



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

December 12, 1985

Mr. Francis R. Cherry, Jr.
 District Manager
 Bureau of Land Management
 Roswell District Office
 United States Department of the Interior
 Post Office Box 1397
 Roswell, New Mexico 88202-1397

Attention: Mr. Armando Lopez

Mr. Ray D. Graham, Director
 State Land Office
 Oil and Gas Division
 Post Office Box 1148
 Santa Fe, New Mexico 87504-1148

Mr. Richard L. Stamets, Director
 State of New Mexico
 Oil Conservation Division
 Post Office Box 2088
 Santa Fe, New Mexico 87501

Re: 1986 Plan of Operation
 Bluitt San Andres Unit
 Roosevelt County, New Mexico

Gentlemen:

Murphy Operating Corporation, as designated unit operator for the Bluitt San Andres Unit Area, Roosevelt County, New Mexico, pursuant to the provisions of §11 of the Unit Agreement, respectfully submits for your consideration and approval this plan of operation for the secondary recovery of oil by waterflood on the subject unitized land.

I. Proposed Plan of Operation for 1986.

We propose the initiation of a 320-acre pilot injection program during the second half of 1986. This plan which is set out on the attached map ("Supplemental Waterflood Survey, Bluitt San Andres Field") includes:

1. Development of a satisfactory water source;
2. Construction of necessary production and injection facilities;
3. Clean out, certain remedial and conformance work and the return to production of the following wells (marked in red):

	<u>Name of Current Operator</u>	<u>Name of Well</u>	<u>Location</u>
(a)	Murphy Operating Corporation	Kirkpatrick #5	M-12-8S-37E
(b)	Murphy Operating Corporation	Baetz KGS #1	E-13-8S-37E
(c)	Murphy Operating Corporation	Baetz Federal #3	H-13-8S-37E
(d)	Murphy Operating Corporation	Baetz Federal #4	C-13-8S-37E
(e)	Murphy Operating Corporation	Baetz Federal #5	N-13-8S-37E
(f)	Murphy Operating Corporation	Bluitt Federal #2	J-13-8S-37E
(g)	Murphy Operating Corporation	Shaw Federal #1	L-18-8S-38E
(h)	Murphy Operating Corporation	Shaw Federal #2	M-18-8S-38E
(i)	Murphy Operating Corporation	Roden Federal #2	C-19-8S-38E
(j)	Murphy Operating Corporation	McCaw Federal #1	A-24-8S-37E
(k)	Tom L. Ingram	Federal E #1	C-24-8S-37E
(l)	Tom L. Ingram	Federal E #2	B-24-8S-37E
(m)	Baumgartner Oil Company	U.S.A. #1	B-19-8S-38E
(n)	Rhonda Operating Company	Roden Federal #1	E-18-8S-38E
(o)	Rhonda Operating Company	Roden Federal #2	D-19-8S-38E;

4. Conversion of the following wells to injection service (marked in blue):

<u>Name of Current Operator</u>	<u>Name of Well</u>	<u>Location</u>
(a) Murphy Operating Corporation	Baetz Federal #1	G-13-8S-37E
(b) Murphy Operating Corporation	Baetz Federal #2	K-13-8S-37E
(c) Murphy Operating Corporation	Bluitt Federal #1	I-13-8S-37E
(d) Murphy Operating Corporation	Bluitt Federal #3	O-13-8S-37E

II. Further Development.

Additional development will be proposed as dictated by results of the pilot.

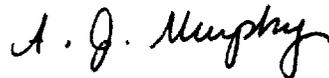
III. Modifications.

This plan of operation may be modified or supplemented during the year with your approval to meet changed conditions or to protect the interest of all parties to the Unit Agreement.

We would greatly appreciate your assistance in expediting the approval of our Plan of Operation. Should you have any questions or comments, please contact the undersigned.

Sincerely,

MURPHY OPERATING CORPORATION
Designated Unit Operator for the
Bluitt San Andres Unit Area

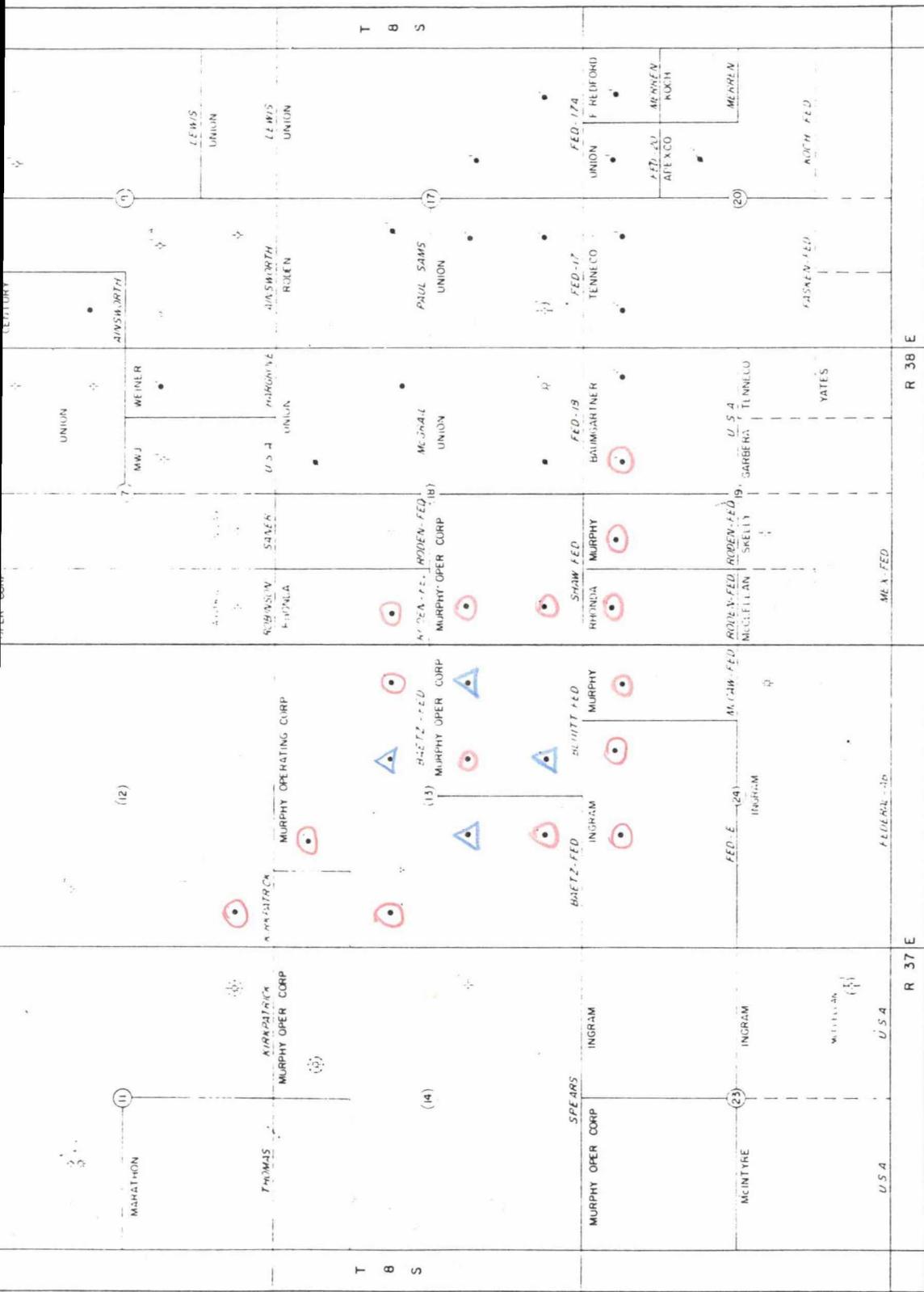


A. J. Murphy, Esq.
Chairman of the Board and
Chief Executive Officer

AJM/fnr

Attachment: "Supplemental Waterflood Survey, Bluitt San Andres Field" map.

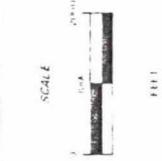
cc: Ms. Melba Carpenter
State of New Mexico
Oil Conservation Division
Hobbs District Office
Post Office Box 1980
Hobbs, New Mexico 88240



SUPPLEMENTAL WATER FLOOD SURVEY
MURPHY OPERATING CORPORATION
BLOUNT (SAN ANDRES) FIELD
 ROOSEVELT COUNTY, NEW MEXICO

FIELD MAP

- LEGEND**
- PRODUCING WELL
 - ◻ PLUGGED IN ABANDONED
 - ⊙ GAS WELL
 - ⊙ OIL WELL (KEEP)
 - ⊙ DRY HOLE (KEEP)
 - ⊙ DRY HOLE
 - ⊙ PROPOSED PRODUCING WELL LOCATION (AFTER PILOT)
 - ⊙ PROPOSED WATER INJECTION WELL LOCATION (AFTER PILOT)
 - ⊙ PROPOSED WATER INJECTION WELL (AFTER PILOT)
 - ⊙ PROPOSED WATER INJECTION WELL (PILOT)



PERMIAN

Treating Chemicals, Inc.

P.O. BOX 728
LOVINGTON, NM 88260
PHONE (505) 398-5674

WATER ANALYSIS REPORT

Company Murphy Operating Corporation Date Sampled 12-5-85
 Field Bluitt County _____
 Lease Baetz Federal State N.M.
 Well #2 Formation San Andreas
 Type of Water Produced Water, B/D _____
 Sampling Point Well Head Sampled By Blackwell

DISSOLVED SOLIDS

CATIONS	mg/l	meq/l
Sodium, Na+(Calc)	<u>55039</u> ÷ 23	<u>2393</u>
Calcium, Ca ⁺⁺	<u>16600</u> ÷ 20	<u>830</u>
Magnesium, Mg ⁺⁺	<u>4666</u> ÷ 12.2	<u>382</u>
Barium, Ba ⁺⁺	<u>-</u> ÷ 68.7	<u>-</u>
Iron, Fe (Total)	<u>3</u>	
_____	_____	_____
_____	_____	_____

OTHER PROPERTIES

pH 5.6
 Specific Gravity _____
1.150
 H₂S Pos.
 Total Dissolved Solids 204,467
 Total Hardness _____
60700

ANIONS

Chloride, Cl ⁻	<u>127500</u> ÷ 35.5	<u>3592</u>
Sulfate, So ₄ ⁼	<u>375</u> ÷ 48	<u>8</u>
Carbonate, Co ₃ ⁼	<u>-</u> ÷ 30	<u>-</u>
Bicarbonate, HCo ₃ ⁻	<u>293</u> ÷ 61	<u>5</u>
_____	_____	_____

Remarks and Recommendations _____

PERMIAN

Treating Chemicals, Inc.

P. O. BOX 728
LOVINGTON, NM 88260
PHONE (505) 396-5674

WATER ANALYSIS REPORT

Company Murphy Operating Corporation Date Sampled 12-5-85
 Field Bluitt County _____
 Lease Bluitt Federal State N.M.
 Well # 2 Formation San Andreas
 Type of Water Produced Water, B/D _____
 Sampling Point Well Head Sampled By Blackwell

DISSOLVED SOLIDS

OTHER PROPERTIES

CATIONS	mg/l	meq/l	
Sodium, Na+(Calc)	<u>54510</u> ÷ 23	<u>2370</u>	pH <u>5.4</u>
Calcium, Ca++	<u>16760</u> ÷ 20	<u>838</u>	Specific Gravity <u>1.150</u>
Magnesium, Mg++	<u>5006</u> ÷ 12.2	<u>410</u>	H ₂ S <u>Pos.</u>
Barium, Ba++	<u>-</u> ÷ 68.7	<u>-</u>	Total Dissolved
Iron, Fe (Total)	<u>4</u>		Solids <u>204935</u>
			Total Hardness
			<u>62500</u>

ANIONS

Chloride, Cl-	<u>128000</u> ÷ 35.5	<u>3606</u>
Sulfate, So ₄ =	<u>350</u> ÷ 48	<u>7</u>
Carbonate, Co ₃ =	<u>-</u> ÷ 30	<u>-</u>
Bicarbonate, HCo ₃ -	<u>305</u> ÷ 61	<u>5</u>

Remarks and Recommendations _____

TABULATED LIST OF DRILLING AND COMPLETION INFORMATION
BLUITT SAN ANDRES ASSOCIATED PROPOSED INJECTION WELLS AND WELLS WITHIN AREA OF REVEIW

Well Name & Location	Well Type*	Casing Record	Comp. & Drig. Date	Total Depth	Perforations/Open Hole	Completion	Proposed Injection	
							Tubing	Downhole Equipment
Bluitt Federal #1 I Section 13-T8S-R37E 1980' FSL & 660" FEL Elevation 3991.3 GR	IP	295' 8 5/8" 20# 12 1/4" hole 150 sxs cmt. Circ to surf. 4756' 5 1/2" in 7 7/8" hole 275 sxs cmt TOC 3850' by CBL	10/1 68 10/17	4756'	1 JSPF at selected intervals from 4661'-4680' 9 holes	Acidize with 3000 gal 15% DS-30	2 3/8" 4.7# J-55 PVC lined set approx 4550'	5 1/2" Uni-I packer set approx. 4553'
Bluitt Federal #2 J Section 13-T8S-R37E 1980' FSL & 1980' FEL Elevation 3997.5 GR	P	286' 8 5/8" 20# 12 1/4" hole 175 sxs cmt. Circ to surf. 4694' 5 1/2" 14# 275 sxs cmt TOC 3850' by CBL	12/10 68 12/22	4694'	1 JSPF 4645, 4648, 4651, 4657, 4658, 4664, 4667, 4669	Acidize w/9000 gal 15% Hcl	2 3/8" 4.7# J-55 PVC lined set approx. 4550'	5 1/2" Uni-I packer set approx. 4553'
Bluitt Federal #3 O Section 13-T8S-R37E 660' FSL & 1980' FEL Elevation 3997' GR	IP	402' 8 5/8" 24# 12 1/4" hole 325 sxs cmt. Circ to surf. 4750' 4 1/2" 10/.5# 1300 sxs cmt. Circ 240 sxs to surf.	10/2 77 11/11 77	4750'	1 JSPF 4640, 4642, 4644, 4646, 4648, 4650, 4652, 4654 4656, 4658, 4660, 4662, 4664 4666, 4668, 4670	Acidize w/16000 gal 20% Hcl-Ne & 1000 gal Xylene	2 3/8" 4.7# J-55 PVC lined set approx. 4550'	4 1/2" Uni-I packer set approx. 4553'
Baetz Federal #1 G Section 13-T8S-R37E 1980' FNL & 1980' FEL Elevation 3999.4 GR	IP	292.53' 8 5/8" 24# in 12 1/4" hole cmt. w/150 sks cmt. Circ to surf. 4783.67' 4 1/2" 9.5# J-55 in 7 7/8" hole Cmt. w/200sks TOC 4030' by CBL	12/6 68 12/26	5050' PB TD 4788"	1 JSPF 4649, 4649 1/2, 4655, 4655 1/2, 4661, 4661 1/2, 4667, 4667 1/2, 4671, 4671 1/2, 4675 4675 1/2, 4679, 4679 1/2	Acidize w/6000 gal of 15% DS-30	2 3/8" 4.7# J-55 PVC lined set approx. 4550'	4 1/2" Uni-I packer set approx. 4553'

KEY: P-Producing IP-Proposed Injection
I-Injection TA-Temporarily Abandoned

TABULATED LIST OF DRILLING AND COMPLETION INFORMATION
BLUJITT SAN ANDRES ASSOCIATED PROPOSED INJECTION WELLS AND WELLS WITHIN AREA OF REVIEW

Well Name & Location	Well Type#	Casing Record	Date Drig. & Comp.	Total Depth	Perforations/Open Hole	Completion	Proposed Injection Equipment	
							Tubing	Packer
Baetz Federal #2 K Section 13-T8S-R37E 1980' FSL & 1980' FWL Elevation 3997.5 GR	P	295' 8 5/8" 24# 12 1/4" hole cmt w/150 sxs. Circ to surf. 4786.82 4 1/2" 9.5# in 7 7/8" hole cmt w/200 sxs. TOC 4100' by calculation	2/4/ 69 2/26 69	4800, KB PBSD 4729' KB	1 JSPF 4623, 4625, 4628, 4634, 4635, 4636, 4652	Acidize w/6000 gal 15%	2 3/8" 4.7# J-55 PVC lined set approx 4550'	4 1/2" Uni-I packer set approx. 4553'
Baetz Federal #3 H Section 13-T8S-R37E 1908' FNL & 660' FEL Elevation 3995.3 GR	P	303' 8 5/8" 24# in 12 1/4" hole cmt w/150 sxs Circ to surf. 4667' 4 1/2" in 7 7/8" hole cmt. w/200 sxs TOC above 4050' by calculation	2/14 69 2/26 69	4780' PBSD 4746' KB	1 JSPF 4670, 4672, 4677, 4683, 4685, 4692, 4694, 4698	Acidize w/6000 gal 15%	2 3/8" 4.7# J-55 PVC lined set approx 4550'	4 1/2" Uni-I packer set approx. 4553'
Baetz Federal #4 L Section 13-T8S-R37E 587' FNL & 1849' FWL Elevation 4011' GR	P	292' 8 5/8" 28# in 12 1/4" hole cmt. w/150 sxs Circ to surf. 4751' 4 1/2" 9.5# in 7 7/8" hole cmt. w/200 sxs. TOP 3956' by CBL	6/23 69 7/15 69	4760' PBSD 4717'	1 JSPF 4633, 4640, 4644, 4645 4653, 4656, 4659, 4662 KB	Acidize w/6000 gal 15%	2 3/8" 4.7# J-55 PVC lined set approx 4550'	4 1/2" Uni-I packer set approx. 4553'
Baetz Federal #5 N Section 13-T8S-R37E 660' FSL & 1980' FWL Elevation 3992.2' GR	P	294' 8 5/8" 28# in 12 1/4" hole cmt. w/150 sxs Circ to surf. 4733' KB 4 1/2" in 7 7/8" hole cmt. w/200 sxs TOC 3878' by CBL	7/12 69 7/23 69	4733' KB PBSD 4715'	1 JSPF 4669, 4672, 4678, 4680, 4684, 4687, 4691, 4694, 4698	Acidize w/6000 gal 15%	2 3/8" 4.7# J-55 PVC lined set approx 4550'	4 1/2" Uni-I packer set approx. 4553'

Well Name & Location	Well Type*	Casing Record	Comp. & Drilg. Date	Total Depth	Perforations/Open Hole	Completion	Proposed Injection	
							Tubing	Downhole Equipment Packer
Shaw Federal #1 L Section 18-T8S-R38E 1980' FSL & 660' FWL Elevation 3984.7' GR	P	295' 8 5/8" in 12 1/4" hole cmt w/175 sxs Circ to surf, 4740' 5 1/2" in 7 7/8" hole cmt. w/275 sxs TOC 3870' by CBL	12/1 68 12/11 68	4740'	1 JSPP 4688, 4690, 4692, 4693 4696, 4697, 4700, 4702, 4704	Acidize w/3000 gal 15%	2 3/8" 4.7# J-55 PVC lined set approx 4550'	5 1/2" Uni-I packer set approx. 4553'
Shaw Federal #2 M Section 18-T8S-R36E 660' FSL & 660' FWL Elevation 4000' GR	P	293' KB 8 5/8" 20# in 12 1/4" hole 175 sxs cmt. Circ to surf. 4733' KB 5 1/2" 14# in 7 7/8" hole cmt. w/275 sxs TOC 4430' by CBL	2/1 69 2/16 69	4733'	1 JSPP 4690, 4692, 4693, 4696, 4698, 4699, 4703, 4704, 4709, 4711, 4712	Acidize w/3500 gal 15%	2 3/8" 4.7# J-55 PVC lined set approx 4550'	5 1/2" Uni-I packer set approx. 4553,
McCaw Federal #1 A Section 24-T8S-R37E 660' FNL & 660' FEL Elevation 3997.9' GR	P	295' KB 8 5/8" 20# in 12 1/4" hole cmt. w/175 sxs Circ to surf. 4748' KB 5 1/2" 14# in 7 7/8" hole cmt. w/275 sxs TOC 4150' by CBL	2/24 69 3/5 69	4748'	1 JSPP 4702, 4704, 4708, 4710, 4714, 4717, 4718, 4725, 4726, 4732	Acidize w/3500 gal DS-30	2 3/8" 4.7# J-55 PVC lined set approx 4550'	5 1/2" Uni-I packer set approx. 4553'
Roden Federal # 2 C Section 19-T8S-R38E 1874' FWL & 550' FNL Elevation 3994.2 GR	P	295' KB 8 5/8" 20# in 12 1/4" hole cmt. w/175 sxs Circ. to surf. 4765' KB 5 1/2" 14# in 7 7/8" hole cmt w/275 sxs TOP 3900' by CBL	4/15 69 4/25 69	4765'	1 JSPP 4724, 4726, 4727, 4728, 4732, 4734, 4744, 4746, 4747	Acidize w/3000 gal	2 3/8" 4.7# J-55 PVC lined set approx 4550'	5 1/2" Uni-I packer set approx. 4553'

Well Name & Location	Well Type*	Casing Record	Comp. & Drig. Date	Total Depth	Perforations/Open Hole	Completion	Proposed Injection	
							Tubing	Packer
Federal E #1 C Section 24-T8S-R37E 660' FNL & 1980' FWL Elevation 3993' GR	TA	339' 8 5/8" 32# in 11" hole cmt. w/375 sxs. Circ to surf. 4830' 4 1/2" in 9" hole cmt. w/275 sxs. TOC 3700' by calculation	2/24 69 6/15 69	4830' GL PRTD 4725'	1 JSPP 4746,4747,4749,4750, 4751,4753,4756,4758,4768 Reperforated 1 JSPP 4618, 4620,4636,4638,4643,4649, 4650,4668,4669,4673,4674, 4675,4681,4685,4689,4691	Acidize w/4500 gal DS-30 Reacidized w/2500 gal 15% Second stage 6000 gal 15% Frac w/20,000 gal of lease oil & 16,000# sand	2 3/8" 4.7# J-55 PVC lined set approx 4550'	4 1/2" Uni-I packer set approx. 4553'
Federal E #2 B Section 24-T8S-R37E 554' FWL & 1874' FEL Elevation 3987' GR	TA	315' 8 5/8" 24# in 11" hole cmt. w/200 sxs. Circ to surf. 4750' 4 1/2" in 7 7/8" hole cmt.w/275sxs TOC 3650' by calculation	3/31 69 4/21 69	4750' KB 4729	1 JSPP 4703,4705,4707,4709, 4711,4716,4717,4724,4725, 4729	Acidize w/3000 gal 15% DS-30	2 3/8" 4.7# J-55 PVC lined set approx 4550'	4 1/2" Uni-I packer set approx. 4553'
Roden Bluitt Federal #1 E Section 18-T8S-R38E 2086' FNL & 554' FWL Elevation 4004.5' GR	P	301' 8 5/8" 24# in 12 1/4" hole cmt w/200sxs Circ to surf. 4738' 5 1/2" 14# in 7 7/8" hole cmt. w/275 sxs. TOC above 4400' by calculation	1/17 69 2/24 69	4738' 4720' PRTD	Eleven perforations at selected intervals from 4697'-4717'	Acidize w/3500 gal 15% Hcl	2 3/8" 4.7# J-55 PVC lined set approx 4550'	5 1/2" Uni-I packer set approx. 4553'
Roden Bluitt Federal #2 D Section 19-T8S-R38E 660' FWL & 510' FNL Elevation 4010.2' GR	P	345' 8 5/8" 24# 12 1/4" hole cmt w/200sxs Circ to surf. 4770' 5 1/2" 14# 7 7/8" hole cmt w/275sxs TOC above 4400' by calculation	4/4 69 4/18 69	4770' PRTD 4739'	Eleven perforations at selected intervals from 4717'-4737'	Acidize w/1000 gal 15% Hcl	2 3/8" 4.7# J-55 PVC lined set approx 4550'	5 1/2" Uni-I packer set approx. 4553'

E

James H. Hamersley
Box 282A Snug Harbor Station
Duxbury, Massachusetts 02331
August 15, 1985

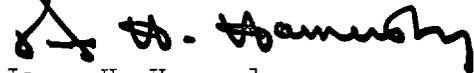
A.J. Murphy, Esq.
Chairman and Chief Executive Officer
Murphy Operating Corporation
United Bank Plaza, Suite 300
P.O. Box 2648
Roswell, New Mexico 88202-2648

Dear Ms. Murphy:

I have been away for extended periods this summer and I think the questionnaire referred to (dtd July 17) in your letter of 8/8/85 has been misplaced or lost. Perhaps I can save you the trouble of sending along another questionnaire by stating again (as I have in previous questionnaires) that I essentially go along with whatever Frank Baumgartner does as concerns USA #1 Well. I will tell you as I have said to Mr. Baumgartner that I hope USA #1 can be sold to your organization and that I don't wish to participate in the project.

Please send the questionnaire if necessary. I'll be at my home address through August 25th. I appologize for any inconvenience that I may have caused.

Truly yours,



James H. Hamersley

QUESTIONNAIRE

James H. Hamersley

1) Do you wish to proceed with the unitization of the proposed Bluit San Andres Unit?

Provisional upon cost and decision of Frank Baumgartner .

YES

NO

a) Assuming Ingram is in agreement, will you accept economic responsibility for a portion of the costs attributable to the Ingram unit interest in exchange for a return of your investment and interest plus a portion of the net operating profit interest?

I can't afford to pick up tab on Mr. Ingram's interest

YES

NO

b) Assuming Ingram will not agree to some negotiated net profits arrangement, do you agree to execute the unit documents and authorize Murphy Operating Corporation to undertake statutory unitization proceedings on behalf of and at the joint expense of the proposed Bluit San Andres Unit?

I really don't know what's implied by statutory proceedings.

YES

NO

c) Your comments or questions, if any (attach additional pages as necessary). Mr. Murphy - as stated in a previous letter I will take my cues in this matter from Frank Baumgartner and thusfar he's been in no rush to make a decision. Should Frank decide to go ahead but the expense of the project proves prohibitive to me - and I might add that I've seen no estimates - I would hope to transfer my interest to another party. Financially I'm not prepared to make much of a committment to this project. I am also interested in the tax implications.

2) If you do not intend to participate in the proposed unit, please outline below the terms of any offer you wish to make for transferring your interest to those wishing to go forward with the proposed unit and waterflood project.

As stated

3) If you do not wish to participate in the unit or to transfer your interest, what are your recommendations for the future disposition of the property as it approaches economic limit (i.e., continue current operations as long as possible, plug project, etc.)?

I will either participate or transfer my interest should the project move ahead.

Your prompt and complete replies to the above questions will be most appreciated. We will contact you with a proposal for going forward as soon as we have your response and know of Mr. Ingram's decision.

Please feel free to call me with any questions you may have.

Sincerely,

MURPHY OPERATING CORPORATION
Designated Unit Operator
Proposed Bluit San Andres Unit

A. J. Murphy

A. J. Murphy, Esq.
President

AJM/fnr

cc: T. Calder Ezzell, Jr., Esq.
Hinkle, Cox, Eaton, Coffield & Hensley
Post Office Box 10
Roswell, New Mexico 88202-0010

James H. Hamersley

017/037-1418

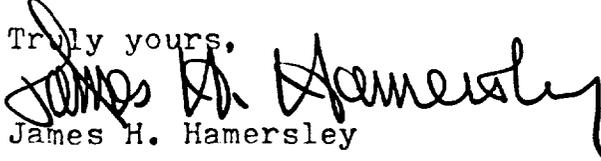
James H. Hamersley
Box 282A SHS
Duxbury, Ma 02331
2/11/84

A.J. Murphy
President
Murphy Operating Corporation
P.O. Box 2648
Roswell, N.M. 88201

Dear Mr. Murphy:

I am in receipt of your communications of 12/2/83 and 1/26/84.
I am awaiting word from Frank Baumgartner concerning your proposal as he knows a heck of a lot more about this matter than I do. Also - my dealings on USA 1 have all been with him.

Truly yours,


James H. Hamersley

ARTHUR F. KELLY
KIRKEBY CENTER
10889 WILSHIRE BOULEVARD, SUITE 1032
LOS ANGELES, CALIFORNIA 90024
(213) 208-6864

March 13, 1985

Dear Mr. Murphy:

I am forwarding your status report of the proposed Bluit San Andres Unit to Frank Baumgartner, the manager of our interest in this project. I have discussed this with Mr. Baumgartner and I have asked him to answer the questionnaire, which will represent our response to your letter.

Thank you for your interest in this project and you will be hearing from Mr. Baumgartner.

ARTHUR F. KELLY
KIRKEBY CENTER
10889 WILSHIRE BOULEVARD, SUITE 1032
LOS ANGELES, CALIFORNIA 90024
(213) 208-6864

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Thank you for your interest in this project and you will be hearing from Mr. Baumgartner.

Regards,



CHAIRMAN EMERITUS/CONSULTANT WESTERN AIRLINES, VICE-CHRM./DIRECTOR HOLLYWOOD PARK, INC.
DIRECTOR MGM/UA HOME ENTERTAINMENT, DIRECTOR FIREMAN'S FUND/AMERICAN EXPRESS

ARTHUR F. KELLY
KIRKEBY CENTER
10889 WILSHIRE BOULEVARD, SUITE 1032
LOS ANGELES, CALIFORNIA 90024
(213) 208-6864

June 27, 1984

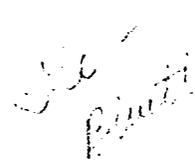
Dear Mr. Murphy:

Thank you very much for the water flooding information relating to the Baumgartner interests and as you know, he is the spokesman for our group on this development. With that thought in mind, I'm sending him the information with the request that he keep me informed on his advice to you and decision on this matter.

Regards,



cc: Frank Baumgartner



CHAIRMAN EMERITUS/CONSULTANT WESTERN AIRLINES, VICE-CHRM./DIRECTOR HOLLYWOOD PARK, INC.
DIRECTOR MGM/UA HOME ENTERTAINMENT, DIRECTOR FIREMAN'S FUND/AMERICAN EXPRESS



Western Airlines

February 8, 1984

Dear Frank,

I assume that you have received the Status Report on the water flooding that Murphy Oil is proposing.

By copy of this letter, I'm advising Mr. A.J. Murphy that you are our spokesman on this project and any instructions that you forward to them, I would appreciate being copied on.

Best regards,

cc: Mr. A.J. Murphy

Mr. Frank Baumgartner
5670 So. Syracuse Circle
Plaza West Suite 418
Englewood, CA 80111

Southworth & Co.



REALTOR
COMMERCIAL REAL ESTATE
SALES • LEASING • DEVELOPMENT
MANAGEMENT

July 30, 1984

MURPHY OPERATING CORPORATION
Attention: A. J. Murphy, Esq.
P. O. Drawer 2648
Roswell, New Mexico 88201

RE: Proposed Bluit San Andres Unit
Roosevelt County, New Mexico

Dear Ms. Murphy:

I have received your recent correspondence concerning the above and wish only to acknowledge that fact and further let you know that my interest in the future development of the subject will be directed by Mr. Frank W. Baumgartner.

I appreciate your keeping me informed as to your proposal.

Very truly yours,

Frank K. Southworth

:mh

cc: F. W. Baumgartner



5650

Suite 306 • 5600 So. Syracuse Circle • Englewood, Colorado 80110 • 303: 779-1263

F

EXPRESS MAIL
NEXT DAY SERVICE



POST OFFICE TO ADDRESSEE

B 80665093

ORIGIN	Date In _____	Postage \$ _____
Post Office ZIP Code _____	Time In _____ A.M. P.M.	Return Receipt Fee \$ _____
Initials of Receiving Clerk _____	Weight _____ lbs	Total Postage & Fees \$ _____

ACCEPTANCE

Accepted for next day delivery.

Accepted for this destination after deposit deadline for next day delivery, therefore, for delivery by second day.

Consult your local Express Mail Next Day Service directory for deposit deadlines for different destinations.



Service Guarantee:
Domestic mailings under this service made at designated USPS facilities on or before a specified deposit time will be accepted for express shipment to a designated USPS delivery area having Express Mail service for next day delivery to an addressee or agent on or before the time specified by the USPS at mailing. USPS will refund upon application to originating office the postage for any shipments mailed under this service and not meeting the service standard except for those delayed by strike or work stoppage. See chapter 2 of the Domestic Mail Manual for details.

Insurance Coverage:
See section 294 of the Domestic Mail Manual for exclusions of coverage.

(1) **Merchandise Insurance.** Merchandise is insured against loss, damage or rifling up to a maximum of \$500. Indemnity will not be paid for spoilage of perishable items.

(2) **Document Reconstruction Insurance.** Non-negotiable documents are insured against loss, damage or rifling up to \$50,000 per piece subject to a limit of \$500,000 per occurrence.

- Signature is required upon delivery.
- Claims for delay, loss, damage or rifling must be made within 90 days. Claim forms may be obtained at the post office of mailing.
- The Customer Receipt must be presented when a claim is filed.

Account Number (if any)

Express Mail Corporate Account No.: _____

Federal Agency Code: _____

FROM:



CUSTOMER RECEIPT

TO: _____

Telephone Number: _____

Label 11-B (8-84)

ILLEGIBLE

PS Form 3811, Dec. 1980

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● **SENDER:** Complete items 1, 2, 3, and 4. Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).

Show to whom and date delivered —¢

Show to whom, date, and address of delivery.. —¢

2. **RESTRICTED DELIVERY** —¢
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$ _____

3. **ARTICLE ADDRESSED TO:**
Mr. F. W. Baumgartner
c/o Mrs. Ana Rhodes
9785 Maroon Circle, Suite G-104
Englewood, Colorado 80112

4. **TYPE OF SERVICE:** REGISTERED INSURED CERTIFIED COD EXPRESS MAIL

ARTICLE NUMBER
B68615993

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent
V. Cummings

5. **DATE OF DELIVERY** 7/11/85 **POSTMARK**

6. **ADDRESSEE'S ADDRESS** (Only if requested)

7. **UNABLE TO DELIVER BECAUSE:**

7a. **EMPLOYEE'S INITIALS**
[Signature]

PS Form 3811, Dec. 1980

● **SENDER:** Complete items 1, 2, 3, and 4.
Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
- Show to whom and date delivered — 6
 - Show to whom, date, and address of delivery.. — 6
2. **RESTRICTED DELIVERY** — 6
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$ _____

3. **ARTICLE ADDRESSED TO:**
Mr James H. Hamersley
Box 282A SHS
Duxbury, Massachusetts 02331

4. **TYPE OF SERVICE:** **ARTICLE NUMBER**

REGISTERED INSURED *B3355-4666*

CERTIFIED COD

EXPRESS MAIL

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

J. Hamersley

5. **DATE OF DELIVERY** **POSTMARK**

6. **ADDRESSEE'S ADDRESS** (Only if requested)

7. **UNABLE TO DELIVER BECAUSE:** 7a. **EMPLOYEE'S INITIALS**

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

FROM:
 MURPHY OPERATING CORPORATION
 POST OFFICE BOX 2648
 ROSWELL, NEW MEXICO 88202-2648

Customer Number, if any:

TO:
 Mr. James H. Hamersley
 Box 282A SHS
 Duxbury, Massachusetts 02331

☆ U.S.G.P.O. 1984 — 440-389 Label 11B (1-84)

EXPRESS MAIL SERVICE **POST OFFICE TO ADDRESSEE**

B 33554666

ORIGIN:

Address of Receiving Clerk: *SHS*

P.O. ZIP Code: *88201*

Date in: *1/15 18:00*

Return Receipt (Add. Non-fee required) **When & How Del.** **To Whom, Date & Address of Del.**

Weight: *1 1/2 lbs*

Postage & Fees: \$ *11.45*

SERVICE GUARANTEE:
 Domestic mailings under this service made at designated USPS facilities on or before a specified deposit time will be accepted for express shipment to a designated USPS delivery area having Express Mail Service for next day delivery to an addressee or agent on or before the time specified by the USPS at mailing. USPS will refund upon application to originating office, the postage for any shipments mailed under this service and not meeting the service standard except for those delayed by strike or work stoppage. See USPS Notice 43 for details.

INSURANCE COVERAGE:
 See Sections 294 and 295 of the Domestic Mail Manual for exclusions of coverage.

(1) *Document Reconstruction Insurance:* Non-negotiable documents are insured against loss, damage, or rifling up to \$50,000 per piece, subject to a limit of \$500,000 per occurrence.

(2) *Merchandise Insurance:* Merchandise is insured against loss, damage, or rifling up to a maximum of \$500.

- Signature is required upon delivery.
- Claims for delay, loss, damage or rifling must be made within 90 days. Claim forms may be obtained at the post office of mailing.
- This receipt must be presented when a claim is filed.

EXPRESS MAIL SERVICE
Customer Receipt

PS Form 3811, Dec. 1980

● SENDER: Complete items 1, 2, 3, and 4.
Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one)

Show to whom and date delivered — 0

Show to whom, date, and address of delivery.. — 0

2. **RESTRICTED DELIVERY** — 0
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$ _____

3. **ARTICLE ADDRESSED TO:**
*Kelly Family Trust
c/o Mr. Arthur Kelly
10889 Wilshire Boulevard, Ste 1032
Los Angeles, California 90024*

4. **TYPE OF SERVICE:** **ARTICLE NUMBER**

REGISTERED INSURED

CERTIFIED COD

EXPRESS MAIL

B33554669

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

J Haack

5. **DATE OF DELIVERY** **POSTMARK**

11-19-85

6. **ADDRESSEE'S ADDRESS** (Only if requested)

7. **UNABLE TO DELIVER BECAUSE:** 7a. **EMPLOYEE'S INITIALS**

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

<p>FROM: MURPHY OPERATING CORPORATION Post Office Box 2648 Roswell, New Mexico 88202-2648</p>	<p>EXPRESS MAIL SERVICE POST OFFICE TO ADDRESSEE </p>
<p>Customer Number, if any:</p>	<p>33554669</p>
<p>TO: Kelly Family Trust c/o Mr. Arthur Kelly 10889 Wilshire Boulevard, Suite 1032 Los Angeles, California 90024</p>	<p>SERVICE GUARANTEE: Domestic mailings under this service made at designated USPS facilities on or before a specified deposit time will be accepted for express shipment to a designated USPS delivery area having Express Mail Service for next day delivery to an addressee or agent on or before the time specified by the USPS at mailing. USPS will refund upon application to originating office, the postage for any shipments mailed under this service and not meeting the service standard except for those delayed by strike or work stoppage. See USPS Notice 43 for details.</p> <p>INSURANCE COVERAGE: See Sections 294 and 295 of the Domestic Mail Manual for exclusions of coverage.</p> <p>(1) Document Reconstruction Insurance Non-negotiable documents are insured against loss, damage, or rifling up to \$50,000 per piece, subject to a limit of \$500,000 per occurrence.</p> <p>(2) Merchandise Insurance Merchandise is insured against loss, damage, or rifling up to a maximum of \$500.</p> <p>• Signature is required upon delivery. • Claims for delay, loss, damage or rifling must be made within 90 days. Claim forms may be obtained at the post office of mailing. • This receipt must be presented when a claim is filed.</p> <p>EXPRESS MAIL SERVICE Customer Receipt</p> <p>ORIGINATOR'S OFFICE: <i>88201</i></p> <p>POST OFFICE: <i>88201</i></p> <p>DATE: <i>11-15</i> (8:10)</p> <p>POSTAGE & FEES: <i>\$11.45</i></p>
<p>☆ U.S.G.P.O. 1984 — 440-389 Label 11B (1-84)</p>	

FROM: MURPHY OPERATING CORPORATION
Post Office Box 2648
Roswell, New Mexico 88202-2648

Customer Number, if any:

TO: Mr. Willis L. Sanburg
22156 Highway 550
Montrose, Colorado 81401

☆ U.S.G.P.O. 1984 — 440-389 Label 11B (1-84)

EXPRESS MAIL SERVICE POST OFFICE
NEXT DAY SERVICE TO ADDRESSEE



33554678

ORIGIN
Initials of Receiving Clerk <i>AS</i>
P.O. ZIP Code <i>88201</i>
Date in <i>11-15</i> <i>(18.00)</i>
Return Receipt Service (Additional fee required) <input checked="" type="checkbox"/> To Whom it May Concern <input type="checkbox"/> To Whom, Date & Address
Weight <i>1/2</i> lbs.
Postage & Fees <i>11.45</i>

SERVICE GUARANTEE:
Domestic mailings under this service made at designated USPS facilities on or before a specified deposit time will be accepted for express shipment to a designated USPS delivery area having Express Mail Service for next day delivery to an addressee or agent on or before the time specified by the USPS at mailing. USPS will refund upon application to originating office, the postage for any shipments mailed under this service and not meeting the service standard except for those delayed by strike or work stoppage. See USPS Notice 43 for details.

INSURANCE COVERAGE:
See Sections 294 and 295 of the Domestic Mail Manual for exclusions of coverage.
(1) *Document Reconstruction Insurance* Non-negotiable documents are insured against loss, damage, or rifting up to \$50,000 per piece, subject to a limit of \$500,000 per occurrence.
(2) *Merchandise Insurance* Merchandise is insured against loss, damage, or rifting up to a maximum of \$500.

- Signature is required upon delivery.
- Claims for delay, loss, damage or rifting must be made within 90 days. Claim forms may be obtained at the post office of mailing.
- This receipt must be presented when a claim is filed.

EXPRESS MAIL SERVICE
Customer Receipt

PS Form 3811, Dec. 1980

● **SENDER:** Complete items 1, 2, 3, and 4.
Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
- Show to whom and date delivered —¢
 - Show to whom, date, and address of delivery.. —¢
2. **RESTRICTED DELIVERY** —¢
(The restricted delivery fee is charged in addition to the return receipt fee.)
- TOTAL \$ _____

3. **ARTICLE ADDRESSED TO:**
Mr. Frank K. Southworth
5650 South Syracuse Circle
Suite 217
Englewood, Colorado 80111

4. **TYPE OF SERVICE:** **ARTICLE NUMBER**

REGISTERED INSURED
 CERTIFIED COD
 EXPRESS MAIL

833554679

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

FK Southworth

5. **DATE OF DELIVERY**

6. **ADDRESSEE'S ADDRESS** (Only if registered)



7. **UNABLE TO DELIVER BECAUSE:**

7a. **EMPLOYEE'S INITIALS**
AK

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

FROM:
MURPHY OPERATING CORPORATION
 Post Office Box 2648
 Roswell, New Mexico 88202-2648

Customer Number, if any:

TO:
Mr. Frank K. Southworth
 5650 South Syracuse Circle
 Suite 217
 Englewood, Colorado 80111

☆ U.S.G.P.O. 1984 — 440-389 Label 11B (1-84)

EXPRESS MAIL SERVICE **POST OFFICE TO ADDRESSEE**

333554679

SERVICE GUARANTEE:
 Domestic mailings under this service made at designated USPS facilities on or before a specified deposit time will be accepted for express shipment to a designated USPS delivery area having Express Mail Service for next day delivery to an addressee or agent on or before the time specified by the USPS at mailing. USPS will refund upon application to originating office, the postage for any shipments mailed under this service and not meeting the service standard except for those delayed by strike or work stoppage. See USPS Notice 43 for details.

INSURANCE COVERAGE:
 See Sections 294 and 295 of the Domestic Mail Manual for exclusions of coverage.
 (1) **Document Reconstruction Insurance:** Non-negotiable documents are insured against loss, damage or rifling up to \$50,000 per piece, subject to a limit of \$500,000 per occurrence.
 (2) **Merchandise Insurance:** Merchandise is insured against loss, damage or rifling up to a maximum of \$500.

• Signature is required upon delivery.
 • Claims for delay, loss, damage or rifling must be made within 90 days. Claim forms may be obtained at the post office of mailing.
 • This receipt must be presented when a claim is filed.

EXPRESS MAIL SERVICE
Customer Receipt

ORIGIN: *AS*
 ZIP: *88201*
 DATE: *11-15* (18:10)
 WEIGHT: *1/2*
 POSTAGE & FEES: *11.45*

PS Form 3811, Dec. 1980

● **SENDER:** Complete items 1, 2, 3, and 4.
Add your address in the "RETURN TO" space on reverse.

(CONSULT POSTMASTER FOR FEES)

1. The following service is requested (check one).
 Show to whom and date delivered —¢
 Show to whom, date, and address of delivery.. —¢

2. **RESTRICTED DELIVERY**
(The restricted delivery fee is charged in addition to the return receipt fee.)

TOTAL \$ _____

3. **ARTICLE ADDRESSED TO:**
Mr. Ralph H. Wiley
500 U. Korraine
Suite 1000 *79701*
Midland, Texas

4. **TYPE OF SERVICE:** **ARTICLE NUMBER**
 REGISTERED INSURED
 CERTIFIED COD
 EXPRESS MAIL *B60615996*

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

L. Rothfelder

5. **DATE OF DELIVERY** **POSTMARK**

6. **ADDRESSEE'S ADDRESS** (Only if requested)

7. **UNABLE TO DELIVER BECAUSE:** **7a. EMPLOYEE'S INITIALS**

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

ILLEGIBLE

EXPRESS MAIL
NEXT DAY SERVICE



POST OFFICE TO ADDRESSEE

B 60615996

ORIGIN	Date In: _____	Postage \$ _____
Post Office ZIP Code _____	Time In: _____ A.M. / _____ P.M.	Return Receipt Fee \$ _____
Initials of Receiving Clerk _____	Weight _____ lbs	Total Postage & Fees \$ _____

ACCEPTANCE
 Accepted for next day delivery.
 Accepted for this destination after deposit deadline for next day delivery; therefore, for delivery by second day.
Consult your local Express Mail Next Day Service factory for deposit deadlines for different destinations.



DESTINATION		
Date of Delivery _____	Time of Delivery _____	A.M. / P.M.
Initials of Delivery Employee _____		
Signature of Addressee or Agent: _____		
DELIVERY WAS ATTEMPTED		
Date: _____	Time: _____	A.M. / P.M.
Notice Left By: _____		

Account Number (if any)
 Express Mail Corporate Account No.: _____
 Federal Agency Code: _____

FROM:



FINANCE COPY

TO: _____

Telephone Number: _____



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

November 15, 1985

Ms. A. J. Murphy, Chairman and Chief Executive Officer
 Murphy Operating Corporation
 Post Office Box 2648
 Roswell, New Mexico 88202-2648

URGENT

HAND DELIVERED -- RECEIPT VERIFICATION REQUESTED
 URGENT TRANSMITTAL -- IMMEDIATE RESPONSE REQUESTED

each copy personalized

Re: Proposed Bluit San Andres Unit
 Roosevelt County, New Mexico
 Final Documentation
 REQUEST FOR RATIFICATION

Dear Ann:

As you may know, since 1979 the owners of working interests in leases within the designated unit area for the proposed Bluit San Andres Unit have attempted to complete negotiations and documentation required to initiate unit operations. After numerous delays and complex negotiations between the interest owners and with the various governmental agencies, we are very pleased to inform you that the unit documents are now in final form and are awaiting execution by all owners of interests within the unit area. Please be advised that a hearing before the New Mexico Oil Conservation Division (OCD) is scheduled for December 4th, 1985 in Santa Fe, New Mexico. At this hearing, we will request approval for the unit itself, approval for the proposed waterflood plan, and approval to unitize by statute (essentially "force pool") a certain group of small interests (the Baumgartner group comprising 2.5383% of the total unit interest) who after numerous discussions and correspondence have indicated that they will not voluntarily join the unit or farmout their interests, nor will they sell their interests at a price we deemed to represent fair market value. (The BLM has indicated that it will approve the unit subject to the statutory unitization of the Baumgartner group's interest.) Assuming that we have a prompt return of all of the ratification forms, we will also apply for final approval from the Bureau of Land Management (BLM) during the first week of December. With some luck, we will receive the necessary approvals from the OCD and the BLM sometime in December in time to meet our goal of initiating unit operations at 7 A.M. on January 1, 1986. As you can see, it is imperative that we receive your fully-executed ratification forms as soon as possible but in any event no later than November 29, 1985 to prepare the application to the BLM and for the OCD hearing.

We have enclosed herewith the following documents for your review and approval. With the exception of Exhibit "B" to the Unit Agreement, Exhibit "D" to the Unit Operating Agreement (both exhibits discussed below), typographical and other small corrections, the documents are identical to those previously circulated and approved by the working interest owners.

1. "Unit Agreement with Exhibits "A" and "B" attached (one copy enclosed for your file). Please note that Exhibit "A" has been corrected to show tract numbers which correctly correspond to Exhibit "B". Exhibit "B" has become a very complex and extensive document (24 pages) due to the following arrangements: (a) the decision by certain working interest owners (Ingram 15.3087% unit interest, Harvard 1.837051562%, Kaiser-Francis 1.433436%, Viney 2.107233333%) to farmout their interests to certain unit participants in

exchange for a 50% "back-in" after payout of 150% of costs; (b) the decision by Ingram and Dillard to participate in the unit but only to the extent of a fixed interest, 6.09350% and 2.107233333% respectively; (c) the condition of the BLM that we statutorily unitize the Baumgartner group's interest of 2.5383%; and (d) the previously existing obligation of Hanover, Harvard, Trinity and Murphy to carry the McClellan interest through payout of the waterflood project. As you have now surmised, the calculations were quite complicated and tedious but please be assured that they have been carefully checked by this office and by T. Calder Ezzell, Jr., our oil and gas title attorney with the law firm of Hinkle, Cox, Eaton, Coffield and Hensley. Revisions may be necessary as we continue to receive information on assignments and transfers not of record. Any such revisions will be promptly forwarded to you for substitution in this set of documents. I will be most happy to review these calculations with you should you so desire.

2. "Unit Operating Agreement with Exhibits "D", "E" and "F" (one copy enclosed). Exhibit "D" is a compilation of unit participation factors from Exhibit "B" and has been revised accordingly.

3. Ratification forms (six (6) copies of each applicable form with self-addressed stamped envelope enclosed for your immediate execution and return). It is necessary that we receive six (6) originally executed copies of each applicable ratification form for submittal to the appropriate agency. For example, if you are a Lessee of Record, a Working Interest Owner and an Overriding Royalty Interest (ORRI) Owner, two different formats are enclosed; one format for record title holders and a single format which covers both working interests and ORRIs. Please execute and return each set enclosed.

Again, I must emphasize to you the importance of your reply by November 29th, 1985. The field's primary reserves are very depleted and it becomes increasingly difficult to operate the leases economically. We must implement secondary recovery operations as soon as possible or begin to plug and abandon the field.

Thank you for your patience and continuing cooperation with the unitization effort. Please feel free to contact me should you have any questions.

Sincerely,

MURPHY OPERATING CORPORATION
Designated Unit Operator
for Proposed Bluit San Andres Unit



A. J. Murphy, Esq.
Chairman of the Board and
Chief Executive Officer

AJM:dk

Enclosures: Unit Agreement with
Exhibits "A" and "B"
Unit Operating Agreement with
Exhibits "D", "E", and "F"
Ratification Forms (six copies)



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

November 15, 1985

Ms. Ann J. Murphy, Esq.
Chairman and CEO
Murphy Operating Corporation
Post Office Box 2648
Roswell, New Mexico 88202-2648

HAND DELIVERED -- RECEIPT VERIFICATION REQUESTED
URGENT TRANSMITTAL -- IMMEDIATE RESPONSE REQUESTED

Re: Proposed Bluitt San Andres Unit
Roosevelt County, New Mexico
Final Documentation
REQUEST FOR RATIFICATION

Dear Ann:

each copy personalized

Our records indicate that you (or your company) hold or control an overriding royalty interest (ORRI) and/or a record title interest within the designated unit area for the proposed Bluitt San Andres Unit and therefore your ratification of certain unit documents is necessary to complete the documentation process for the unit. As you may know, since 1979 the owners of working interests in leases within the unit area have attempted to complete negotiations and documentation required to initiate unit operations. After numerous delays and complex negotiations between the interest owners and with the various governmental agencies, we are very pleased to inform you that the unit documents are now in final form and are awaiting execution by all owners of interests within the unit area. The leases within the unit area are essentially depleted of primary reserves and, thus, it becomes increasingly difficult to maintain economic operations. Secondary recovery operations must be implemented as soon as possible or it will become necessary to plug and abandon the field. A plan for a pilot water flood project has been approved by a majority of the working interest owners and development of this pilot should commence in the summer of 1986. Assuming that the pilot project is successful, an engineering study (Stephens Engineering report, "Supplemental Water Flood Survey," September 1, 1983) indicates that as much as 1,699,181 barrels of additional oil may be recovered through a full-scale water flood program. It is believed that the water flood program should increase production for the leases within the unit area and will be implemented by the working interest owners at no cost to the owners of overriding royalty interests and/or record title interests.

By copy of this letter, Murphy Operating Corporation, as the designated unit operator for the Bluitt San Andres Unit, requests that the owners of ORRIs and/or record title interests ratify the Unit Agreement. The owners of ORRIs who join the unit will share in production from the entire unit area in an interest equal to their original ORRI reduced by the participation interest assigned to each of the unit's tracts by engineering analysis (refer to Exhibit "B" of enclosed Unit Agreement for ownership and tract participation factors). In other words, by joining the unit, an ORRI owner will share in production from the unit as a whole regardless of whether the lease under which it currently owns an interest continues to produce. The Bureau of Land Management (BLM) requires that the owners of record title interests ("lessees of record") be asked to join the unit to complete the formal documentation process but such owners do not share in unit production except through another form of ownership such as a working interest or ORRI.

Please be advised that a hearing before the New Mexico Oil Conservation Division (OCD) is scheduled for December 4th, 1985 in Santa Fe, New Mexico. At this hearing, we will request approval for the unit itself, approval for the proposed waterflood plan, and approval to unitize by statute a certain group of small interests. Assuming that we have a prompt return of all of the ratification forms, we will also apply for final approval from the (BLM) during the first week of December. With some luck, we will receive the necessary approvals from the OCD and the BLM sometime in December in time to meet our goal of initiating unit operations at 7 A.M. on January 1, 1986. As you can see, it is imperative that we receive your fully-executed ratification forms as soon as possible but in any event no later than November 29, 1985 to prepare the application to the BLM and for the OCD hearing.

We have enclosed herewith the following documents for your review and approval:

1. "Unit Agreement with Exhibits "A" and "B" attached (one copy enclosed for your file). Please note that Exhibit "B" to this unit agreement lists the percentage of unit participation by tract applicable to each overriding royalty owner and/or lessee of record who ratifies the agreement. This exhibit is being revised as we receive information on assignments and transfers made subsequent to previous revisions. It may be necessary to locate your interest by tract description rather than by name until we have been informed of new assignments and have received proper documentation.

2. Ratification forms (six (6) copies of each applicable form with self-addressed stamped enclosed for your immediate execution and return). It is necessary that we receive six (6) originally executed copies of each applicable ratification form for submittal to the appropriate agency. For example, if you are a lessee of record and an overriding royalty interest (ORRI) owner, two different formats are enclosed; one format for record title holders and a single format which covers both working interests and ORRIs. Please execute and return each set enclosed.

Again, I must emphasize to you the importance of your reply by November 29, 1985. A secondary recovery program must be implemented as soon as possible or the leases will not continue to be perpetuated by economic production.

Thank you for your cooperation with the unitization effort. Please feel free to contact me should you have any questions.

MURPHY OPERATING CORPORATION
Designated Unit Operator
for the Proposed Bluit San Andres Unit



A. J. Murphy, Esq.
Chairman of the Board and
Chief Executive Officer

AJM:ljw

Enclosures: Unit Agreement with
Exhibits "A" and "B"
Ratification Forms (six copies)