LAW OFFICES

LOSEE & CARSON, P. A.

A. J. LOSEE

JOEL M. CARSON

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JAMES E. HAAS

ERNEST L. CARROLL

300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88211-0239

AREA CODE 505 746-3508 TELECOPY 746-6316

March 18, 1988

Mr. David Catanach, Examiner New Mexico Oil Conservation Division P. O. Box 2088 Santa Fe, NM 87501

> RE: Application for Unorthodox Oil Well Location - Metex Pipe & Supply - Case No. 9322

Dear Mr. Catanach:

Pursuant to the testimony presented to you on March 16, 1988, please find enclosed herein originals of Waivers of Objection to Unorthodox Location from BTA Oil Producers and Marks & Garner Production Company for inclusion in the captioned case file. Additionally, for your information, we are enclosing a copy of the executed Agreement between Marks & Garner Production Company and Metex Pipe & Supply Company, wherein Marks & Garner has assigned to Metex all of its operating rights for those depths from the surface to 5,200 feet as to the off-set acreage in the S/2 SE/4 of Section 13, T-21-S, R-34-E. The Agreement was recorded in the records of Lea County on March 17, 1988. If you have any questions or comments concerning any of the enclosures, please call. Thank you very much.

Respectfully yours,

LOSEE, CARSON, HAAS & CARROLL, P.A.

Janus Haas

JEH/fel Enclosures

cc: Martin Muncy Raymond Lamb

DEFORF THE OIL CONSERVATION DIVISION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF	:		
METEX FIRE & SUPPLY FOR AN UNORTHODOX	:		
OIL WELL LOCATION, LEA COUNTY,	:	CASE NO.	
NEW MEXICO	:		
	:		

WAIVER OBJECTION TO UNORTHODOX LOCATION

The undersigned operator of a spacing unit offsetting the NW/4 NE/4 Section 24, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico, upon which Metex Pipe & Supply proposes to drill its State "P" No. 3 well, to a depth sufficient to test the Yates-Seven Rivers formation at an unorthodox location 1,520 feet from the east line and 100 feet from the north line of said Section 24, does hereby waive all objections to the said unorthodox location and consent to the drilling of the well at said unorthodox location.

DATED this Junuary 27, 1988.

BTA OIL PRODUCERS

By: Stire Balmon

BEFORE THE OIL CONSERVATION DIVISION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF	:		
METEX PIPE & SUPPLY FOR AN UNORTHODOX	:	CASE NO.	
OIL WELL LOCATION, LEA COUNTY, NEW	:		
MEXICO	:		
	:		

WAIVER OBJECTION TO UNORTHODOX LOCATION

The undersigned operation of a spacing unit offsetting the NW/4 NE/4 Section 24, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico, upon which Metex Pipe & Supply proposes to drill its State "P" No. 3 well, to a depth sufficient to test the Yates-Seven Rivers formation at an unorthodox location 1,520 feet from the east line and 100 feet from the north line of said Section 24, does hereby waive all objections to the said unorthodox location and consent to the drilling of the well at said unorthodox location.

DATED this 3-17, 1988.

MARKS & GARNER PRODUCTION COMPANY

By: Euro Polimelle

BEFORE THE OIL CONSERVATION DIVISION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF	:		
METEX PIPE & SUPPLY FOR AN UNORTHODOX	:		
CIL WELL LOCATION, LEA COUNTY,	:	CASE NO.	
NEW MEXICO	:		
	:		

WAIVER OBJECTION TO UNORTHODOX LOCATION

The undersigned operator of a spacing unit offsetting the NW/4 NE/4 Section 24, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico, upon which Metex Pipe & Supply proposes to drill its State "P" No. 3 well, to a depth sufficient to test the Yates-Seven Rivers formation at an unorthodox location 1,520 feet from the east line and 100 feet from the north line of said Section 24, does hereby waive all objections to the said unorthodox location and consent to the drilling of the well at said unorthodox location.

DATED this Junuary 77, 1988.

BTA OIL PRODUCERS

By: Stire Balmon

BEFORE THE OIL CONSERVATION DIVISION OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF METEX PIPE & SUPPLY FOR AN UNORTHODOX OIL WELL LOCATION, LEA COUNTY, NEW MEXICO	:	CASE NO.	
MEXICO	:		

WAIVER OBJECTION TO UNORTHODOX LOCATION

The undersigned operation of a spacing unit offsetting the NW/4 NE/4 Section 24, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico, upon which Metex Pipe & Supply proposes to drill its State "P" No. 3 well, to a depth sufficient to test the Yates-Seven Rivers formation at an unorthodox location 1,520 feet from the east line and 100 feet from the north line of said Section 24, does hereby waive all objections to the said unorthodox location and consent to the drilling of the well at said unorthodox location.

DATED this 3-17, 1988.

MARKS & GARNER PRODUCTION COMPANY

By: Euro f. lumber

AGREEMENT

THIS AGREEMENT, between MARKS AND GARNER PRODUCTION COMPANY, a partnership, P. O. Box 655, Lovington, New Mexico 88260, hereinafter referred to as "Assignor," and MARTIN MUNCY, D/B/A METEX PIPE & SUPPLY, P. O. Box 1037, Artesia, New Mexico 88210, hereinafter referred to as "Assignee,"

WITNESSETH:

That, under even date herewith, Assignor has executed and delivered unto Assignee an assignment on the form approved by the Commissioner of Public Lands of the State of New Mexico, conveying that certain oil and gas lease made on December 10, 1936, between the State of New Mexico and Francis C. Wilson, bearing State Lease No. B-6807, insofar as the lease covers the following lands ("Said Lands") in Lea County, New Mexico:

Township 21 South, Range 34 East, N.M.P.M.

Section 13: S/2 SE/4

containing 80 acres, more or less.

The complete agreement of the parties could not be set forth in the form of assignment approved by the Commissioner of Public Lands of the State of New Mexico, and the parties now desire to evidence such agreement upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the sum of One Dollar in hand paid from each party to the other party hereto, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

- 1. Assignor hereby excepts and reserves an overriding royalty of 4% of the proceeds received from the sale of all (8/8ths) of the oil and gas which may be produced, saved and marketed only from the surface down to 5,200 feet underlying Said Lands under the terms of the lease or any extensions or renewals thereof. The overriding royalty shall be computed and paid at the same time and in the same manner as royalties payable to the lessor under the terms of the lease are computed and paid, and Assignor shall be responsible for Assignor's proportionate part of all taxes and assessments levied upon or against or measured by the production of oil and gas therefrom. The overriding royalty shall be the total overriding royalty for which Assignee shall be obligated and shall include all existing overriding royalties and obligations payable out of production from Said Lands. No change in the ownership of the overriding royalty shall be binding upon Assignee until such time as Assignee shall have been furnished with either the original, a certified copy or an acceptable reproduction copy of the recorded instrument or instruments effecting the change in ownership.
- 2. Assignor excepts and reserves the oil and gas operating and leasehold interest rights as to all formations lying 5,200 feet or more below the surface of Said Lands, together with the right of ingress and egress for the purpose of exploring, developing and operating for oil and gas as to all formations lying 5,200 feet or more below the surface of Said Lands.
- 3. Assignor presently operates its well No. 8 located 2,310 feet from the east and 990 feet from the south line of said Section 13. Assignor excepts and reserves from the assignment

and this agreement, said Well No. 8 together with all equipment located thereon and used or obtained for the production therefrom and also together with the right to produce from said well 15/80 of the oil allowable assigned to the SW/4 SE/4 of said Section 13. Assignee shall have the right to produce from any wells located on the said SW/4 SE/4 Section 13, 65/80 of the oil allowable assigned to said proration unit, but in any event not less than 65 barrels of oil per day. Upon abandonment of well No. 8 Assignor shall plug and abandon the well in accordance with all applicable rules and regulations, and Assignor agrees to indemnify and hold Assignee harmless from any such plugging obligations.

- 4. Ernest L. Marks and Valkyrie Marks, his wife, and James H. Garner, Jr. and Belinda Garner, his wife, join in the execution of this agreement for the purpose of removing any question as to the interest of the individual partners and their wives in Said Lands which may have been created by Mortgage dated March 3, 1986, recorded Book 2, Page 6055, Miscellaneous Records of the State Land Office, and Book 480, Page 148 of the Mortgage Records of Lea County, in favor of United Bank of Lea County, and do hereby quitclaim unto Assignee all of their right, title and interest in and to Said Lands, excepting the overriding royalty reserved in ¶ 1 hereof, and the deep operating rights and leasehold interest reserved in ¶ 2 hereof.
- 5. This agreement shall be construed as a covenant running with said lands, and as such shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties hereto.

EXECUTED on the 1th day of	<u>Mach</u> , 1988.
MADUC NOT	GARNER PRODUCTION COMPANY
MARAS AND	GARNER PRODUCTION COMPANY
Ву: 2	auns to bull
	st L. Marks, individually
and a	as partner /
By: Allu	in Atternich.
	H. Garner, Jr.,
indiv	vidually, and as partner
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Valky#ie N	Marks
Dal	indHat Munon
Belinda Ga	arner

Pipe & Supply

Martin Muncy, d/b/a Metex

STATE OF NEW MEXICO) : ss.
COUNTY OF LEA)

The foregoing instrument was acknowledged before me this day of wow, 1988, by ERNEST L. MARKS and JAMES H. GARNER JR., partners of MARKS AND GARNER PRODUCTION COMPANY, a partnership.

My commission expires:

Notary Public

STATE OF NEW MEXICO) : ss.
COUNTY OF LEA)
The foregoing instrument was acknowledged before me this the day of March, 1988, by ERNEST L. MARKS and VALKYRIE MARKS, his wife, and JAMES H. GARNER JR. and BELINDA GARNER, his wife.
My commission expires: October 14, 1990 Notary Public
STATE OF NEW MEXICO)
COUNTY OF EDDY)
The foregoing instrument was acknowledged before me this day of, 1988, by MARTIN MUNCY, D/B/A METEX PIPE & SUPPLY.
My commission expires:

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