle Hartman". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Doyle Hartman

DOYLE HARTMAN
OIL OPERATOR
500 N. MAIN STREET
MIDLAND, TEXAS

AUTHORIZATION FOR EXPENDITURE AND DETAIL WELL ESTIMATE

LEASE NAME Carlson Federal WELL NO. 4 W.I. 100% of Well Cost
 COUNTY Lea STATE New Mexico FIELD Langlie Mattix
 LOCATION: SE/4 SE/4 Section 23, T-25-S, R-37-E

DRILLING INTANGIBLES:		PRODUCER	DRY HOLE
1. Drilling Cost	3,500	46,000	46,000
2. Day Work	1 day at 3,800		
	Feet @ 13.145 Per Foot		
3. Coring Service	Well Surveys	3,800	3,800
4. Bits and Reamers		8,400	8,400
5. Testing		- - -	- - -
6. Directional Drilling		- - -	- - -
7. Fuel	Water	6,500	6,500
8. Mud	Mud Logging	8,100	8,100
9. Cementing Service	Cement Floats	15,600	5,000
10. Company Labor	Contract Labor	9,500	3,600
11. Surface Damages and Right-of-Way		2,800	2,800
12. Digging Pits	Filling Pits	1,200	1,200
13. Pit Lining		1,500	1,500
14. Roads & Bridges	Dredging & Grading	8,000	8,000
15. Acidizing	Fracturing Perforating	100,000	- - -
			2,800
16. Plugging		- - -	2,800
17. Trucking Cost		2,900	1,500
18. Development Superintendence	14 days @ \$500 /day	7,000	3,500
19. Rental Equipment		4,500	500
20. Swabbing and Testing		10,500	- - -
21. Legal and Professional Expenses:			
	Product Price Determination	2,400	2,400
	Regulatory Hearings Other	3,600	3,600
22. Abstracts and Title Opinions		4,300	4,300
23. Geological, Geophysical and Land Support			
24. Other Costs			
25. Contingency @ 15 %		43,400**	20,500
	Total Intangibles	290,000	134,000
WELL EQUIPMENT:			
26. Casing	400 Ft. of 9 5/8 @ 8.50 Per Ft.		
	3,500 Ft. of 7 @ 6.46 Per Ft.		
		26,000	3,400
27. Tubing	3500 Ft. of 2 3/8 @ 2.63 Per Ft.	9,200	- - -
28. Casing Head		1,300	1,300
29. Xmas Tree or Pumping Connections		4,600	- - -
30. Pumping Unit		19,500	- - -
31. Engine/Motor Controller and Power System		4,500	- - -
32. Sucker Rods		6,100	- - -
33. Pump		2,000	- - -
34. Tank Battery		2,600	- - -
35. Separator or Dehydration Equip.		2,400	- - -
36. Metering Equipment		- - -	- - -
37. Flow Lines		1,900	- - -
38. Guards and Fences		2,300	2,300
39. Other Costs			
40. Contingency @ 15 %		17,600**	1,000
	Total Tangibles	100,000	8,000
TOTAL COST OF WELL		390,000**	142,000
	Howard Olsen 25 % Share at	97,500	35,500

REMARKS: Our projected cost for drilling and completing the proposed infill well is \$329,000. This cost is for a routine well with no problems. With the addition of a 15% contingency for possible problems, the total cost comes to \$390,000 for a completed well.

Originated by Larry G. Nemy Title Engineer Date July 10, 1985
 Approved _____ Title _____ Date _____

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

July 30, 1985

Response to Olsen
Phone call of
July 30, 1985

Mr. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85018

Re: SE/4 SE/4 Section 23
T-25-S, R-37-E
Lea County, New Mexico

Dear Mr. Olsen:

Reference is made to our past correspondence concerning the proposed infill well on the captioned lands.

As I told your secretary, the compulsory pooling hearing has already been scheduled, but we will report to the New Mexico Oil Conservation Division that you have agreed to farmout, provided we can have a mutually acceptable agreement.

The farmout terms we offer are as follows:

1. Operator to drill a Langlie Mattix infill well on the above tract within 90 days from the date of agreement.
2. Operator would earn a 70% net revenue interest in the new well with Olsen retaining a 30% overriding royalty interest, which would absorb the presently existing royalty burden of 12.5 % (proportionately reduced).
3. Rights earned only in the event of production and would be limited to a depth of 4000 feet.
4. Olsen would retain all presently owned interest in the Carlson No. 3 well located on the 40-acre proration.

Please let us hear from you so that we may advise the New Mexico Oil Conservation Division of the resolution of this matter as soon as possible.

Very truly yours,

DOYLE HARTMAN



Ruth Sutton
Landman

PS/dr

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

September 20, 1985

Mr. James P. Foraker
1140 NW 63rd Street
Oklahoma City, Oklahoma 73116

Re: Carlson Lease
SE/4 SE/4 Section 23 and
SE/4 NE/4 Section 26
T-25-S, R-37-E
Lea County, New Mexico

Dear Mr. Foraker:

Enclosed please find two copies of Partial Assignment and Bill of Sale as well as four copies of the federal form to be filed with the Bureau of Land Management.

We have left a space after Mr. Olsen's name in each case so that you can add "a single man" or his wife's name, whichever is appropriate.

After you have had a chance to look these over, we will discuss the method of exchanging our cashier's check in the amount of \$50,000.00 for the executed assignment.

I have discussed the matter of operating costs with our Controller, Mr. Jim Burr, and he has advised me that September billings have gone out, but he will credit Mr. Olsen's account so that as of September 30, it will show zero balance.

Please let us know if we may be of further assistance and thank you for your cooperation in this matter.

Very truly yours,

DOYLE HARTMAN


Ruth Sutton
Landman

RS/mh

Enclosures as above

Exhibit "A" to Partial Assignment
 and Bill of Sale from R. Howard Olsen
 to Doyle Hartman covering various
 lands in Lea County, New Mexico

LEASE NAME	LESSOR	LESSEE	DATE	RECORDED	DESCRIPTION OF PROPERTY
Carlson	U. S. A. NM-0766	Union Texas Natural Gas Corporation and Joseph E. Seagrams & Sons, Inc.	11/1/61	Not Recorded	Insofar and only insofar as lease covers the SE/4 SE/4 Section 23, T-25-S, R-37-E and SE/4 NE/4 Section 26, T-25-S, R-37-E limited from the surface down to 4,000 feet as to oil rights only.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMH NO. 1004-0034
Expires: August 31, 1985

TRANSFER, ASSIGNMENT, OR SUBLEASE
OF OPERATING RIGHTS IN OIL AND GAS LEASE

Lease Serial No.

NM-0766

Lease effective date

November 1, 1961

PART I

1. Assignee's Name

Doyle Hartman

Address (include zip code)

Post Office Box 10426, Midland, Texas 79702

The undersigned, as owner of 25% percent of operating rights in the above-designated oil and gas lease, hereby transfers, assigns and/or subleases to the assignee shown above, the operating rights in such lease as specified below.

2. Describe the lands affected by this transfer, assignment, and/or sublease (43 CFR 3101.2-3 or 3101.1-4)

Insofar only as said lease covers the SE/4 SE/4 Section 23 and the SE/4 NE/4 Section 26, T-25-S, R-37-E from the surface to 4,000 feet as to oil rights only.

Lea County, New Mexico

3. Specify interest or percent of operating rights being conveyed to assignee	100%
4. Specify interest or percent of operating rights being retained by assignor	None
5. Specify overriding royalty interest being reserved by assignor	None
6. Specify overriding royalty previously reserved or conveyed, if any	12.305%
7. If any payments out of production have previously been created out of this interest, or if any such payments are being reserved under the transfer, assignment, or sublease, attach statement giving full details as to amount, method of payment, and other pertinent terms provided under 43 CFR 3106.	

It is agreed that the obligation to pay any overriding royalties or payments out of production of oil created herein, which, when added to any overriding royalties or payments out of production previously created and to the royalty payable to the United States, aggregate in excess of 17 1/2 percent, shall be suspended when the average production of oil per well per day averaged on the monthly basis is 15 barrels or less.

I CERTIFY That the statements made herein are true, complete, and correct to the best of my knowledge and belief and are made in good faith.

Executed this _____ day of _____, 19 _____.

(Assignor's Signature)

R. Howard Olsen

P. O. Box 32279

(Assignor's Address)

Phoenix, Arizona 85016

(City)

(State)

(Zip Code)

Title 18 U.S.C., Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious, fraudulent statements or representations as to any matter within its jurisdiction.

THE UNITED STATES OF AMERICA

Assignment approved effective _____

By _____
(Authorized Officer)

(Title)

(Date)

PART II

ASSIGNEE'S APPLICATION FOR APPROVAL OF TRANSFER OF OPERATING RIGHTS AND/OR OPERATING AGREEMENT (SUBLEASE)

- A. ASSIGNEE CERTIFIES THAT the assignee and all other parties in interest (as defined in 43 CFR 3100.0-5(b)) in this assignment are:
1. Citizens of the United States or qualified alien stockholders in a domestic corporation; association of the United States or any State or Territory thereof; or municipalities.
 2. Of the age of majority in the State where the lands to be assigned are located.
 3. In compliance with the acreage limitation set forth in 43 CFR 3101.1-5 and 3101.2-4.
- B. ASSIGNEE AGREES That, upon approval of this transfer of operating rights and/or operating agreement (sublease) by the authorized officer of the Bureau of Land Management, he will be bound by the terms and conditions of the lease described herein as to the interests covered by this assignment, including, but not limited to, the obligation to conduct all operations on the leasehold in accordance with the terms and conditions of the lease, to condition all wells for proper abandonment, to restore the leased lands upon completion of any drilling operations as prescribed in the lease, and to furnish and maintain such bond as may be required by the lessor pursuant to the regulations (43 CFR 3104.2).
- C. IT IS HEREBY CERTIFIED That the statements made herein are true, complete, and correct to the best of undersigned's knowledge and belief and are made in good faith.

Executed this _____ day of _____, 19 _____.

(Assignee's Signature)
Doyle Hartman

P. O. Box 10426
(Assignee's Address)

Midland, Texas 79702
(City) (State) (Zip Code)

Title 18 U.S.C., Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

INSTRUCTIONS

- | | |
|--|---|
| <p>1. USE OF FORM - Use only for assignment of operating rights (including working interests) in oil and gas leases. If transfer of operating rights is accompanied by an operating agreement, a single copy of such agreement must be submitted with the assignment. If more than one transfer of operating rights is made out of a lease, a separate instrument of transfer is required for each assignment. A separate instrument of assignment shall be used for each lease out of which an assignment is made.</p> <p>2. FILING AND NUMBER OF COPIES - File three (3) completed</p> | <p>and manually signed copies in the appropriate BLM office. A \$25.00 nonrefundable filing fee must accompany this assignment. File assignment within ninety (90) days after date of final execution.</p> <p>3. EFFECTIVE DATE OF ASSIGNMENT - The assignment, if approved, takes effect on the first day of the month following the date of filing of all required papers. If an operator's bond is required, it must be furnished prior to approval of the assignment.</p> |
|--|---|

NOTICE

The Privacy Act of 1974 and the regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this assignment and request for approval.

AUTHORITY: 30 U.S.C. et. seq.

PRINCIPAL PURPOSE - The information is to be used to process the assignment and request for approval.

ROUTINE USES:

- (1) The adjudication of the assignee's rights to the land or resources.
- (2) Documentation for public information in support of notations made on land status records for the management, disposal, and use of public lands and resources.
- (3) Transfer to appropriate Federal agencies when concurrence is required prior to granting a right in public lands or resources.
- (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions.

EFFECT OF NOT PROVIDING INFORMATION - If all the information is not provided, the assignment may be rejected.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that:

This information is being collected pursuant to the law (43 CFR 3106-3(c)).

This information will be used to create a record of lease assignment.

Response to this request is required to obtain a benefit.

MAILED TO

JAMES FORAKER

9-23-85

NO COVER LETTER

~~177-4-597~~

N.MEX-J-685

29615

ASSIGNMENT OF OPERATING RIGHTS

THIS ASSIGNMENT, made and entered into this 23th day of

January, 19 61, by and between _____

JAL OIL COMPANY, INC.

of Midland, Texas

hereinafter referred to as "Assignor" (whether one or more), and

TEXAS PACIFIC COAL AND OIL COMPANY

of Fort Worth, Texas

hereinafter referred to as "Assignee" (whether one or more).

WITNESSETH:

That the undersigned Assignor, for and in consideration of the sum of \$10.00 and other good and valuable considerations to Assignor in hand paid by said Assignee, the receipt whereof is hereby confessed and acknowledged, does hereby sell, assign, transfer, set over and convey unto said Assignee, his heirs, personal representatives (or its successors) and assigns the entire operating rights and other rights and privileges granted to Assignor under that certain Sublease of Oil and

Gas Lease and Operating Agreement by and between _____

Anderson-Prichard Oil Corporation

and R. Olsen

dated November 18, 1957,

under and by virtue of that certain Oil and Gas Lease made and entered

into on the 8th day of December, 1937, by and between the

United States, as Lessor, and L. H. Prichard and J. Steve Anderson

as Lessee, bearing New Mexico

Serial No. 0766

insofar and only insofar as said Oil and Gas Lease covers and affects the following described land situated in LEA COUNTY, NEW MEXICO, to-wit:
An undivided 3/4ths interest in and to the following:

Township 25 South, Range 37 East

Section 23: SE/4 SE/4

Section 26: SE/4 NE/4

Entire 100% interest in and to the following:

Township 25 South, Range 37 East

Section 25: S/2 SW/4 and N/2 SE/4

all to a depth of 4000 feet below the surface of the soil.

together with all rights and privileges thereunder or appurtenant thereto, subject, however, to the following:

- (a) Drilling and Operating Agreement dated November 2, 1936, between C. H. Carlson and wife, as permittee, and Anderson-Prichard Oil Corporation, as contractor;
- (b) Gas Operating and Development Contract dated November 6, 1939, between L. H. Prichard and J. Steve Anderson, and wives, as oil operators, and El Paso Natural Gas Company, as gas operator;

- (c) Overriding royalties totaling $\frac{3}{64}$ of $\frac{7}{8}$ reserved in Assignment dated August 10, 1951, from J. Steve Anderson, et al, to Anderson-Prichard Oil Corporation;
- (d) Overriding royalty of $\frac{6}{64}$ of $\frac{7}{8}$ reserved in Sublease of Oil and Gas Lease and Operating Agreement dated November 18, 1957, from Anderson-Prichard Oil Corporation to R. O. sen;
- (e) Conveyance of Oil and Gas Properties and Agreement with Respect Thereto, dated January 20, 1961, from R. Olsen, Olsen Oils, Inc. and Jal Oil Company, Inc., to Texas Pacific Coal and Oil Company, wherein certain production payments are retained.

106/75

26939

CONVEYANCE OF OIL AND GAS PROPERTIES AND
AGREEMENT WITH RESPECT THEREON

THIS CONVEYANCE AND AGREEMENT dated January 20, 1961, made by R. OLSEN, of Oklahoma City, Oklahoma, OLSEN OILS, INC., a Delaware corporation, and JAL OIL COMPANY, INC., a New Mexico Corporation, hereinafter collectively sometimes referred to as Assignors, to and with TEXAS PACIFIC COAL AND OIL COMPANY, a Texas corporation, hereinafter called Assignee,

W I T N E S S E T H:

Assignors represent that they are the owners of the interests specified in Exhibit A, attached hereto and made a part hereof, in the oil, gas and mineral leases therein described, insofar as they respectively cover the tracts of land therein described, and of the other mineral, royalty and overriding royalty interests therein described; that all such oil, gas and mineral leases are valid and subsisting and in full force and effect and that all of said properties are free and clear of liens and encumbrances of every kind except those which are herein created or those which are set forth in Exhibit A; that all rentals and royalties due and payable with respect to such leases have been paid; that Assignors are the owners of all of the personal property and equipment located upon the lands described in Exhibit A or used in connection with operations thereon; that Assignors are entitled to receive, after deducting all royalties and overriding royalties, not less than the decimal share of the gross oil, gas and other hydrocarbons produced from the respective tracts of land described in Exhibit A, as limited by its preamble, or allocated thereto if unitized, that are set forth in Exhibit A under the description of the respective proper-

EXHIBIT "A"

ATTACHED TO AN ASSIGNMENT FROM
OLSEN OILS, I.N.C. AND OTHERS TO
TEXAS PACIFIC COAL AND OIL COMPANY

The word "Assignor", as used in Section A-2 of this exhibit means Olsen Oils, Inc., as used in Section B-2 of this exhibit means Jai Oil Company, as used in Section C of this exhibit means R. Olsen. Unless explicitly stated otherwise the recording references used herein are to the Public Records of the County and State where the tract described lies. All limitations of depth herein referred to are measured from the surface of the tract described. The fractional share of production allocated to each scheduled tract is the net fraction of the total oil, gas and other minerals to be produced from such tract which was owned by the Assignor immediately prior to execution of the Assignment to which this Exhibit is attached. In arriving at such net fraction in every instance involving a sliding scale royalty due the United States of America, the interest has been calculated on the basis of the minimum royalty provided by the lease.

* * * * *

A-2

NEW MEXICO

TRACT 1 - BATES LEASE

All interest in and to the following described oil and gas leases:

- (a) Oil and gas lease, dated May 10, 1946, from Charles T. Bates, et al, to R. Olsen, recorded in Book 62, Page 290.
- (b) Oil and gas lease, dated August 2, 1946, from W. H. Beauchamp, as special guardian of James Ray Bates, a minor, to R. Olsen, recorded in Book 51, Page 485.
- (c) Oil and gas lease, dated June 9, 1947, from Catherine L. Dumraase, a widow, to Uscon Drilling Company, recorded in Book 65, Page 34.

Insofar as said leases cover the following described land:

Southwest Quarter of the Southeast Quarter (6 3/4 SE/4) of Section 18, Township 24 South, Range 37 East, Lea County, New Mexico,

subject to the following:

- (1) Overriding royalty interest aggregating 53/67ths of 7/8ths of the oil, gas and other minerals produced.

c) Letter Agreement dated June 10, 1952, between R. Olsen and El Paso Natural Gas Company,

d) Casinghead Gas Contract dated March 19, 1951, between R. Olsen, as Seller, and El Paso Natural Gas Company, as Buyer.

In addition to above oil and gas leases and agreements, there is included in this exhibit all right, title and interest derived or acquired by, through and under that certain Assignment dated February 15, 1955, from Ranken Moffitt and Peggy Moffitt, and recorded in Book 96, Page 572, and covering the S1/4 NE/4 Section 27, Township 24 South, Range 36 East, Lea County, New Mexico.

The fractional share of the gross oil, gas and other hydrocarbons produced from the NE/4 of SW/4 of NE/4 of Section 27-24S-36E above 3550 feet owned by Assignor in said land is .80640933.

TRACT 16 - CARLSON LEASE

(1) An undivided three-fourths (3/4) interest in and to the operating rights under the

Southeast Quarter of the Southeast Quarter (SE/4 SE/4) of Section 23, and Southeast Quarter of the Northeast Quarter (SE/4 NE/4) of Section 26, all in Township 25 South, Range 37 East, Lea County, New Mexico, to a depth of 4000 feet below the surface, and

(11) The entire (100%) of operating rights under the

South Half of the Southwest Quarter (S/2 SW/4) and North Half of the Southeast Quarter (N/2 SE/4) of Section 25, Township 25 South, Range 37 East, Lea County, New Mexico, to a depth of 4000 feet below the surface;

said operating rights being created under and by virtue of the following instruments, to-wit:

(1) Sublease of Oil and Gas Lease and Operating Agreement dated November 10, 1957, executed by Anderson-Prichard Oil Corporation and R. Olsen, and

(2) Drilling and Operating Agreement dated November 2, 1936, entered into by and between C. M. Carlson and wife, as Permittee, and Anderson-Prichard Oil Corporation, as Contractor;

insofar as said instruments relate to the following described leases:

Oil and gas lease dated December 8, 1937, issued by the Secretary of the Interior of the United States to L. H. Prichard and J. Steve Anderson, said lease bearing New Mexico Serial No. 0766 (formerly Las Cruces 032579(f));

subject to the following reservations and/or agreements, to-wit:

a) A certain Gas Operating and Development Contract entered into on the 5th day of November, 1939, by and between L. H. Prichard and J. Steve Anderson, and their respective wives, as Oil Operators, and El Paso Natural Gas Company, a corporation, as Gas Operator,

b) Casinghead Gas Contract dated November 6, 1939, between L. H. Prichard and J. Steve Anderson and their respective wives, as Sellers, and El Paso Natural Gas Company, as Buyer, as amended,

c) The proportionate part of (1) an overriding royalty interest of 1/2 or 1/16 of 7/8 reserved unto Luciso M. Prichard and (2) an overriding royalty interest of 1/4 of 1/16 of 7/8 reserved unto J. Steve Anderson in Assign-

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

October 1, 1985

Mr. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85018

Re: Carlson Federal No. 4
SE/4 Section 23 and
SE/4 NE/4 Section 26
T-25-S, R-37-E
Lea County, New Mexico

Dear Mr. Olsen:

Please refer to our past correspondence relative to drilling the above-captioned well.

As you are no doubt aware, we have tried very hard to comply with the changes in your position as to this proposed well.

On July 30, 1985, the date of our hearing before the New Mexico Oil Conservation Division, Carol from your office advised us by telephone that you had decided you would farmout your interest. We then advised the NMOCD that we had your voluntary cooperation and wrote you a letter setting out farmout terms. Over the next few weeks I made several calls to try to ascertain if the terms were acceptable.

Later Mr. James Foraker called us and advised that you preferred to sell you interest to us. After we had made a firm deal over the phone, including specifics for exchanging the executed assignment for our Cashiers Check, I was surprised and amazed to learn that you would not agree to execute the assignment because it included all of the acreage associated with the lease. This was especially strange in view of the fact that I had previously furnished Mr. Foraker various materials to convince you of your ownership of the tract in Section 26.

Since considerable time has elapsed, we believe this matter should be handled as agreed.

Please let us hear from you.

Very truly yours,

DOYLE HARTMAN

Ruth Sutton

Ruth Sutton
Landman

RS/mh

cc: Mr. James Foraker
1140 N. W. 63rd Street
Oklahoma City, Oklahoma 73116

...that you had decided you would ...

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

October 4, 1985

Mr. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85018

Re: Carlson Federal Lease
SE/4 SE/4 Section 23 and
SE/4 NE/4 Section 26
T-25-S, R-37-E
Lea County, New Mexico

Dear Mr. Olsen:

Please refer to the numerous telephone conversations and vast correspondence we have had with your appointed agents concerning your interest in the Carlson Federal Lease located in Sections 23 and 26, T-25-S, R-37-E, Lea County, New Mexico.

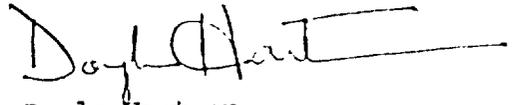
On September 18, 1985, after much negotiation between Ruth Sutton of Doyle Hartman's office and James Foraker, your attorney and agent in Oklahoma City, a firm commitment was reached (at your initiation) for Doyle Hartman to purchase your interest in the above-described Carlson Federal Lease. Part of the terms were to be the exchange of your fully executed assignment of 100% of your interest in the Carlson Federal Lease for Hartman's Cashier's Check in the amount of \$50,000.00. This method of exchange was also agreed to at your request. We immediately followed up on this verbal commitment by furnishing the Assignment requested by Mr. Foraker for your execution and since that date, we have proceeded with the drilling of a well on the Carlson Lease at our sole risk and expense based on your agreement to convey to us your interest as outlined above.

Since we have proceeded in good faith with our operations on the Carlson lease based on our understanding that a firm agreement had been reached with you as outlined above, we ask that you immediately acknowledge that we indeed have a previously negotiated and agreed upon deal for Doyle Hartman to purchase 100% of your interest in the Carlson Federal Lease (SE/4 SE/4 Section 23 and SE/4 NE/4 Section 26, T-25-S, R-37-E, Lea County, New Mexico) with the consideration being Doyle Hartman's Cashier's Check drawn by the RepublicBank/First National, Midland in the

Mr. Howard OIS
October 4, 1985
Page 2

amount of \$50,000.00. In the event we do not hear from you by Friday, October 11, 1985 acknowledging the above, we will turn this matter over to our attorney, Mr. Robert H. Strand for further action.

Very truly yours,



Doyle Hartman

cc: Mr. Robert H. Strand
Atwood, Malone, Mann & Turner
Post Office Drawer 700
Roswell, New Mexico 88201

Mr. James Foraker
1140 N. W. 63rd Street
Oklahoma City, Oklahoma 73116

... 1985, ...
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... Part of the ...