



9738

OIL CONSERVATION DIVISION
RECEIVEDState of New Mexico
Commissioner of Public Lands

'95 DEC 4 AM 8 52

RAY POWELL, M.S., D.V.M.
COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

November 30, 1995

Secondary Oil Corporation, Inc.
110 Avenue H, Suite 208
Marble Falls, Texas 78654

Attn: Land Department

Re: Resignation/Designation of Successor Unit Operator
Cato San Andres Unit, Chaves County, New Mexico


Gentlemen:

The Oil, Gas & Minerals Division received a resignation/designation of successor unit operator, wherein Kelt Oil and Gas, Inc. resigned as unit operator of the Cato San Andres Pool Unit, and designated Secondary Oil Corporation, Inc. as the successor unit operator.

The Commissioner of Public Lands has this date approved the resignation/designation described herein. This change in operators is effective November 1, 1995. In accordance with this approval, Secondary Oil Corporation, Inc. is now responsible for all operations and the reporting of all production from the unit. Our approval is subject to like approval by the Bureau of Land Management.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDSBY: 
LARRY KEHOE, Director
Oil, Gas & Minerals Division
(505) 827-5744

RP/LK/mt

Enclosure

xc: Reader File
Kelt Oil and Gas, Inc.OCD-Roy Johnson
TRD

BLM-Roswell

TELEPHONE 625-2021
AREA CODE 505

SIM B. CHRISTY IV
ROBERT MATTHEW BRISTOL

CHRISTY LAW OFFICES
920 UNITED BANK PLAZA
P. O. BOX 569
ROSWELL, NEW MEXICO 88202-0569

OIL CONSERVATION DIVISION
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'89 DEC 14 AM 9:13
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AREA CODE 505

December 11, 1989

Floyd O. Prondo, Director
Oil and Gas Division
Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87504-1148

Case 9738

Die

Re: Cato San Andres Unit
Chaves County, N.M.

Gentlemen:

Thank you for your letter of November 30, 1989 approving the captioned Unit Agreement as of December 1, 1989.

Pursuant to your request, we enclose herewith:

1. Additional filing fee in the amount of \$240.00.
2. Executed counterpart of Unit Agreement.
3. Executed counterpart of Unit Operating Agreement.
4. Unit Well Name Designations.

You also requested an Initial Plan of Operations, which will be furnished to you within 30 days from November 30, 1989.

We thank the Commissioner for his approval of the Unit Agreement, and please be advised that the Commissioner's approval has been recorded in the office of the Chaves County Clerk, N.M.

Respectfully,

CHRISTY LAW OFFICES

By 
S. B. Christy IV

SBC/ct

cc: OCD
BLM (Roswell)
Kelt (Roswell)
Kelt (Houston)

TELEPHONE 625-2021
AREA CODE 505

CHRISTY LAW OFFICES
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OIL CONSERVATION DIVISION
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AREA CODE 505

SIM B. CHRISTY IV
ROBERT MATTHEW BRISTOL

December 4, 1989

*Case File
9738*

Jeff Goodrich
Kelt Oil & Gas, Inc.
363 N. Belt, Suite 1000
Houston, Texas 77060

Re: Cato San Andres Unit

Dear Jeff:

Please be advised that the Unit Agreement for the development and operation of the Cato Unit, Chaves County, New Mexico, dated May 1, 1989, was recorded in the office of the Chaves County Clerk, New Mexico November 30, 1989, Book 70 at page 794; attached to the recorded copy were Exhibits "A", "B" and "C" and the BLM Certification-Determination.

The Unit Agreement is effective 7:00 a.m., local time, December 1, 1989.

Respectfully,

CHRISTY LAW OFFICES

By

S. B. Christy IV
S. B. Christy IV

SBC/ct

cc: Bureau of Land Management
Commissioner of Public Lands
Oil Conservation Division
Kelt (Roswell)

(Cato San Andres Unit)

October 15, 1993

EXHIBIT "A" TO
NOTICE OF RATIFICATIONS OF UNIT
AGREEMENT AND UNIT OPERATING AGREEMENT

Abo Petroleum Corp.
Aston, Rogers and Mary Ellen Aston, his wife
Avery, Rosemary T. and Herbert R. Avery, her husband
Baskett, Daphne Cato
Berry, Buford Preston
Berry, Jane Cato and Buford P. Berry, her husband
Blanco Company
Blewett, Barbara, Trust
Brown, Hubert L., Jr.
Burkstaller, Damon C.
Burkstaller, Douglas B.
Burkstaller, Roberta C. and Herman F. Burkstaller, her husband
Caspem Oil, Inc. (Formerly Summit Energy, Inc.)
Cato, Lorene H., Estate
Coll, Charles H.
Coll, James N.
Coll, Jon F.
Coll, Max W., II
Conley, George E.
Corder, H. R. and Mary Allen Corder, his wife
Crist, Jay K. and Margaret A. Crist, his wife
Crosby, Barbara J.
Crosby, Robert A., Jr.
Cruz, Judith, Trust
Culver, A. M., Company
Davis, John Carter
Deans, A. J.
Donnell, John David
Donnell, Kitty Gene Ellis
Donnell, William Robert, IV
Explorers Petroleum Corp.
FirstBank Truth or Consequences, New Mexico (Formerly Western Bank)
Fischer, Robert E. and Johana
Guy, James E.
Hackathorn, Ruth Irene by Power-of-Attorney in Beth Hackathorn Gallegos
Harris, Lawrence C. and Marion V.
Haynie, Robert L. and Sue H. Haynie, his wife
Hays, Joseph M. and Diana G. Hays, his wife
HEYCO Employees, Ltd.
Hodges, Margaret M.
Howard, Sedgwick
Hudson, Edward R., Jr. and Ann F. Hudson, his wife
Hughes, Mary K. and Stephen F. Hughes, her husband
Kelt New Mexico, Inc.
Lee, John W.
LeMaire, Juanita
Lockett, Paul H., III
Lynch, Laura Lynn Berry and Peter F. Lynch, her husband
Marshall & Winston, Inc.
Marshall, Richard Quinton
Mayer, Len
McCarthy, Virginia Crosby
McDowell, Effie Jane Crosby
McGrail, M. H., Estate
Miller, Dorothy and Horace Miller, her husband
Mobil Producing Texas & New Mexico, Inc.

Mooney, Jennie C., Estate
Moscoe, Ellis Anne Donnell (Formerly Ellis Anne Scheiber)
Myco Industries, Inc.
Newberry, W. B. and Suzanne G. Newberry, his wife
O'Neill Producing Corp.
O'Neill Royalty Properties
Pacific Enterprises Royalty Co. for Sabine Royalty Trust
Perryman, Leta
Phillips, Pierre D., Trust #1
Phillips, Revelle Davis by Attorney-in-Fact D. Michael Phillips
Phillips, Wilma M.
Powell, John H.
Quanico Oil & Gas, Inc.
Queen, Violet C.
Revdon Trust
Scherer, John E. and Mary Lou Scherer, his wife
Spiral, Inc.
Stephens, Tom P.
Tillett, Martha Alice Chiles
Tyson, Gertrude Olinger
Tyson, Jont
Tyson, Peter, Estate
Walker, C. Daniel and Jo Ann Walker, his wife
Wiet, J. Don, Estate
Williams, Thelma Amble
Wilson, Carrie, Trust
Wilson, John, Trust
Wilson, Valerie, Trust
Winkler, Bettylee N.
Winston Partners Ltd.
Wolf, Elaine and Melvin Wolf, her husband (Formerly ABKO, Inc.)
Wolf, Erving
Wolf, Marvin and Judith Wolf, his wife
Wolf, Melvin and Elaine Wolf, his wife
Yates Drilling Co.
Yates Petroleum Corp.
Yates, Harvey E., Co.

OIL CONSERVATION DIVISION
RECEIVED

CHRISTY LAW OFFICES

920 UNITED BANK PLAZA
P. O. BOX 569
ROSWELL, NEW MEXICO 88202-0569

TELEPHONE 625-2021
AREA CODE 505

SIM B. CHRISTY IV
ROBERT MATTHEW BRISTOL

OMNIFAX
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189 DEC 4 AM 9 22

December 1, 1989

*DC Case File 9738
Catanach*

Chaves County Clerk
P. O. Box 580
Roswell, New Mexico 88202

Re: Cato San Andres Unit

Dear Madam:

For due recording in your office we enclose herewith Notice of Ratifications of Unit Agreement and Unit Operating Agreement together with attached Exhibit "A". Further enclosed is recording fee in the amount of \$9.00 and we would appreciate it if you would record the instrument in your office and return it to us for further handling.

Best personal regards,

CHRISTY LAW OFFICES

By

S. B. Christy IV
S. B. Christy IV

SBC/ct
Enclosure

cc together with cc
of Notice and Exhibit:

Kelt (Houston)
Kelt (Roswell)
Oil Conservation Division ✓
Commissioner of Public Lands
Bureau of Land Management

OIL CONSERVATION DIVISION
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ROBERT MATTHEW BRISTOL

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November 29, 1989

*DLC
Case File
9738*

Mr. David Catanache
N.M. Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87503

Mr. William R. Humphries
Commissioner of Public Lands
State Land Office Building
Santa Fe, NM 87503

Re: Cato San Andres Unit
Chaves County, N.M.

Gentlemen:

Please be advised that the BLM has approved the Cato Unit Agreement and has assigned it No. NMNM 82050, effective December 1, 1989.

A copy of the Certification-Determination is enclosed herewith to each of you.

Respectfully,

CHRISTY LAW OFFICES

By

S. B. Christy IV
S. B. Christy IV

SBC/jy
Encl.

cc: Kelt (Houston)
cc: Kelt (Roswell)
cc: BLM (Roswell)



United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Roswell District Office
P.O. Box 1397
Roswell, New Mexico 88202-1397



IN REPLY
REFER TO:

NMNM 82050
3180 (065)

NOV 27 1989

Christy Law Offices
Attention: Sim B. Christy IV
P. O. Box 569
Roswell, NM 88202-0569

Gentlemen:

One approved copy of the Cato Unit Agreement, Chaves County, New Mexico, filed on behalf of Kelt Oil & Gas, Incorporated, is enclosed. Such agreement has been assigned No. NMNM 82050 and is effective December 1, 1989, the first day of the Calendar month next following this approval.

Sincerely,

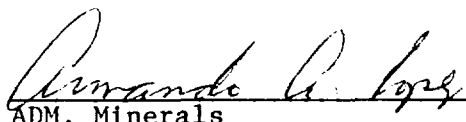
for Joe G. Lara
Assistant District Manager,
Minerals

1 Enclosure

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C., secs. 181, et seq., and delegated to the District Manager, Bureau of Land Management, I do hereby:

- A. Approve the attached agreement for the development and operation of the Cato unit area, State of New Mexico.
- B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.
- C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.


ADM, Minerals
Bureau of Land Management

4/27/89
Date

NMNM 82050
Contract No.

CHRISTY LAW OFFICES

920 UNITED BANK PLAZA

P. O. BOX 569

ROSWELL, NEW MEXICO 88202-0569

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SIM B. CHRISTY IV
ROBERT MATTHEW BRISTOL

November 17, 1989

*see file
9738*

Ms. Margie Delgado
Bureau of Land Management
P. O. Box 1397
Roswell, New Mexico 88202

Re: Cato San Andres Unit

Dear Ms. Delgado:

Pursuant to your request we enclose herewith in triplicate Kelt's list of former well names, location, and unit well number assigned; by carbon copy hereof we are furnishing a true copy of the enclosure to the OCD and the Commissioner of Public Lands.

Respectfully,

CHRISTY LAW OFFICES

By

[Signature]
S. B. Christy IV

SBC/ct

cc: New Mexico Oil Conservation Division
Commissioner of Public Lands
Kelt (Roswell)
Kelt (Houston)

OIL CONSERVATION DIVISION
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SIM B. CHRISTY IV
ROBERT MATTHEW BRISTOL

89 NOV 16 AM 9 03

November 15, 1989

Ms. Margie Delgado
Bureau of Land Management
P. O. Box 1397
Roswell, New Mexico 88201

Mr. David Catanache
N.M. Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87503

Mr. William R. Humphries
Commissioner of Public Lands
State Land Office Building
Santa Fe, New Mexico 87503

*CASE FILE
9738*

Re: Cato San Andres Unit
Chaves County, N.M.

Gentlemen:

BLM has called my attention to a typographical error at page 23 of the Unit Agreement, in that it shows an automatic termination date of June 30, 1989 which should be December 31, 1989.

We have therefore prepared and enclose herewith to each of you multiple counterparts of substitute page 23 to correct the typographical error.

Respectfully,

CHRISTY LAW OFFICES

By

S. B. Christy IV
S. B. Christy IV

SBC/ct
Enclosure

cc: Kelt (Houston)
Kelt (Roswell)

the date of execution or ratification by such party and shall become effective on the first day of the calendar month next following the approval of this Agreement by the A.O., the Land Commissioner and the Commission.

If this Agreement does not become effective on or before December 31, 1989, it shall ipso facto expire on said date (hereinafter called "Expiration Date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined Participation of at least seventy-five percent (75%); and at least seventy-five percent (75%) of such Working Interest Owners committed to this Agreement have decided to extend the Expiration Date for a period not to exceed one (1) year (hereinafter called "Extended Expiration Date"). If the Expiration Date is so extended and this Agreement does not become effective on or before the Extended Expiration Date, it shall ipso facto expire on the Extended Expiration Date and thereafter be of no further force and effect.

The Unit Operator shall file for record within thirty (30) days after the Effective Date of this Agreement, in the office of the County Clerk of Chaves County, New Mexico, where a counterpart of this Agreement has become effective according to its terms and stating further the effective date.

The terms of this Agreement shall be for and during the time that Unitized Substances are produced from the unitized land and so long thereafter as drilling, reworking or other operations so long thereafter as drilling, reworking or other operations (including improved recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days unless sooner terminated as herein provided.

This Agreement may be terminated with the approval of the Land Commissioner and the A.O. by Working Interest Owners owning eighty percent (80%) of the Unit Participation then in effect whenever such Working Interest Owners determine that Unit Operations are no longer profitable, or in the interest of conservation. Upon approval, such termination shall be effective as of the first day of the month after said Working Interest Owners' determination. Notice of any such termination shall be filed by Unit Operator in the office of the County Clerk of Chaves County, New Mexico, within thirty (30) days of the effective date of termination.

Upon termination of this Agreement, the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts just as if this Agreement had never been entered into.

Notwithstanding any other provision in the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six months after termination of this Agreement

the date of execution or ratification by such party and shall become effective on the first day of the calendar month next following the approval of this Agreement by the A.O., the Land Commissioner and the Commission.

If this Agreement does not become effective on or before December 31, 1989, it shall ipso facto expire on said date (hereinafter called "Expiration Date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined Participation of at least seventy-five percent (75%); and at least seventy-five percent (75%) of such Working Interest Owners committed to this Agreement have decided to extend the Expiration Date for a period not to exceed one (1) year (hereinafter called "Extended Expiration Date"). If the Expiration Date is so extended and this Agreement does not become effective on or before the Extended Expiration Date, it shall ipso facto expire on the Extended Expiration Date and thereafter be of no further force and effect.

The Unit Operator shall file for record within thirty (30) days after the Effective Date of this Agreement, in the office of the County Clerk of Chaves County, New Mexico, where a counterpart of this Agreement has become effective according to its terms and stating further the effective date.

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Upon termination of this Agreement, the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts just as if this Agreement had never been entered into.

Notwithstanding any other provision in the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six months after termination of this Agreement

TELEPHONE 625-2021
AREA CODE 505

SIM B. CHRISTY IV
ROBERT MATTHEW BRISTOL

CHRISTY LAW OFFICES
920 UNITED BANK PLAZA
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ROSWELL, NEW MEXICO 88202-0569

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November 6, 1989

The Honorable W. R. Humphries
Commissioner of Public Lands
State Land Office Building
Santa Fe, New Mexico 87503

Re: Cato (San Andres) Unit

Dear Commissioner:

Your files will reflect that you have previously approved the Application of Kelt Oil & Gas, Inc. for unitization of the Cato San Andres Pool in Chaves County, New Mexico, subject to like approval by the OCD and final approval by the BLM.

For your files we enclose herewith:

1. One fully executed counterpart of the Unit Agreement and the Unit Operating Agreement as signed in behalf of Kelt.
2. One counterpart of all Ratifications of the Unit as received by Kelt as of this date.
3. One counterpart of OCD's Order R-9028, entered in Case 9738 on October 30, 1989, approving statutory unitization.
4. One counterpart of OCD's Order R-9029, entered in Case 9739 on October 30, 1989, authorizing waterflood project in the Cato San Andres Unit area.

We would therefore now appreciate it if you would consider entering a formal Order and/or letter authority for Kelt to proceed in its unitization and waterflood operations; your assistance is appreciated.

Respectfully,

CHRISTY LAW OFFICES

By


S. B. Christy IV

SBC/ct

cc: Bureau of Land Management
New Mexico Oil Conservation Division
Kelt (Roswell)
Kelt (Houston)

CHRISTY LAW OFFICES

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P. O. BOX 569
ROSWELL, NEW MEXICO 88202-0569

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SIM B. CHRISTY IV
ROBERT MATTHEW BRISTOL

November 6, 1989

Bureau of Land Management
P. O. Box 1397
Roswell, New Mexico 88202

Attention: Joe G. Lara,
Assistant District Manager, Minerals

Re: Cato San Andres Unit
3180 (065)
Chaves County, N.M.

Gentlemen:

Reference is made to your letter of April 14, 1989 granting preliminary approval to the captioned.

Pursuant to your telephone instructions of November 2, 1989, we submit herewith, for consideration of final approval of the Unit, the following:

1. Three executed counterparts of the Unit Agreement.
2. Two executed counterparts of the Unit Operating Agreement.
3. In triplicate, Ratifications of the Unit/Unit Operating Agreement.
4. One executed counterpart of OCD's approval of statutory unitization for the Cato Unit in Case 9738, Order R-9028.
5. Approval of waterflood operations in the captioned Unit by the OCD in Case 9739, Order R-9029.

We thank you in advance to consider final approval of the captioned Unit and advise by decision. As soon as the Commissioner of Public Lands and yourself have approved the Unit

CHRISTY LAW OFFICES

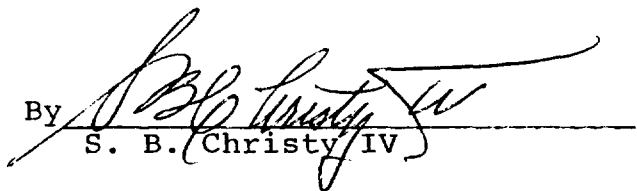
Page "2"
Mr. Joe Lara

Agreement, we will promptly record it in the office of the Chaves County Clerk, New Mexico, and if you would like recording information thereon please let us know and we will promptly comply.

Respectfully,

CHRISTY LAW OFFICES

By


S. B. Christy IV

SBC/ct

cc: New Mexico Oil Conservation Division
Commissioner of Public Lands
Kelt (Roswell)
Kelt (Houston)

CHRISTY LAW OFFICES

TELEPHONE 625-2021
AREA CODE 505

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P. O. BOX 569
ROSWELL, NEW MEXICO 88202-0569

OMNIFAX
TELECOPY 625-2023
AREA CODE 505

SIM B. CHRISTY IV
ROBERT MATTHEW BRISTOL

November 6, 1989

Oil Conservation Division
Attention: Mr. David Catanach
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Cato San Andres Unit
Case No. 9738

Dear Mr. Catanach:

Since the last hearing on the captioned, Kelt Oil & Gas, Inc. has received several additional Ratifications, and a signed copy thereof is enclosed herewith for the OCD files.

If and when further Ratifications are received we will promptly send you a signed copy.

Respectfully,

CHRISTY LAW OFFICES

SBC/ct

BY S. B. Christy IV by ct
S. B. Christy IV

cc: Kelt (Roswell)
Kelt (Houston)

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Entity: Abo Petroleum Corporation
(Name of business entity if applicable)

WITNESS OR ATTEST:

By *[Signature]*
(Signature of Working Interest Owner and Overriding Royalty Interest Owner as applicable)

DATE:

Its: Attorney-in-Fact
(Signature and capacity as fiduciary if applicable)

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss

The foregoing instrument was acknowledged before me this 25th day of October, 1989, by *John A. Yates*, Attorney-in-Fact of ABO PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

March 1, 1990

Miriam S. Stollow
Notary Public

(Spouse to join if married)

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Entity: Caspen Oil, Inc. (Formerly Summit Energy, Inc.)
(Name of business entity if applicable)

WITNESS OR ATTEST:

David R. Smith

By Eric Schmitz
(Signature of Working Interest Owner and Overriding Royalty Interest Owner as applicable)

DATE:

10/19/89

Its: _____
(Signature and capacity as fiduciary if applicable)

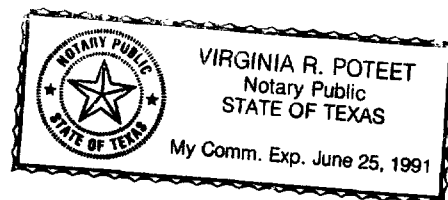
STATE OF Texas)
COUNTY OF Dallas) ss

The foregoing instrument was acknowledged before me this 19th day of October, 1989, by Eric Schmitz, Lana Manager of Caspen Oil, Inc.

My Commission Expires:

6-25-91

Virginia R. Poteet
Notary Public



(Spouse to join if married)

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Entity: *J. David Donnell*
(Name of business entity if applicable)

WITNESS OR ATTEST:

By *J. David Donnell*
(Signature of Working Interest Owner and Overriding Royalty Interest Owner as applicable)

DATE:

Its: _____
(Signature and capacity as fiduciary if applicable)

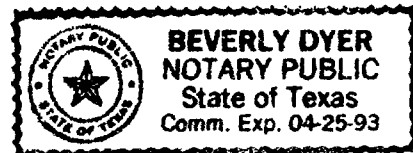
STATE OF TEXAS)
COUNTY OF MIDLAND) ss

The foregoing instrument was acknowledged before me this 10th day of October, 1989, by J. DAVID DONNELL,

of Midland, Texas

My Commission Expires:

Beverly Dyer
Notary Public



(Spouse to join if married)

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Entity: _____
(Name of business entity if applicable)

WITNESS OR ATTEST:

By Kitty Gene Ellis Donnell
(Signature of Working Interest
Owner and Overriding Royalty
Interest Owner as applicable)

DATE:

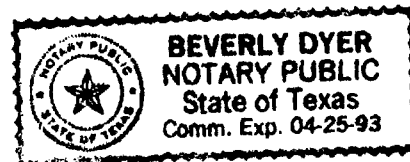
Its: _____
(Signature and capacity as
fiduciary if applicable)

STATE OF TEXAS)
COUNTY OF MIDLAND) ss
_____)

The foregoing instrument was acknowledged before me this 10th
day of October, 1989, by KITTY GENE ELLIS DONNELL,
_____ of Midland, Texas

My Commission Expires:

Beverly Dyer
Notary Public



(Spouse to join if married)

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Entity: _____
(Name of business entity if applicable)

WITNESS OR ATTEST:

By JAMES E. GUY
James E. Guy
(Signature of Working Interest
Owner and Overriding Royalty
Interest Owner as applicable)

DATE:

10/31/89
Its: _____
(Signature and capacity as
fiduciary if applicable)

STATE OF New Mexico)
COUNTY OF Eddy) ss

The foregoing instrument was acknowledged before me this 31st
day of October, 1989, by James E. Guy,
of _____.

My Commission Expires:

June 23, 1993

Betty J. Klein
Notary Public

(Spouse to join if married)

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Entity: _____
(Name of business entity if applicable)

WITNESS OR ATTEST:

Arthur M. Hupfater

By Beth Hackathorn Gallegos
(Signature of Working Interest
Owner and Overriding Royalty
Interest Owner as applicable)
POA

DATE:

June 7, 1989

Its: _____
(Signature and capacity as
fiduciary if applicable)

STATE OF Colorado)
COUNTY OF Denver) ss

The foregoing instrument was acknowledged before me this 7th
day of June, 1989, by BETH HACKATHORN GALLEGOS
_____ of _____

My Commission Expires:

7/16/90

R. S. Ristow
Notary Public

(Spouse to join if married)

GENERAL POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I, Ruth Irene Hackathorn, of the
County of Adams, State of Colorado,
reposing special trust and confidence in Beth Hackathorn Gallegos, of
the County of Adams, State of Colorado,
have made, constituted and appointed, and by these presents do make, constitute and appoint the said Beth
Hackathorn Gallegos my true and lawful attorney to exercise or perform any act, power, duty, right or
obligation whatsoever that I now have or may hereafter acquire, relating to any person, matter, transaction or property, real or
personal, tangible or intangible, now owned or hereafter acquired by me. I grant to my said attorney full power and authority to do
and perform all and every act necessary in exercising any of the powers granted herein as fully as I might do if personally present,
with full power of revocation, hereby ratifying and confirming all that said attorney shall lawfully do or cause to be done by virtue
of this Power of Attorney.

*This Power of Attorney shall not be affected by disability of the principal.

~~*This Power of Attorney shall become effective upon the disability of the principal.~~

EXECUTED this 8th day of October, 19 84.

Ruth Irene Hackathorn
PRINCIPAL

STATE OF Colorado
County of Denver } ss.

The foregoing instrument was acknowledged before me this
19 84, by RUTH IRENE HACKATHORN

8th day of October

My commission expires

July 14,

1986. Witness my hand and official seal.

R. B. Pataw
Notary Public

601 Broadway, Rm 315
Address Denver, Co 80203

*Strike either or both according to fact.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Entity: Myco Industries, Inc.

(Name of business entity if applicable)

WITNESS OR ATTEST:

By _____

(Signature of Working Interest Owner and Overriding Royalty Interest Owner as applicable)

DATE:

Its: Attorney-in-Fact

(Signature and capacity as fiduciary if applicable)

STATE OF NEW MEXICO)
) ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 25th day of October, 1989, by Frank W. Yates, Jr., Attorney-in-Fact of MYCO INDUSTRIES, INC., a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

March 1, 1990

Miriam L. Stollow
Notary Public

(Spouse to join if married)

(Spouse to join if married)

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Entity: FOR SABINE ROYALTY TRUST
(Name of business entity if applicable)

WITNESS OR ATTEST:

E. Dewayne Berg
E. Dewayne Berg,
Assistant Secretary

By Joseph L. Pritchett III ucc
(Signature of Working Interest
Owner and Overriding Royalty
Interest Owner as applicable)

DATE:

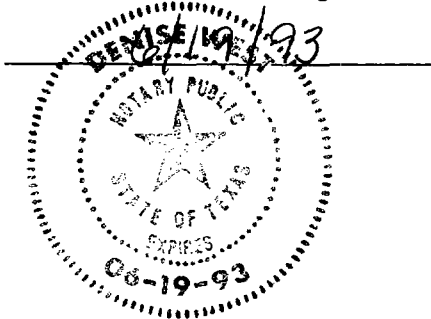
10/13/89

Its: Joseph L. Pritchett, III, Vice President
(Signature and capacity as
fiduciary if applicable)
For Pacific Enterprises Royalty Company

STATE OF Texas)
COUNTY OF Dallas) ss

The foregoing instrument was acknowledged before me this 13th
day of October, 1989, by Joseph L. Pritchett III,
V.P. of PACIFIC ENTERPRISES ROYALTY COMPANY

My Commission Expires:



Denise West
Notary Public

(Spouse to join if married)

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Entity: Elaine Wolf *Elaine Wolf*
(Name of business entity if applicable)

WITNESS OR ATTEST:

By: *Debra Werner*
Debra Werner

By _____
(Signature of Working Interest Owner and Overriding Royalty Interest Owner as applicable)

DATE:

June 20, 1989

Melvin Wolf
Its: Melvin Wolf (Spouse)
(Signature and capacity as fiduciary if applicable)

STATE OF Colorado)
COUNTY OF Denver) ss

The foregoing instrument was acknowledged before me this 20th day of June, 1989, by Elaine Wolf,
_____ of _____.

My Commission Expires:

June 14, 1993

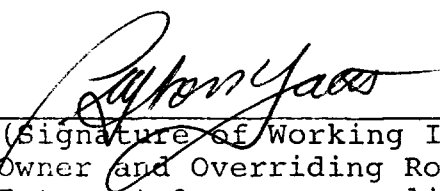
Debra Werner
Notary Public
Debra Werner
Notary Public, State of Colorado
Suite 1600, Bank Western Tower
1675 Broadway
Denver, Colorado 80202-4616

(Spouse to join if married)

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Entity: Yates Drilling Company
(Name of business entity if applicable)

WITNESS OR ATTEST:

By 
(Signature of Working Interest Owner and Overriding Royalty Interest Owner as applicable)

DATE:

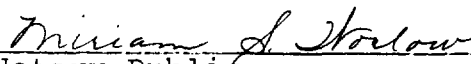
Its: Attorney-in-Fact
(Signature and capacity as fiduciary if applicable)

STATE OF NEW MEXICO)
) ss
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 25th day of October, 1989, by Peyton Yates,
Attorney-in-Fact of YATES DRILLING COMPANY, a New Mexico
corporation, on behalf of said corporation.

My Commission Expires:

March 1, 1990


Notary Public

(Spouse to join if married)

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Entity: Yates Petroleum Corporation
(Name of business entity if applicable)

WITNESS OR ATTEST:

By *John A. Yates*
(Signature of Working Interest Owner and Overriding Royalty Interest Owner as applicable)

DATE:

Its: Attorney-in-Fact
(Signature and capacity as fiduciary if applicable)

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss

The foregoing instrument was acknowledged before me this 25th day of October, 1989, by John A. Yates, Attorney-in-Fact of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

March 1, 1990

William S. Hallow
Notary Public

(Spouse to join if married)

CHRISTY LAW OFFICES

TELEPHONE 625-2021
AREA CODE 505

920 UNITED BANK PLAZA
P. O. BOX 569
ROSWELL, NEW MEXICO 88202-0569

OMNIFAX
TELECOPY 625-2023
AREA CODE 505

SIM B. CHRISTY IV
ROBERT MATTHEW BRISTOL

September 12, 1989

RECEIVED

Oil Conservation Division
Attention: Mr. Robert Stovall
Legal Department
P. O. Box 2088
Santa Fe, New Mexico 87504

SEP 14 1989

OIL CONSERVATION DIV.
SANTA FE

Re: Kelt Oil & Gas, Inc.
Case Nos. 9738 and 9739

Dear Bob:

At the hearing on the captioned a week or two ago, you correctly inquired as to penalty provisions with respect to nonpayment or nonjoinder by working interest owners included in the proposed Cato (San Andres) Unit, Chaves County, N.M.

I believe the answer to your question is in Section 11.6, page 10, of the proposed Unit Operating Agreement, and the language contained in Article XII is the same as that contained in the Unit Operating Agreement in Murphy's Unit Operating Agreement contained in Case Nos. 8779, Order R-8117, entered January 6, 1986.

If it will be of any assistance to you, we have drafted a proposed form of Order for the OCD, which basically tracks the Murphy Order R-8117, mentioned above, with the obvious changes. You of course can do a better job than we can on the actual Order.

In Case No. 9739, the pilot area should be described substantially as shown below with the establishment of project liable in accordance with Rule 701 and also establishment of an administrative procedure for any changes in or additions to the injection wells which may be proved necessary. It was testified at the hearing water to be injected is at an average surface pressure of 300 PSIG or 0.09 PSI per foot; it is projected that initially there will be about 1,400 barrels of water per day injected and if successful, the flood may rise to 45,000 barrels of water per day. If surface pressure is in excess of 0.2 PSI per foot of depth to the top of the perforated interval, Kelt must apply for administrative approval with respect thereto. The four initial injection wells are shown in a plat attached as Form C-108 which is Exhibit 3 to the Kelt Application.

CHRISTY LAW OFFICES

Page "2"

Mr. Robert Stovall

With respect to the lands covered by the initial pilot project in the waterflood portion of the Applications, I suggest that the waterflood pilot project should include:

Township 8 South, Range 30 East, N.M.P.M.

Section 9: $W\frac{1}{2}NW\frac{1}{4}$, $E\frac{1}{2}$

Section 10: $S\frac{1}{2}NW\frac{1}{4}$, $NE\frac{1}{4}NW\frac{1}{4}$, $W\frac{1}{2}SW\frac{1}{4}$


Please advise how many copies of the final Unit Agreement and Unit Operating Agreement, and the Ratifications the OCD will require before entry of the Order and we will immediately comply. We suggest that, because the Ratifications are "ongoing" that we simply pick a target date of October 1, 1989, and we will of course update Exhibits B and D to that date along with the ratifications.

At this writing, we have over 95% of working interest owner approvals and over 79% of royalty owner approvals. The only working interest owners of any materiality (whom we know of) who have not ratified are HEYCO and Yates, but we do anticipate their ratifications. Naturally, as any further ratifications are submitted to Kelt it will immediately transmit copies to the OCD, Commissioner of Public Land and BLM.

With best personal regards,

CHRISTY LAW OFFICES

By


S. B. Christy IV

SBC/ct

cc: Mr. Jeff Goodrich
Mr. Mark Degenhart
Mr. George Conner
Mr. Mike Gibson

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

SEP 14 1989

OIL CONSERVATION DIV.
SANTA FE

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

CASE NO. 9738

Order No. _____

APPLICATION OF KELT OIL & GAS, INC.
FOR STATUTORY UNITIZATION, CHAVES
COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 2:00 p.m. on August 23, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of October, 1989, the Division Director, having considered the testimony and Exhibits, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) At the time of hearing Division Case No. 9738 and Division Case No. 9739 were consolidated for the purposes of testimony.

(3) The applicant, Kelt Oil & Gas, Inc., seeks the statutory unitization, pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, NMSA, (1978), of 15,321.83 acres, more or less, being a portion of the Cato San Andres Associated Pool, Chaves County, New Mexico, said portion to be known as the Cato San Andres Unit; the applicant further seeks approval of the Unit Agreement and the Unit Operating Agreement which were submitted in evidence as applicant's Exhibit Nos. 1 and 2 in this case.

(4) The proposed unit area should be designated the Cato San Andres Unit Area, and the horizontal limits of said unit area should be comprise of the following described lands:

Township 8 South, Range 30 East, N.M.P.M.

Section 2: Lot 4, SW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 3: S $\frac{1}{2}$, Lot 1, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$
Section 4: S $\frac{1}{2}$, S $\frac{1}{2}$ NW $\frac{1}{4}$
Section 5: SE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$
Section 8: E $\frac{1}{2}$
Section 9: All
Section 10: All
Section 11: All
Section 12: W $\frac{1}{2}$
Section 13: NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 14: All
Section 15: All
Section 16: All
Section 17: All
Section 20: N $\frac{1}{2}$ NE $\frac{1}{4}$
Section 21: All
Section 22: All
Section 23: N $\frac{1}{2}$, SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 26: NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 27: All
Section 28: All
Section 29: E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$
Section 32: E $\frac{1}{2}$, SW $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$
Section 33: All
Section 34: W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$

Township 9 South, Range 30 East, N.M.P.M.

Section 3: Lots 2,3,4, SW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 4: All
Section 5: All
Section 6: Lots 1,2, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
Section 7: NE $\frac{1}{4}$
Section 8: NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$
Section 9: NW $\frac{1}{4}$

(5) Said unit has been approved by the Bureau of Land Management and the Commissioner of Public Lands of the State of New Mexico, subject to the approval of statutory unitization by the Division.

(6) The horizontal limits of said unit are contained entirely within the boundaries of the Cato San Andres Associated Pool and have been reasonably defined by development.

(7) The vertical limits of said Cato San Andres Unit Area shall comprise the San Andres formation as found within the vertical limits of which extend from an upper limit described as 1030 feet above mean sea level or at the top of the San Andres

Marker formation, whichever is higher, to a lower limit at the base of the San Andres P-3 Zone Anhydrite formation; the geologic markers having been previously found to occur at 3,081 feet and 3,631 feet, respectively, in Pan American Petroleum Corp. Thelma Crosby #1 well (located at 1,980 feet FNL and 1,980 feet FEL of Section 17, T-8S, R-30-E, Chaves county, New Mexico) as recorded on the Compensated Formation Density log taken on July 30, 1966, said log being measured from elevation of 4,111 feet ground level above sea level. The Unitized Formation shall further include all subsurface points throughout the Unit Area correlative to the aforementioned identified depths.

(8) The unit area contains 60 separate tracts owned by 36 different working interest owners.

(9) At the time of the hearing over 95 percent of the working interest owners and 79 percent of the royalty interest owners were effectively committed to the unit.

(10) All interested parties who have not agreed to unitization were notified of the hearing by the applicant, but no person entered an appearance or opposed the application at the hearing.

(11) The applicant proposes to institute a waterflood project for the secondary recovery of oil and associated gas, condensate, and all associated liquifiable hydrocarbons within and to be produced from the proposed unit area.

(12) The proposed secondary recovery operations should result in the additional recovery of approximately 11.5 million barrels of oil.

(13) The unitized management, operation and further development of the Cato San Andres Unit Area, as proposed, is reasonably necessary to effectively carry on secondary recovery operations and will substantially increase the ultimate recovery of oil and gas from the unitized portion of the pool.

(14) The proposed unitized method of operation as applied to the Cato San Andres Unit Area is feasible and will result with reasonable probability in the increased recovery of substantially more oil and gas from the unitized portion of the pool than would otherwise be recovered without unitization.

(15) The estimated additional investment costs of the proposed supplemental recovery operations are 13.5 million.

(16) The additional recovery (proved and probably) to be derived from the proposed supplemental recovery operations, based upon a successful pilot program, will have a resultant net profitability over the aforesaid additional costs and after taxes of approximately 82 million.

(17) The estimated additional costs of the proposed operations (as described in Finding No. (14) above) will not exceed the estimated value of the additional oil and gas (as described in Finding No. (15) above) plus a reasonable profit.

(18) The applicant, the designated unit operator, pursuant to the Unit Agreement and the Unit Operating Agreement has made a good faith effort to secure voluntary unitization within the unit area.

(19) The Unit Agreement and Unit Operating Agreement have been approved by those persons who will be required initially to pay more than 75% of the costs of unit operations, and also by the owners more than 75% of the production or proceeds thereof that will be credited to interests which are free of costs, such as royalties, overriding royalties, and production payments.

(20) The participation formula contained in the unitization agreement allocates the produced and saved unitized substances to the separately owned tracts in the unit area on a fair, reasonable and equitable basis.

(21) Unitization and the adoption of the proposed unitize method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the Cato San Andres Unit Area.

(22) The granting of the application in this case will have no adverse effect upon other portions of the Cato San Andres Associated Pool.

(23) Applicant's Exhibits Nos. 1 and 2 in this case, being the Unit Agreement and the Unit Operating Agreement, respectively, should be incorporated by reference into this order.

(24) The Cato San Andres Unit Agreement and the Cato San Andres Unit Operating Agreement provide for unitization and unit operation of the Cato San Andres Unit Area upon terms and conditions that are fair, reasonable and equitable, and which include:

(a) an allocation to the separately owned tracts in the unit area of all oil and gas that is produced from the unit area and which is saved, being the production that is not used in the conduct of unit operations or not unavoidably lost;

(b) a provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operations;

(c) a provision governing how the costs of unit operations including capital investments, shall be determined and charged to the separately owned tracts and how said costs shall be paid, including a provision providing when, how, and by whom the unit production allocated to an owner who does not pay his share of the costs of unit operations shall be charged to such owner, or the interest of such owner, and how his interest may be sold and the proceeds applied to the payment of his costs;

(d) a provision for carrying any working interest owner on a limited, carried or net-profits basis, payable out of production, upon terms and conditions which are just and reasonable, and which allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Division to be just and reasonable, and allowing an appropriate charge for interest for such service payable

out of such owner's share of production, providing that any nonconsenting working interest owner being so carried shall be deemed to have relinquished to the Unit Operator all of his operating rights and working interests in and to the unit until his share of the costs, service charge and interest are repaid to the Unit Operator;

(e) a provision designating the Unit Operator and providing for the supervision and conduct of the unit operations, including the selection, removal and substitution of an operator from among the working interest owners to conduct the unit operations;

(f) a provision for a voting procedure for the decision of matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to his unit participation; and

(g) the time when the unit operation shall commence and the manner in which, and the circumstances under which, the operations shall terminate and for the settlement of accounts upon such termination.

(25) The statutory unitization of the Cato San Andres Unit Area is in conformity with the above findings, and will prevent waste and protect correlative rights of all interest owners within the proposed unit area, and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The Cato San Andres Unit Area, comprising 15,321.83 acres, more or less, in the Cato San Andres Associated Pool, Chaves County, New Mexico, is hereby approved for statutory unitization pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, NMSA (1978).

(2) The lands included within the Cato San Andres Unit Area shall comprise:

Township 8 South, Range 30 East, N.M.P.M.

Section 2: Lot 4, SW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 3: S $\frac{1}{2}$, Lot 1, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$
Section 4: S $\frac{1}{2}$, S $\frac{1}{2}$ NW $\frac{1}{4}$
Section 5: SE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$
Section 8: E $\frac{1}{2}$
Section 9: All
Section 10: All
Section 11: All
Section 12: W $\frac{1}{2}$
Section 13: NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 14: All
Section 15: All
Section 16: All
Section 17: All
Section 20: N $\frac{1}{2}$ NE $\frac{1}{4}$
Section 21: All
Section 22: All
Section 23: N $\frac{1}{2}$, SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 26: NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 27: All
Section 28: All
Section 29: E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$
Section 32: E $\frac{1}{2}$, SW $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$
Section 33: All
Section 34: W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$

Township 9 South, Range 30 East, N.M.P.M.

Section 3: Lots 2,3,4, SW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 4: All
Section 5: All
Section 6: Lots 1,2, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
Section 7: NE $\frac{1}{4}$
Section 8: NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$
Section 9: NW $\frac{1}{4}$

(3) The vertical limits of said Cato San Andres Unit Area shall comprise the San Andres formation as found within the vertical limits of which extend from an upper limit described as 1030 feet above mean sea level or at the top of the San Andres ¶ Marker formation, whichever is higher, to a lower limit at the base of the San Andres P-3 Zone Anhydrite formation; the geologic markers having been previously found to occur at 3,081 feet and 3,631 feet, respectively, in Pan American Petroleum Corp. Thelma Crosby #1 well (located at 1,980 feet FNL and 1,980 feet FEL of Section 17, T-8S, R-30-E, Chaves county, New Mexico) as recorded on the Compensated Formation Density log taken on July 30, 1966, said log being measured from elevation of 4,111 feet ground level above sea level. The Unitized Formation shall further include all subsurface points throughout the Unit Area correlative to the aforementioned identified depths.

(4) The applicant shall institute a waterflood project for the secondary recovery of oil and associated gas, condensate and all associated liquifiable hydrocarbons within and produced from the unit area, and said waterflood project is the subject of Case No. 9739.

(5) The Cato San Andres Unit Agreement and the Cato San Andres Unit Operating Agreement, being applicant's Exhibit Nos. 1 and 2 in this case, are hereby incorporated by reference into this Order.

(6) The Cato San Andres Unit Agreement and Cato San Andres Unit Operating Agreement provide for unitization and unit operation of the Cato San Andres Associated Pool upon terms and conditions that are fair, reasonable and equitable.

(7) Since the persons owning the required percentage of interest in the unit area have approved or ratified the Unit Agreement and the Unit Operating Agreement, the interests of all persons within the unit area are hereby unitized whether or not such persons have approved the Unit Agreement or the Unit Operating Agreement.

(8) The applicant as Unit Operator shall notify in writing the Division Director of any removal or substitution of said Unit Operator by any other working interest owner within the unit area.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

William J. LeMay
Director

S E A L

State of New Mexico



W.R. HUMPHRIES
COMMISSIONER



Commissioner of Public Lands

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

August 14, 1989

9738

Christy Law Offices
P.O. Box 569
Roswell, New Mexico 88202-0569

ATTN: Mr. Sim B. Christy

RE: Cato (San Andres) Unit
Chaves County, New Mexico

Gentlemen:

This office has reviewed the unexecuted copy of the unit agreement submitted for the proposed Cato (San Andres) Unit Area, Chaves County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands who has this date granted you preliminary approval as to form and content.

We have received your filing fee in the amount of seven hundred twenty dollars (\$720.00).

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases until final approval and an effective date have been given.

When submitting your agreement for final approval, please include the following items:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and those that are not committed.
2. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
3. Order of the New Mexico Oil Conservation Division. Our approval will be contingent upon subsequent favorable approval by the New Mexico Oil Conservation Division.

4. Designation from the Bureau of Land Management. Our approval will be subject to like approval by the Bureau of Land Management.
5. Corrections in the Exhibits for State Lands as follows:

TRACT 36 Basic Royalty = 18.75% (NOT 12.5%)

TRACT 37 Lease Number K-3259-8 (NOT K-3259-7)

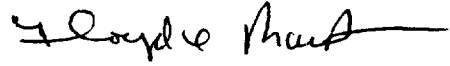
TRACT 38 Basic Royalty = 18.75% (NOT 12.5%)
6. Please submit one correct original and one correct copy of both the Unit Agreement and the Unit Operating Agreement for our files.

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

Very truly yours,

W.R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

BY:



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

cc: OCD
BLM
Unit File

WHR/FOP/SMH

RECEIVED

JUL 17 1989 CHRISTY LAW OFFICES

TELEPHONE 625-2021

920 UNITED BANK PLAZA

AREA CODE 505

OIL CONSERVATION DIV.

P. O. BOX 569

SANTA FE ROSWELL, NEW MEXICO 88202-0569

OMNIFAX

TELECOPY 625-2023

AREA CODE 505

SIM B. CHRISTY IV

ROBERT MATTHEW BRISTOL

July 12, 1989

New Mexico Oil Conservation Division
William J. LeMay, Director
P. O. Box 2088
Santa Fe, New Mexico 87504

Case 9738

Re: Cato Unit

Gentlemen:

We enclose herewith Application of Kelt Oil & Gas, Inc. for statutory unitization and water flood on the Cato (San Andres) Unit in Chaves County, New Mexico. We would greatly appreciate it if you would put it on the August 23 docket for hearing on the combined Applications.

Exhibits as stated in the Application, are enclosed herewith which will be supplemented at the hearing. Requisite surface owner and lessee owners are being notified of this Application.

Respectfully,

CHRISTY LAW OFFICES

By

S. B. Christy IV
S. B. Christy IV

SBC/ct

Enclosures

cc: Bureau of Land Management
Commissioner of Public Lands
Kelt (Roswell)
Kelt (Houston)



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell District Office

P.O. Box 1397

Roswell, New Mexico 88202-1397



IN REPLY
REFER TO:

Designation Cato Unit
3180 (065)

APR 18 1989

APR 14 1989

COMMUNICATIONS SECTION

Christy Law Offices
Attention: S. B. Christy IV
P. O. Box 569
Roswell, New Mexico 88202-0569

Case 9738

Gentlemen:

Your application of March 3, 1989, filed with the BLM on behalf of Kelt Oil & Gas, Inc., requests the designation of the Cato Unit area, embracing 15,321.83 acres, more or less, Chaves County, New Mexico, as logically subject to secondary recovery operations under the unitization provisions of the Mineral Leasing Act as amended for secondary unitization.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked "plat 14, Proposed Cato Unit, Kelt Oil and Gas, Inc., Chaves County, New Mexico", is hereby designated as a logical unit area for the San Andres formation.

Your proposed use of the Form of Agreement for Secondary Recovery Areas, will be accepted with the modification requested in your application.

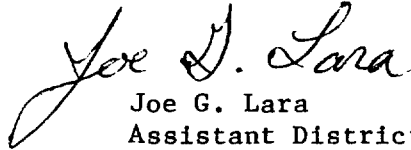
If conditions are such that further modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

In the absence of any other type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical with said form modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreements submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

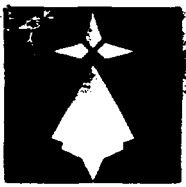
When the executed agreement is transmitted to the BLM for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the reprint of the aforementioned form, along with any corrections or revisions previously agreed upon.

Inasmuch as this unit agreement involves State land, we are sending a copy of this letter to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely,

A handwritten signature in cursive script that reads "Joe G. Lara". The signature is fluid and stylized, with the first and last names being more prominent than the middle initial.

Joe G. Lara
Assistant District Manager,
Minerals



KELT

KELT OIL & GAS, INC.
3878 Carson Street, Suite 8 200
Torrance, California 90503 USA
Tel:(213)316-3707 Telex:271102
Telecopier: (213)316-8668

March 3, 1989

Armando Lopez
Bureau of Land Management
1717 W. Second Street
Roswell, New Mexico 88201

Dear Mr. Lopez,

This letter is in response to the meeting held Tuesday, February 14, 1989 in Roswell between Kelt Oil & Gas Inc. and the BLM concerning the proposed unitization of the Cato field. The intent of this letter is to define the geologic parameters used in revising the proposed unit outline.

The north, west, and south proposed unit boundaries were determined by the zero contour line of the net P1, P2, and P3 isopach. Net thickness is defined as dolomite with greater than 4% log porosity. The east boundary limit is defined by the oil/water contact which is at +625 ft. amsl.

If you have any questions please give me a call.

Sincerely,

Stephen P. Walter
Head of Geology

cc Mark Degenhart
Jeff Goodrich
Sim Christy

