



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

MEMORANDUM

**TO: WILLIAM J. LEMAY, DIRECTOR and
ROBERT G. STOVALL, GENERAL COUNSEL**

FROM: MICHAEL E. STOGNER, EXAMINER/ENGINEER *M. S.*

SUBJECT: APPLICATION OF DOYLE HARTMAN - LANGLE-MATTIX UNIT

DATE: JUNE 5, 1991

In response to Bob Stovall's Memorandum dated June 4, 1991, and to Stovall's and my meeting with Gene Gallegos, Thomas M. Domme and Dan Nutter on Monday, June 3, 1991 concerning this application, it would appear that setting this application directly to a Commission Hearing could best serve all concerned and does appear to meet your requirements for a direct Commission case. As I understand it, if a matter arises that is unique in nature, involves a situation with no prior precedent, and serves to set policy, than such an application may be set on a Commission docket. Also, in my opinion, many of the issues raised by Doyle Hartman Oil Operator, can and should be heard by one of the Examiners; however, a higher authority is needed in this instance to sort which issues are prevalent for the Division to hear and which ones belong in District Court.

Should you decide that this matter be taken to the Examiner level first, I would suggest that we limit that docket to this case and to just a few others (one to five depending upon the applications) so that the docket not be overloaded and the Examiner will not be overwhelmed.

Planning would also be required since a commitment would have to be made by all parties to attend the assigned hearing date and continuance of said matters to other Examiner hearing dates would not be an option.

I concur with Mr. Stovall and recommend this case be docketed before the full Commission.

dr/

HINKLE, COX, EATON, COFFIELD & HENSLEY, P.C. OIL CONSERVATION DIVISION

ATTORNEYS AT LAW

700 UNITED BANK PLAZA

POST OFFICE BOX 10

ROSWELL, NEW MEXICO 88202

(505) 622-6510

FAX (505) 623-9332

OF COUNSEL
O. M. CALHOUN*
MACK EASLEY
JOE W. WOOD
RICHARD S. MORRIS

CLARENCE E. HINKLE (1904-1985)
W. E. BONDURANT, JR. (1913-1973)
ROY C. SNOODGRASS, JR. (1914-1987)

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
ERIC D. LANPHERE
C. D. MARTIN
PAUL J. KELLY, JR.
MARSHALL G. MARTIN
OWEN M. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD R. WILFONG*
THOMAS J. MCBRIDE
STEVEN D. ARNOLD
JAMES J. WECHSLER
NANCY S. CUSACK
JEFFREY L. FORNACIARI
JEFFREY D. HEWETT
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*
ALBERT L. PITTS
THOMAS M. HNASKO
JOHN C. CHAMBERS*
GARY D. COMPTON*
MICHAEL A. GROSS

THOMAS D. HAINES, JR.
FRANKLIN H. MCCALLUM*
GREGORY J. NIBERT
DAVID T. MARKETTE*
MARK C. DOW
KAREN M. RICHARDSON*
FRED W. SCHWENDIMANN
JAMES M. HUDSON
JEFFREY S. BAIRD*
PATRICIA A. MORRIS
MACDONNELL GORDON
REBECCA NICHOLS JOHNSON
WILLIAM P. JOHNSON

STANLEY K. KOTOVSKY, JR.
BETTY H. LITTLE*
RUTH S. MUSGRAVE
HOWARD R. THOMAS
ELLEN S. CASEY
S. BARRY PAISNER
MARGARET CARTER LUDEWIG
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
JAMES A. GILLESPIE
GARY W. LARSON
STEPHANIE LANDRY
JOHN R. KULSETH, JR.
LISA K. SMITH*
JAMES K. SCHUSTER*

*NOT LICENSED IN NEW MEXICO

August 26, 1991

2600 CLAYDESTA NATIONAL BANK BUILDING

POST OFFICE BOX 3580

MIDLAND, TEXAS 79702

(915) 683-4691

FAX (915) 683-6518

1700 TEAM BANK BUILDING

POST OFFICE BOX 9238

AMARILLO, TEXAS 79105

(806) 372-5569

FAX (806) 372-9761

218 MONTEZUMA

POST OFFICE BOX 2068

SANTA FE, NEW MEXICO 87504

(505) 982-4554

FAX (505) 982-8623

500 MARQUETTE N.W., SUITE 800

ALBUQUERQUE, NEW MEXICO 87102-2121

(505) 768-1500

FAX (505) 768-1529

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: Oil Conservation Commission Case No. 10378
Application of Doyle Hartman for Enforcement of
the Myers Langlie-Mattix Unit Agreement and Unit
Operating Agreement and Order No. R-6447, Lea
County, New Mexico; and Disapproval of Change of
Operator and Development Plans

Dear Mr. LeMay:

Please find enclosed our Entry of Appearance on behalf of Texaco Exploration and Production, Inc. in the above referenced case. I have not filed a Prehearing Statement relative to this matter because I was informed that Mr. Hartman had been granted a continuance of the matter from its original August 29, 1991 setting to the September 12, 1991 hearing date. I have now received a copy of a hand delivered letter to you from the Gallegos Law Firm requesting, on behalf of Mr. Hartman, an additional continuance until the end of September or beginning of October. This letter cites ongoing settlement negotiations as the reason for the request. I am also in receipt of an August 23, 1991 letter, hand delivered to you, from William F. Carr of Campbell & Black, representing Sirgo Operating, Inc. This letter urges the Commission to hear Sirgo's Motion to Dismiss the Petition on the originally scheduled date of August 29, 1991.

Mr. William J. LeMay
August 26, 1991
Page Two

Texaco Exploration and Production, Inc. has filed its Motion to Dismiss the Petition along with its Memorandum in support thereof and, as stated in the Memorandum, it is our position that no dispute exists at this time. Mr. Hartman's Petition arose from the erroneous and unilateral filing of Change of Operator forms by Sirgo Operating, Inc. reflecting that Sirgo was the successor operator of the Myers Langlie-Mattix Unit. As clearly set forth in the Memoranda and supporting Affidavits filed both by Sirgo and Texaco Exploration and Production, Inc., this is simply not the case. Texaco Exploration and Production, Inc. has not resigned as Unit Operator pursuant to the terms of the Unit Operating Agreement and continues to act as Unit Operator in all respects. Simply stated, there is no dispute for the Commission to hear. By a copy of this letter, I am urging counsel for Mr. Hartman to withdraw the Petition. Failing in that, we would urge the Commission to hear the matter on the earliest possible date. There is no discovery necessary, nor is there any evidence to prepare. Furthermore, Texaco Exploration and Production, Inc. is not aware of any settlement negotiations in process other than Mr. Hartman's efforts to sell his interest in the Myers Langlie-Mattix Unit.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD & HENSLEY



T. Calder Ezzell, Jr.

TCE/tw
Enclosure

cc: J. E. Gallegos, Esquire
William F. Carr, Esquire
Nanette J. Crawford, Esquire



RECEIVED
OIL CONSERVATION DIVISION

NEAL & NEAL, P.C.

Attorneys at Law

Neal Building, P.O. Box 278
Hobbs, New Mexico 88241-0278
Telephone 505-397-3614
Fax 505-393-7405

C. Melvin Neal (1907-1968)
J. W. Neal

AM 8 51

May 30, 1991

Energy, Minerals and Natural Resources Dept.
Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

Re: In the Matter of Doyle Hartman's Petition for
Enforcement of the Myers Langlie-Mattix Unit
Agreement and Unit Operating Agreement, Lea
County, New Mexico and Disapproval of Change
of Operator.

Gentlemen:

Enclosed herewith please find Entry of Appearance on
behalf of L. Summers Oil Company for filing in the above
matter.

Very truly yours

J. W. Neal

JWN/b
Encl.

cc: Gallegos Law Firm
(W/Copy of Entry)

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

**IN THE MATTER OF DOYLE HARTMAN'S
PETITION FOR ENFORCEMENT OF THE
MYERS-LANGLIE MATTIX UNIT
AGREEMENT AND UNIT OPERATING
AGREEMENT, AND ORDER NO. R-6447,
LEA COUNTY, NEW MEXICO; AND
DISAPPROVAL OF CHANGE OF OPERATOR
AND DEVELOPMENT PLANS.**

RECEIVED

AUG 23 1991

OIL CONSERVATION DIVISION

CASE NO. _____

**MEMORANDUM OF TEXACO EXPLORATION AND PRODUCTION INC.
IN SUPPORT OF ITS MOTION TO DISMISS
DOYLE HARTMAN'S PETITION REGARDING
STATUS OF OPERATOR AND DEVELOPMENT PLAN
FOR MYERS-LANGLIE MATTIX UNIT,
LEA COUNTY, NEW MEXICO**

The Myers-Langlie Mattix Unit, ("the Unit") located in Lea County, New Mexico, was formed as a voluntary unit in the early 1970's to implement a waterflood project in certain portions of the Langlie Mattix Pool. A large majority of the working and royalty interest owners have voluntarily joined the Unit. The remaining interests have been force pooled. Texaco Exploration and Production Inc. ("TEPI") is the current operator of the Unit. Of the other parties to this proceeding, Sirgo Operating, Inc. ("Sirgo") owns a 53.02046% working interest in the Unit and Doyle Hartman ("Hartman") owns a 4.86908% working interest acquired in 1988.

Pursuant to Order No. R-6447 issued by the New Mexico Oil Conservation Division (the "OCD"), Skelly Oil Company, the then Unit Operator of the Unit, obtained statutory unitization of the area thereby enabling it to avoid duplication of facilities and otherwise institute more effective and efficient operating procedures. This Order incorporated by reference the Myers-Langlie Mattix Unit Agreement and Unit Operating Agreement. (See, Order No. R-6447, Finding 20, Order Paragraph 5).

Sirgo, as the owner of the majority working interest in the Unit, has stated a desire to succeed TEPI as operator of this Unit and in pursuit of this objective has had an engineering evaluation made of the unit operations by the consulting firm of T. Scott Hickman & Associates, Inc. of Midland, Texas. Although Sirgo has represented that this engineering evaluation was provided to all working interest owners in the Unit (including Hartman), TEPI did not authorize nor has it endorsed, the Hickman Study.

As part of its efforts to succeed TEPI as Unit Operator, Sirgo prepared change of operator forms (Division Form C-104), to notify the Division of a change in Unit operations. These forms were filed with the OCD without TEPI having resigned as operator. When this error was discovered, TEPI called the OCD to report the error and confirm that it continued as the operator of the Unit. This conversation was confirmed by letter dated May 13, 1991. Further, since that date, Texaco, as operator of the Unit, has filed all appropriate production reports (Division Form C-115) in a timely fashion. (See Affidavit of Helen C. Pattison, attached.)

On June 3, 1991, Doyle Hartman filed his petition regarding Status of Operator and Development Plan for Myers-Langlie Mattix Unit, Lea County, New Mexico, asking the

Division to: (1) disapprove the change of operator forms (Division Form C-104) which were filed by Sirgo and other filings concerning change of operator; (2) enter its order enjoining Sirgo from assuming operation of the Unit; (3) disapprove the Plan of Development for the Unit; (4) evaluate current and past operations in the Unit to assure compliance with the Unit Agreement and the Statutory Unitization Act; and (5) enter orders insuring compliance with the Statutory Unitization Act including, if necessary, dissolving or reconfiguring the Unit. On August 23, 1991, TEPI filed its response to Hartman's Petition asking that the OCD dismiss the Petition.

**I. HARTMAN'S PETITION IS
BOTH PREMATURE AND MOOT**

It is undisputed that the change of operator forms (C-104's) filed by Sirgo were filed in error and Hartman has been so notified of the error (See Exhibit "A" to Affidavit of Helen C. Pattison, attached). The OCD was also advised that TEPI remained operator of the Unit as soon as this error was discovered and TEPI has continued to conduct all unit operations and file all reports with government authorities. Furthermore, TEPI has filed with the OCD new forms correcting this error and redesignating TEPI as operator of this unit. Accordingly, there is no dispute regarding operatorship of the Unit.

Further, there is no basis for Hartman's request that the OCD disapprove any filings concerning a change in operator which is made in accordance with the provisions of the Unit Agreement. Since no such filings have been made, Hartman's request is at best premature.

Similarly, Section 12 of the Unit Agreement provides that revisions to the Unit Plan of Operation shall be subject to the consent and approval of the Working Interest Owners, the Supervisor, the Commissioner and the Division. According to Sirgo, all it has done is review its engineering evaluation of this project with other working interest owners in this Unit. No Amendment to the Unit Plan of Operation has been proposed to the Division or any other governmental authority. Accordingly, there is no issue concerning amendments to the Plan of Operation before the Division for it to consider and Hartman's second prayer for relief should be dismissed.

II. HARTMAN'S REQUEST FOR RELIEF IS BEYOND THE JURISDICTION OF THE OCD

Hartman's petition for an order enjoining Sirgo from assuming operations of this Unit must likewise be dismissed. It asks the OCD to go outside its jurisdiction and interpret a contract and determine whether or not Sirgo's actions were authorized by and in compliance with the appropriate provisions of the Unit Agreement. Simply put, the OCD is simply not charged with such a duty. The Unit Agreement and Operating Agreement contain adequate provisions for the protection of the working interest owner. If these Agreements have been breached, then Mr. Hartman's remedy does not lie before the OCD.

III. HARTMAN'S REQUEST FOR REVIEW OF UNIT OPERATIONS SHOULD BE DISMISSED

Hartman also asserts that the participation factors in the Unit Agreement are inequitable and impair his correlative rights and that the Unit Operations should, therefore, be reviewed and redetermined.

Hartman's interest in the Unit was previously committed to the Unit by his predecessor in interest, thus binding Hartman to the Unit agreements and participation formula. The participation formula is set out in that agreement, including the portions of the Phase I and Phase II formula which considered historical cumulative production. The agreements are matters of public record in Lea County, New Mexico. Therefore, when Hartman acquired this interest he knew, or should have known, about the participation formula about which he now complains. Hartman cannot now challenge the factors in the formula to which he is contractually bound.

Both Hartman (as well as his predecessor in interest) have enjoyed the benefits of the unitization for some twenty (20) years. Any concern about the formula should have been raised before the Agreement was signed. Hartman is now estopped from reopening this matter and is mounting a collateral attack on factors to which his predecessor bound him years ago. It would simply be inequitable for the OCD, more than twenty (20) years after the Unit Agreement was signed by Hartman's predecessor in interest and OCD approval obtained, to review and revise the basic factors upon which this unitization rests, and on this basis have the Division set aside a unit which has been in operation for years. Further, Hartman's interest was committed to the Unit by private contract and, accordingly, may not be superseded by the OCD unless there is a direct conflict with the OCD's orders.

Hartman's Petition must also fail for he seeks relief the Division cannot give. The Division's role in unitization matters is to approve or disapprove a proposed unit. It should not conduct a retroactive day-by-day review of unit operations more than fifteen (15) years after unit operations began and it cannot then rewrite the Agreement for the parties by

changing its decision on the parameters in the participation formula or by redrawing the unit's boundaries.

CONCLUSION

The relationship between Hartman, TEPI and Sirgo is defined by the Unit Agreement for the Myers-Langlie Mattix Unit. This Agreement contains procedures concerning Unit Operations, Plans for Development and removal of the Unit Operator. Instead of availing himself of the previously approved procedures, Hartman filed his Petition with the OCD which, for the reasons stated herein, should be dismissed.

Respectfully submitted,

Texaco Exploration and Production Inc.

By: 
NANETTE J. CRAWFORD
P.O. Box 2100
Denver, CO 80201
(303) 793-4317

Calder Ezzell, Esq.
Hinkle, Cox, Eaton & Coffield
700 United Bank Plaza
Roswell, New Mexico 88201
(505) 622-6510

Attorneys for Texaco Exploration
and Production Inc.

CERTIFICATE OF MAILING

I hereby certify that I have caused to be mailed a true and correct copy of the foregoing pleading to the following persons at the following addresses this 22nd day of August, 1991:

Mr. William Carr
Campbell, Carr, Berge & Sheridan
110 Guadalupe Street
P.O. Box 2208
Santa Fe, New Mexico 87504-2208

J.E. Gallegos, Esq.
THE GALLEGOS FIRM
141 East Palace Avenue
Santa Fe, NM 87501

Thomas M. Domme, Esq
THE GALLEGOS FIRM
141 East Palace Avenue
Santa Fe, NM 87501

A handwritten signature in cursive script, reading "Dorelle J. Crawford", written over a horizontal line.



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

September 13, 1991

GALLEGOS LAW FIRM
Attorneys at Law
141 East Palace
Santa Fe, New Mexico 87501

RE: CASE NO. 10378 and CASE NO. 7827
ORDER NO. R-6447-A and ORDER NO. R-7316-A

Dear Sir:

Enclosed herewith are four copies of the above-referenced Division orders recently entered in the subject cases.

Sincerely,

A handwritten signature in cursive script that reads "Florene Davidson".

Florene Davidson
OC Staff Specialist

FD/sl

cc: W. F. Carr
BLM Carlsbad Office
J. W. Neal
Nanette Crawford
T. Calder Ezzell, Jr.
T. Kellahin

**TEXACO
INC.**

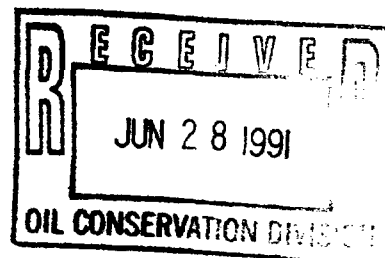
NANETTE J. CRAWFORD
ATTORNEY

June 27, 1991

P. O. BOX 2100
DENVER, COLORADO 80201
(303) 793-4317

VIA OVERNIGHT DELIVERY

Oil Conservation Division
State of New Mexico
310 Old Santa Fe Trail
State Land Office Building, Room 206
Santa Fe, NM 87501



Re: In the Matter of Doyle Hartman's Petition
Meyers Langlie-Mattix Unit

Dear Clerk:

Enclosed for filing is an original and one (1) copy of Texaco Exploration and Production Inc.'s Notice of Appearance for the above-referenced matter. I would appreciate you stamping the additional copy I have enclosed with the case number and a date stamp and returning a copy of the Notice in the self-addressed, stamped envelope provided for your convenience.

Should you have any questions in this regard, please do not hesitate to contact me at (303) 793-4317.

Very truly yours,

A handwritten signature in cursive script that reads "Nanette J. Crawford".

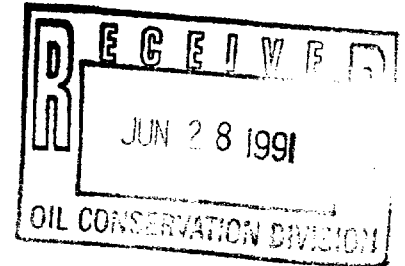
Nanette J. Crawford

NJC/jfm

Enclosures

copy sent to Texaco

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



**IN THE MATTER OF DOYLE
HARTMAN'S PETITION FOR
ENFORCEMENT OF THE MEYERS
LANGLIE-MATTIX UNIT
AGREEMENT AND UNIT
OPERATING AGREEMENT, AND
ORDER NO. R-6447, LEA
COUNTY, NEW MEXICO AND
DISAPPROVAL OF CHANGE OF
OPERATOR AND DEVELOPMENT
PLAN**

*
*
*
*
*
*
*
*
*

CASE NO. _____

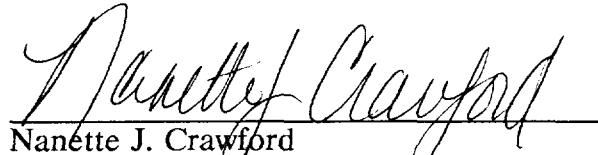
NOTICE OF APPEARANCE

NOW COMES Texaco Exploration & Production Inc. (hereinafter called "TEPI") and files this its Notice of Appearance by and through its attorney of record Nanette J. Crawford.

You are requested to serve upon TEPI all notices, pleadings, briefs and other documents filed in this matter by serving the said Nanette J. Crawford at P. O. Box 2100, Denver, Colorado 80201.

Respectfully submitted,

TEXACO EXPLORATION AND PRODUCTION INC.

A handwritten signature in cursive script, reading "Nanette J. Crawford", written over a horizontal line.

Nanette J. Crawford
New Mexico State Bar No. 5846
P. O. Box 2100
Denver, Colorado 80201

CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of June, 1991, a true and correct copy of the above and foregoing **NOTICE OF APPEARANCE** was placed in the U.S. mails and forwarded to the following:

Mr. J. E. Gallegos
141 East Palace Ave.
Santa Fe, New Mexico 87501

Mr. William Carr
Campbell & Black
110 Guadalupe Street
Santa Fe, New Mexico 87504-2208

A handwritten signature in cursive script, reading "Nanette J. Crawford", written over a horizontal line.

GALLEGOS LAW FIRM

A Professional Corporation

141 East Palace Avenue
Santa Fe, New Mexico 87501
Telephone No. 505 • 983 • 6686
Telefax No. 505 • 986 • 0741

JILL Z. COOPER

August 8, 1991

VIA HAND DELIVERY

William J. LeMay, Director
Oil Conservation Division
Energy, Minerals & Natural Resources Department
State Land Office Building
Old Santa Fe Trail
Santa Fe, New Mexico 87504

RECEIVED
AUG 8 1991
OIL CONSERVATION DIVISION

RE: Myers Langlie - Mattix Unit, Lea County, New Mexico
NMOCD Case No. 10378

Dear Mr. LeMay:

The above-referenced matter is currently set for hearing before the Commission on August 29, 1991. By this letter, we are requesting that this case be postponed for one month pending possible settlement.

Thank you for your consideration.

Sincerely,

GALLEGOS LAW FIRM

By 
JILL Z. COOPER

JZC:ap

cc: Doyle Hartman, Oil Operator
Texaco Exploration & Production, Inc.

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

**IN THE MATTER OF DOYLE HARTMAN'S
PETITION FOR ENFORCEMENT OF THE
MYERS LANGLIE-MATTIX UNIT AGREEMENT
AND UNIT OPERATING AGREEMENT,
AND ORDER NO. R-6447 , LEA COUNTY,
NEW MEXICO AND DISAPPROVAL OF CHANGE
OF OPERATOR AND DEVELOPMENT PLAN.**

CASE NO. 10378

RECEIVED

JUN 01 1991

OIL CONSERVATION DIVISION

**PETITION REGARDING STATUS OF OPERATOR AND DEVELOPMENT PLAN FOR
MYERS LANGLIE-MATTIX UNIT, LEA COUNTY, NEW MEXICO**

Doyle Hartman ("Hartman") petitions the Oil Conservation Commission for the State of New Mexico ("NMOCD") for an Order disapproving all C-104s filed by Sirgo Operating Inc. ("Sirgo") which name Sirgo as Operator of the Meyers Langlie-Mattix Unit ("MLMU"); an Order enjoining Sirgo from replacing the current operator, Texaco Exploration & Production Inc. ("Texaco"); an Order disapproving a plan of development proposed by Sirgo; and for an evaluation of current and past operation of the MLMU to determine compliance by the Operators with the Unit Agreement and the Statutory Unitization Act. In support, Hartman states as follows:

GENERAL ALLEGATIONS AND FACTS

1. Hartman is the owner of a 4.8% working interest in the MLMU.
2. On January 1, 1973 a Unit Agreement was entered into by all working, royalty, or other oil and gas interest owners unitizing working and royalty

interests in the MLMU. A copy of the MLMU Unit Agreement is attached and incorporated as Exhibit 1.

3. The Unit Agreement was approved by the NMOCD, by Order No. R-4660. A copy of the order of approval is attached and incorporated as Exhibit 2. The Unit Agreement was approved by the Commissioner of Public Lands for the State of New Mexico, by Certificate of Approval dated December 26, 1973. The Unit Agreement was approved by the Supervisor, United States Geological Survey, by Certification-Determination dated January 31, 1974.

4. Pursuant to the provisions of § 6 of the Unit Agreement, Skelly Oil Company was named Unit Operator of the MLMU. Texaco, as successor in interest to Skelly, succeeded to Operator of the MLMU in approximately 1981, and has for years operated the Unit.

5. On August 27, 1980, the NMOCD, through Order No. R-6447, approved the MLMU for statutory unitization pursuant to the Statutory Unitization Act, §§ 70-7-1 through 70-7-21 NMSA 1978 ("the Act"). A copy of the Order approving statutory unitization is attached and incorporated as Exhibit 3. The NMOCD has jurisdiction pursuant to NMSA, 1978 § 70-7-1 et seq.

6. Notice of this Petition has been served on all interested parties, as identified in Exhibit 4, pursuant to NMOCD Rule 1207.

**SIRGO'S CLAIM TO BE OPERATOR OF THE UNIT
IS WITHOUT FOUNDATION OR SUPPORT.**

7. On October 4, 1990, Sirgo represented to Hartman in a letter that as of October 4, 1990, Sirgo had purchased "60+ % of the Unit and Texaco has agreed to relinquish operations to us." A copy of the October 4, 1990 letter is attached and incorporated as Exhibit 5.

8. Contrary to Sirgo's representation in the October 4 letter, Sirgo's ownership interest in the MLMU at that time was only approximately 7.3%. See copy of Joint Account Statement for October, 1990 attached and incorporated as Exhibit 6.

9. Apparently, as part of its misrepresentations regarding ownership of the unit, Sirgo has misrepresented to Texaco and to other third parties, including various working interest owners in MLMU, that Sirgo owns Hartman's working interest in the MLMU. Sirgo contracted to purchase Hartman's working interest in the MLMU but has failed and refused to close the transaction. Sirgo does not own the Hartman interest.

10. In November and December 1990, Sirgo's ownership interest in the MLMU rose to approximately 21%. See November and December 1990 Joint Account Statements attached and incorporated as Exhibit 7. Hartman has seen no records evidencing a greater ownership interest by Sirgo either before or since these referenced time periods.

11. On or About February 28, 1991 and March 8, 1991, Sirgo circulated ballots to various working interest owners in MLMU purporting to have the working interest owners vote for Sirgo to assume all rights, duties, and obligations of the unit operator under the MLMU Unit Agreement, thereby replacing Texaco as Unit Operator. Copies of the Ballots are attached and incorporated as Exhibit 8. No ballots were forwarded to Hartman.

12. On April 15, 1991, Texaco forwarded a letter to all working interest owners stating its intent to resign as Unit Operator "in the near future". Texaco's letter further states that Sirgo has furnished Texaco with documents regarding Sirgo's becoming the successor Unit Operator. A copy of the April 15, 1991 letter is attached and incorporated as Exhibit 9.

13. § 7 of the Unit Agreement provides for the resignation or removal of the Unit Operator. § 7 requires six months prior written notification of the Unit Operator's desire to resign. Texaco has not, as of this date, submitted a written notification of resignation.

14. § 8 of the Unit Agreement provides for the selection of a successor Unit Operator. § 8 requires documentation of approval of three or more working interest owners holding 65% or more of the Phase II Unit participation. Sirgo has not provided documentation of such approvals.

15. § 8 of the Unit Agreement also requires the approval by both the supervisor of the United States Geological survey and the Commissioner of Public Lands

of the State of New Mexico of any change in Unit Operator. Sirgo has provided no evidence of having obtained such approval.

16. Sirgo has not complied with either §§ 7 or 8 of the Unit Agreement. Nevertheless, upon information and belief, Sirgo, on a date unknown at the present time, filed a form C-104 with the NMOCD claiming a change of operator from Texaco to Sirgo.

17. On May 13, 1991, Texaco wrote to the NMOCD denying the validity of the C-104's filed by Sirgo and reaffirming its operation of the subject unit. A copy of the May 13 letter is attached and incorporated as Exhibit 10.

18. On May 20, 1991, Sirgo forwarded to Hartman a ballot for Hartman's approval of a change of operator from Texaco to Sirgo. Hartman has neither executed nor returned the ballot. A copy of the May 20 letter and ballot are attached and incorporated as Exhibit 11. Contained in the May 20, 1991 letter are the following misrepresentations of fact: (1) "Sirgo's current ownership in conjunction with ballots received to date is sufficient for Sirgo to assume operatorship"; and (2) "Texaco has agreed to resign as operator to allow us to do so, . . ." No proof of either representation has ever been offered by Sirgo, and both representations fly in the face of Texaco's May 13, 1991 letter (Exhibit 10).

19. Hartman has been informed that the NMOCD has threatened to cancel the allowables for all wells on the MLMU because of Sirgo's having filed the C-104's reflecting a change in operator of the subject unit while the NMOCD does not recognize Sirgo as the operator of the unit. Because of its actions, Sirgo has jeopardized the allowables for each well within the MLMU, thereby jeopardizing each working interest

owner's rights under the Unit Agreement. Disapproval of the C-104's filed by Sirgo is therefore necessary to ensure continued operation of the unit without disruption and harm to all working interest owners.

**SIRGO'S PROPOSED DEVELOPMENT PLAN IS DEFECTIVE
AND IN VIOLATION OF THE UNIT AGREEMENT AND THE ACT**

20. Attached to Sirgo's May 20, 1991 letter (Exhibit 11), was a proposed plan of development for the MLMU which Sirgo proposes implementing on July 1, 1991. A copy of the proposed plan of development is attached and incorporated as Exhibit 12. The proposed plan of development is defective and/or in violation of the Unit Agreement (Exhibit 1) for the following reasons, inter alia:

a. The plan purports to represent "a consensus of Texaco and Sirgo's combined engineering efforts", yet the plan does not detail or contain any discussion of Texaco's analysis and data. Texaco is the current operator of the unit and is required to inform all working interest owners of the proposed changes in the previously approved development plan. Its failure to do so in the proposed plan violates the current Unit Agreement.

b. The plan is based upon an analysis of only 23 of 232 wells in the unit. As acknowledged in the plan itself, a study of only 23 of 232 wells is not sufficient to properly predict reservoir performance: "the quantitative data coverage is minimal and may not be fully representative of the unitized area."

c. The plan's projected payout is 4.1 years. A more realistic payout period appears to be 8-10 years. The overly optimistic payout is apparently based

on assumed rather than existing economic parameters, and the use of such assumed economic parameters casts doubt on the overall economic viability of the project.

d. § 70-7-1 NMSA 1978, provides that "the Statutory Unitization Act applies to any type of operation that will substantially increase the recovery of oil above the amount that would be recovered by primary recovery alone and not to what the industry understands as exploratory units." The Unit Agreement (Exhibit 1) also specifically states that the purpose of the unitization is secondary recovery. According to the plan, a significant amount of primary reserves remain within the unitized area due to inefficient completions in many of the wells, and the intention of the plan is to recover these primary reserves. As a result, the plan violates the Unit Agreement by involving the recovery of primary reserves.

e. The plan is predicated upon 20-acre spacing for the Unit. It is Hartman's understanding that the NMOCD has not approved 20-acre spacing for this unit, and only special exception was granted for a pilot 5-well program in 1986. This program is not representative of Unit performance as a whole, meaning that the plan's 20-acre development constitutes an exploratory venture in violation of the Act's preclusion of exploratory units.

f. § 70-7-6(A)(6) NMSA 1978, provides "that the participation formula contained in the unitization agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the unit area on a fair, reasonable and equitable basis." The plan makes specific reference to the inefficient completion techniques used prior to 1970. Accordingly, the tracts upon which those wells are

located have not been given fair and equitable participation in the Unit due to low primary recoveries. Since the individual tract participation formulas in the Unit Agreement for the MLMU are based, in part, upon historical well by well cumulative production, the participation factors are inequitable and in violation of the Act. The inequitable participation factors also impair the correlative rights of the owners within those tracts that have inefficient well completions.

g. Finally, if the claims in the plan are true regarding the existence of primary reserves, the MLMU has been grossly mismanaged, and the current and former Unit Operators must be held accountable for such mismanagement.

21. For the foregoing reasons, inter alia, the development plan proposed by Sirgo under the guise of its claimed operatorship of the MLMU, and represented as having been approved by Texaco as current operator, is in direct violation of the Unit Agreement and/or the Act, and should be disapproved by the NMOCD, and Sirgo and Texaco should be prevented from going forward with it on July 1, 1991 or at any time. Also, because of certain representations in the plan, Texaco's operation of the unit is called into question, and the NMOCD needs to examine and determine whether the unit has been operated in violation of the Unit Agreement and/or the Act.

**SIRGO IS NOT FINANCIALLY QUALIFIED TO ASSUME THE
OPERATORSHIP OF THE MLMU**

22. The MLMU is the largest unit in New Mexico. Operation of this unit requires significant financial and business resources. To date, the unit has been operated by large national corporations with substantial financial and business resources. Sirgo

proposes to replace the current operator yet, as set forth below, has not provided evidence of its financial or business ability to do so:

a. Upon information and belief, Sirgo is operating at the present time with a negative working capital.

b. Upon information and belief, Sirgo has not paid Texaco the approximately \$1,000,000.00 in past due joint interest billings due Texaco from the interests Sirgo has bought in the unit.

c. Sirgo's proposed plan of development calls for approximately \$44,000,000.00 in development, yet the plan is conspicuously lacking in detail regarding the source of the funds for this development.

23. Based on the foregoing, and otherwise as will be developed prior to the hearing on this Petition, Hartman seeks an Order from the NMOCD barring Sirgo from replacing Texaco as Operator of the MLMU, from going forward with the proposed plan of development, and from interfering further with the operation of the MLMU.

WHEREFORE, Hartman requests the Division:

A. Set aside and disapprove each and every NMOCD Form C-104 filed by Sirgo naming it as Unit Operator of the respective wells in MLMU and any other filing or request pursuing such a change of Operator, and further enjoin Sirgo from replacing the current operator, or from interfering in any manner with the operation of the MLMU by the current or successor operator.

B. Disapprove the plan of development proposed by Sirgo.

C. Evaluate the current and past operation of the MLMU to determine

compliance with the Unit Agreement and the Act, and enter such orders as are necessary to ensure compliance with the Act, including, if necessary, Orders dissolving the MLMU, or reconfiguring the MLMU as necessary.

D. Hearing on this Petition be placed on the July 11, 1991 Examiners Docket, or because of the unique nature of the claims made, before the entire Commission.

E. Order such further relief as appears appropriate.

Respectfully submitted,

~~GALLEGOS LAW FIRM, P.C.~~

By 

J. E. GALLEGOS

THOMAS M. DOMME

141 East Palace Avenue

Santa Fe, New Mexico 87501

(505) 983-6686

Attorneys for Petitioner

Miss 312 No 349

31114

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION
OF THE

MYERS LANGLIE-MATTIX UNIT

LEA COUNTY, NEW MEXICO

EXHIBIT

1

913

UNIT AGREEMENT
 MYERS LANGLEY-MATTHE UNIT
 LEA COUNTY, NEW MEXICO

INDEX

SECTION	PAGE
1 Enabling Act and Regulations	2
2 Unit Area and Definitions	2
3 Exhibits	3
4 Expansion	6
5 Unitized Land and Unitized Substances	7
6 Unit Operator	7
7 Resignation or Removal of Unit Operator	7
8 Successor Unit Operator	8
9 Accounting Provisions and Unit Operating Agreement	9
10 Rights and Obligations of Unit Operator	9
11 Equipment & Facilities Not Fixtures Attached to Realty	10
12 Plan of Operations	10
13 Use of Surface	11
14 Tract Participation	12
15 Tracts Qualified for Participation	13
16 Allocation of Unitized Substances	15
17 Balancing of Production	17
18 Royalty Settlement	17
19 Rental Settlement	19
20 Conservation	19
21 Drainage	19
22 Leases and Contracts Conformed and Extended	19
23 Covenants Run with Land	21
24 Effective Date and Term	22
25 Rate of Prospecting, Development and Production	23
26 Nondiscrimination	24
27 Appearances	24

ILLEGIBLE

SECTION

28	Notices	24
29	No Waiver of Certain Rights	24
30	Waiver of Rights to Petition	25
31	Unavoidable Delay	25
32	Loss of Title	25
33	Joinder in Dual Capacity	26
34	Nonjoinder and Subsequent Joinder	26
35	Counterparts	27
36	Taxes	28
37	Conflict of Supervision	29
38	No Partnership	29
39	No Sharing of Market	29
40	Border Agreement	29

EXHIBIT "A" - Map of Unit Area

EXHIBIT "B" - Description of Unit Area

EXHIBIT "C" - Tract Participation

MYERS LANGLEY-MATTIX UNIT

LEA COUNTY, NEW MEXICO

State of New Mexico No. _____

THIS AGREEMENT, entered into as of the 1st day of January, 1973, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto",

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty or other oil or gas interests in the Unit Area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943, as amended by Sec. 1 of Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 39, N.M.S. 1953 anno.) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws of 1943, as amended by Sec. 1, Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 41, N.M.S. 1953 anno.) to amend, with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease will coincide with the term of an agreement as to the unitized development and operation of State lands; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Art. 111, Chap. 65, Vol. 9, Part 2, New Mexico Statutes, 1953 Annotated) to approve this agreement, and the conservation provisions hereof; and

WHEREAS, the Mineral Leasing Act of February 25, 1920 (41 Stat. 437, as amended 30 U.S.C. Sections 181 et seq.) authorizes Federal lessees and their representatives to unite with each other or jointly or separately with others in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field or like area or any part thereof for the purpose of more properly conserving the

natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the parties hereto hold sufficient interests in the Myers Langlie-Mattix Unit Area, covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to enable institution and consummation of secondary recovery operations, conserve natural resources, to prevent waste and secure the other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth.

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the "Unit Area" and the "Unitized Formation" lying thereunder (as those terms are defined hereinafter), and agree severally among themselves as follows:

SECTION 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder and valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

SECTION 2. UNIT AREA AND DEFINITIONS. For the purpose of this agreement, the following terms and expressions as used herein shall mean:

(a) "Unit Area" is defined as the area described by tracts in Exhibit "B" and depicted on Exhibit "A" attached hereto, containing 9,923.68 acres more or less, or to which it may be extended as herein provided.

(b) "Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.

(c) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(d) "Director" is defined as the Director of the United States Geological Survey.

(e) "Secretary" is defined as the Secretary of the Interior of the United States of America or any other person duly authorized to exercise powers vested in that office.

(f) "Department" is defined as the Department of the Interior of the United States of America.

(g) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey having jurisdiction over oil and gas operation on Federal lands in the Unit Area.

(h) "Unitized Formation" means that interval underlying the Unit Area the vertical limits of which extend from a point 100 feet above the base of the Seven Rivers formation to the base of the Queen formation; said interval having been heretofore found to occur in Texas Pacific Oil Company's Blinberry "B" No. 3 well (located 2310 feet from the west line and 330 feet from the north line of Section 34, Township 23 South, Range 37 East, Lea County, New Mexico) at an indicated depth interval of 3168 feet to 3570 feet, as recorded on the Schlumberger Electrical log Run No. 1 taken December 26, 1952, said log being measured from a derrick floor elevation of 3300 feet above sea level.

(i) "Unitized Substances" means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons within and produced from the Unitized Formation underlying the lands unitized hereunder.

(j) "Tract" is defined as each parcel of land described as such and given a tract number in Exhibit "B".

(k) "Tract Participation" is defined as the percentage of Unitized Substances to be allocated to a Tract qualified for participation under this agreement, as shown on Exhibit "C".

(l) "Unit Participation" of each Working Interest Owner means the sum of the products obtained by multiplying the Working Interest share of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

(m) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral for simple title, under an oil or gas lease, or otherwise, and

includes any interest which is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and producing operations.

(a) "Working Interest Owner" is defined as and shall mean any party hereto owning a Working Interest. The owner of oil and gas rights which are free of leases or other instruments conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

(b) "Record Owner" is defined as the holder of the record title to a lease covering Federal lands according to the applicable records of the Department of the Interior of the United States of America.

(c) "Royalty Interest" or "Royalty" is defined as an interest other than a Working Interest in or a right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved by the lessor by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contract, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

(d) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.

(e) "Voting Interest" of each Working Interest Owner, unless otherwise specifically defined herein, shall equal its Unit Participation in effect at the time a vote is taken.

(f) "Usable Well" shall mean a well which, in accordance with good oil field practice, is adequately equipped and in condition with casing in good repair (hereinafter referred to as "Usable Condition") to permit production of Unitized Substances from the Unitized Formation to the surface by conventional production methods.

(g) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more entered into separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 9, Accounting Provisions and Unit Operating Agreement, *infra*, and shall be styled "Unit Operating Agreement, Myers Langlie-Mattix Unit, Los County, New Mexico".

(u) "Unit Manager" is defined as the person or corporation appointed by the Working Interest Owners to perform the duties of the Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 8 hereof.

SECTION 3. EXHIBITS. Exhibit "A" attached hereto is a map showing the Unit Area and the boundaries and identity of Tracts and leases in said Unit Area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each Tract and the percentage ownership of each Working Interest Owner. Exhibit "C" attached hereto is a schedule showing the participation of each Tract during Phases I and II. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party.

Whenever reference herein or in the Unit Operating Agreement is made to an Exhibit, the reference is to the Exhibit as originally attached or, if revised, to the latest approved revision.

The description and ownership of the respective Tracts have been established by using the best information available. If it subsequently appears that clerical errors, including errors in Tract Ownership or mechanical miscalculations have been made, Unit Operator shall revise the Exhibits to conform with the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participations. Errors and miscalculations discovered prior to the effective date of this agreement shall be corrected by Unit Operator in the first revision of Exhibits following the effective date and said first revisions shall be effective as of the effective date of this agreement. The correction of any error other than the correction of a clerical or mechanical error shall be made by Unit Operator only after first having obtained approval of Working Interest Owners, the Supervisor and the Commissioner.

Exhibits A, B, and C shall be revised by Unit Operator whenever changes render such revision necessary or when requested by the Supervisor or the Commissioner. If an Exhibit is revised pursuant to this agreement, Unit Operator shall certify and file the required number of copies of the revised

Exhibit with the Commissioner and the Supervisor, and one (1) copy for record with the County Clerk, Lea County, New Mexico. Except as specified above, a revised Exhibit shall become effective on such date as may be determined by the Working Interest Owners with the approval of the Supervisor and the Commissioner, and shall be set forth on said revised Exhibit.

SECTION 4. EXPANSION. The Unit Area may, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement. Such expansion shall be effected in the following manner:

(a) The Working Interest Owner or Owners of a Tract or Tracts desiring to commit such Tract or Tracts to this Agreement, shall file an application therefor with Unit Operator requesting admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the recommended Tract Participation to be assigned to such Tract or Tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if three or more Working Interest Owners having in the aggregate eighty percent (80%) Phase II Unit Participation have agreed to inclusion of such tract or tracts in the Unit Area, then Unit Operator shall:

(1) After preliminary concurrence by the Director and the Commissioner prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the Tract Participation to be assigned thereto and the proposed effective date thereof; and

(2) Deliver copies of said notice to the Commissioner, the Supervisor, each Working Interest Owner and to each lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above with the Commissioner and Supervisor the following: (a) Evidence of mailing or delivering copies of said notice of expansion; (b) An application for such expansion; (c) An instrument containing the appropriate joinders in compliance with the participation requirements of

Section 15, Tracts Qualified for Participation, hereof; and (d) Copies of any objections received.

The expansion shall, after due consideration of all pertinent information and approval by the Commissioner, the Commission, and the Supervisor, become effective as of the date prescribed in the notice thereof, preferably the first day of a month subsequent to the date of notice or on such other date as may be agreed upon by the Working Interest Owners and approved by the Commissioner, the Commission, and the Supervisor. The revised Tract Participations of those Tracts which were committed prior to such expansion shall remain in the same ratio one to another.

SECTION 5. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All "unitized land" and Unitized Substances are unitized under the terms of this agreement. Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation as defined under Section 2 (h).

SECTION 6. UNIT OPERATOR. Shelly Oil Company is hereby designated as Unit Operator, and by signing this agreement as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to the Unit Operator as the owner of a Working Interest when such an interest is owned by it.

SECTION 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, the Commissioner and the Supervisor, and until all unit wells are placed in a satisfactory condition for suspension, abandonment, or continued operations, as required by the Supervisor as to Federal lands and the Commissioner as to State lands, unless a new Unit

Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The Unit Operator shall, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by three (3) or more Working Interest Owners having in the aggregate eighty percent (80%) or more of the Phase II Unit Participation remaining after excluding the Phase II Unit Participation of the Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner and the Supervisor.

In all such instances of effective resignation or removal, until a successor to Unit Operator is selected and approved as hereafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this agreement shall not terminate its rights, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, books and records, materials, appurtenances and any other assets, used in connection with the unit operations and owned by the Working Interest Owners to the new duly qualified successor Unit Operator or to the Unit Manager if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing the removal of any material, equipment, and appurtenances needed for the preservation of any wells.

Nothing herein contained shall be construed to release, relieve or discharge a Unit Operator who resigns or is removed hereunder from any liability for default by it hereunder or from duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator as herein provided. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing, the duties and responsibilities of Unit Operator, and (b) the selection shall have been

BOOK 312 PAGE 362

approved by the Supervisor and the Commissioner. If no successor Unit Operator is selected as herein provided, the Commissioner or the Director, at his election, may declare this agreement terminated.

In selecting a successor Unit Operator the affirmative vote of three (3) or more Working Interest Owners owning a total of sixty-five percent (65%) or more of the Phase II Unit Participation shall prevail, provided that if any one Working Interest Owner has a Phase II Unit Participation greater than thirty-five percent (35%), its negative vote or failure to vote shall not be regarded as sufficient if the affirmative vote represents a majority of the voting interest, and such affirmative vote shall be controlling on all parties. If the Unit Operator who is removed votes only to succeed itself or fails to vote, the successor Unit Operator may be selected by the affirmative vote of three or more Working Interest Owners owning a majority of the Phase II voting interest remaining after excluding the voting interest of Unit Operator so removed.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

Costs and expenses incurred by the Unit Operator in conducting unit operations hereunder shall be apportioned among, borne and paid by the Working Interest Owners in accordance with the Unit Operating Agreement. The Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this agreement or to relieve the Unit Operator of any right or obligation established under this agreement, and in case of any inconsistency or conflict between this agreement and the Unit Operating Agreement, this agreement shall prevail. Two true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Commissioner and three true copies thereof shall be filed with the Supervisor prior to approval of this agreement.

SECTION 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and

duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Upon request, acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

SECTION 11. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY. Each Working Interest Owner has heretofore placed and used on its Tract or Tracts committed to this agreement, various well and lease equipment and other property, equipment and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unitized Land as now or hereafter constituted. Therefore, for all purposes of this agreement any and all such equipment shall be considered to be personal property and not fixtures attached to realty. Accordingly, subject to the limitations contained in Section 10, said well and lease equipment and personal property is hereby severed from the mineral estates affected by this agreement, and it is agreed that any and all such equipment and personal property shall be and remain personal property for all purposes.

SECTION 12. PLAN OF OPERATIONS. It is recognized and agreed by the parties hereto that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor, the Commissioner and the Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil and any one or more other substances or combination of substances whether produced from the Unitized Formation or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of

8005 312 PM 384

good geologic and petroleum engineering practices and conservation methods.

The parties hereto, subject to prior rights, if any, grant to Unit Operator the use of brine or non-potable water or both from any formation in and under the Unitized Land for injection into the Unitized Formation. After commencement of secondary operations, Unit Operator shall furnish the Commissioner and the Supervisor monthly injection and production reports for each well in the Unit. The Working Interest Owners, the Commissioner and the Supervisor shall be furnished periodic reports on the progress of the plan of operation and any revisions or changes thereto deemed necessary to meet changed conditions or to protect the interests of all parties to this agreement; provided, however, that any revision of the approved plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Commission, the Commissioner and the Supervisor.

A plan of operation shall be filed with the Supervisor and the Commissioner concurrently with the filing of this unit agreement for final approval. Said plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely operation consistent herewith. Upon approval of this agreement and the aforementioned plan by the Supervisor and the Commissioner, said plan and all subsequently approved plans shall constitute the operation obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time, before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan of an additional specified period of operation.

Notwithstanding anything to the contrary herein contained, should the Unit Operator fail to commence operations for the secondary recovery of the unitized substances from the unit area within one year after the effective date of this agreement and any extension thereof approved by the Supervisor and the Commissioner, this agreement shall terminate automatically as of the date of default.

SECTION 13. USE OF SURFACE. The parties hereto, to the extent of their rights and interest, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may reasonably be necessary for unit operations, including the free use of water from the Unit Area for unit operations, except water from any well, lake, pond or

BOOK 312 PG. 365

irrigation ditch of a surface owner, provided that, nothing herein shall be construed as leasing or otherwise conveying to Working Interest Owners a site for a water, gas injection, processing or other plant or camp site. Working Interest Owners shall pay the owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations.

SECTION 14. TRACT PARTICIPATION. Participation of each Tract is shown in Exhibit "C" and has been computed in accordance with the following:

(a) **Phase I Participation.** Phase I begins the effective date hereof and continues until the first day of the month next following the date that the cumulative volume of oil produced after January 1, 1968, from the Unitized Formation underlying all of the Tracts in the Unit Area totals 299,013 barrels. The Tract Participation of each Tract during Phase I, shown on Exhibit "C", is based upon the following formula:

Tract Participation Percentage

Phase I equals

$$100 \frac{A}{B}$$

Where: "A" equals total income from oil and gas produced from such Tract from the Unitized Formation during the period January 1, 1968, through December 31, 1968.

"B" equals the summation of the total income from oil and gas produced from all qualified Tracts from the Unitized Formation during the period January 1, 1968, through December 31, 1968.

(b) **Phase II Participation.** Phase II shall begin the first day of the month next following the date on which the last of the 299,013 barrels referred to in (a) above is produced and shall continue for the remainder of the term of this agreement. The Participation of each Tract during Phase II, shown on Exhibit "C", is based upon the following formula:

Tract Participation Percentage,

Phase II equals

$$85 \frac{X}{Y} \text{ plus } 10 \frac{C}{Y} \text{ plus } 5 \frac{Z}{Y}$$

Where: "X" equals the estimated quantity of oil ultimately recoverable from the Unitized Formation by primary recovery operations credited to each Tract.

"Y" equals the summation of the estimated quantity of oil ultimately recoverable from the Unitized Formation by

primary recovery operations credited to all qualified Tracts.

"C" equals the cumulative oil produced from the Unitized Formation underlying each Tract as of July 1, 1966.

"H" equals the summation of the cumulative oil produced from the Unitized Formation underlying all qualified Tracts as of July 1, 1966.

"I" equals the number of acres contained in each Tract.

"J" equals the summation of the number of acres contained in all qualified Tracts.

If less than all Tracts within the Unit Area qualify for participation hereunder as of the effective date hereof, Unit Operator shall file with the Supervisor, the Commissioner and the Commission a schedule showing the qualified Tracts as of said effective date, which schedule shall be designated Revised Exhibit C and considered for all purposes as a part of this agreement. Said revised Exhibit C shall set forth opposite each qualified Tract the revised Tract Participation therefor which shall be calculated by using the same factors and formula which were used to arrive at the Tract Participations set out in Exhibit C attached hereto, but applying the same only to the qualified Tracts. Said revised Exhibit C, upon approval by the Supervisor and the Commissioner, shall supersede, effective as of the effective date hereof, the Exhibit C attached hereto.

The Tract Participations shown on Exhibit C attached hereto, or as may be shown on the Revised Exhibit C as above provided, shall govern the allocation of unitized substances on and after the effective date of this Unit Agreement, and until the Tract Participations are revised pursuant to this agreement and such revised Tract Participations are approved by the Supervisor and the Commissioner.

(c) Within Sixty (60) days after the requirements for commencement of Phase II have been met, the Operator will notify the Oil and Gas Department of the New Mexico State Land Office of such conversion to Phase II.

SECTION 15. TRACTS QUALIFIED FOR PARTICIPATION. On and after the effective date hereof, and until expansion as provided in Section 4 hereof, the tracts within the Unit Area which shall be entitled to participation (as provided in Section 14, Tract Participation, hereof) in the production of Unitized Substances shall be composed of the Tracts shown on Exhibit A and listed in Exhibit "B" which qualify as follows:

(a) Each owner as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest therein have become parties hereto and as to which Royalty or Record Owners owning seventy-five percent (75%) or more of the Royalty or Record Interest therein have become parties hereto.

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest therein have become parties hereto and as to which Royalty or Record Owners owning less than seventy-five percent (75%) of the Royalty and Record Interest therein have become parties hereto and, further, as to which:

(i) All Working Interest Owners in such Tract have joined in a request for the qualification of such Tract, and

(ii) Eighty percent (80%) of the combined voting interests of Working Interest Owners in all Tracts meeting the requirements of paragraph (a) hereof have voted in favor of qualifying such Tract.

For the purpose of this paragraph (b), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in percent) which its aggregate Phase II Participation in all Tracts qualifying under paragraph (a) bears to the total Phase II Participation of all Working Interest Owners in all Tracts qualifying under paragraph (a).

(c) Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest therein have become parties hereto, regardless of the percentage of Royalty and Record Interest therein which is committed hereto and, further, as to which:

(i) The Working Interest Owner operating such Tract and all of the other Working Interest Owners in such Tract who have become parties hereto have joined in a request for qualification of such Tract and at least eighty-five percent (85%) of such parties have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners in the Unit, their successors and assigns, against all claims and demands which arise out of the qualification of such Tract which may be made by the owners of interests in such Tract who are not parties hereto; and

(ii) Eighty percent (80%) of the combined voting interest of

Working Interest Owners in all Tracts meeting the requirements of paragraphs (a) and (b) have voted in favor of the qualification of such Tract and acceptance of the indemnity agreement.

For the purpose of this paragraph (c), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in percent) which its aggregate Phase II Participation in all Tracts qualifying under paragraphs (a) and (b) bears to the total Phase II Participation of all Working Interest Owners in all Tracts qualifying under paragraphs (a) and (b). Upon the qualification of a Tract, the Unit Participation which would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to the indemnity agreement, in proportion to their respective Working Interests in the Tract.

SECTION 16. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp and other production or development purposes and for pressure maintenance in accordance with a plan of operation approved by the Supervisor and the Commissioner, or unavoidably lost) shall be apportioned among and allocated to the qualified Tracts in accordance with the respective Tract Participations effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit C. The amount of Unitized Substances so allocated to each tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract), shall, for all intents, uses and purposes, be deemed to have been produced from such Tract.

The Unitized Substances allocated to each such Tract shall be distributed among, or accounted for to, the parties executing, consenting to or ratifying this agreement and entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such Tracts, or in the proceeds thereof, had this agreement not been entered into, and with the same legal force and effect.

No Tract qualified for participation under this agreement shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances from said Tract.

If the Working Interest and/or the Royalty Interest in any Tract is divided with respect to separate parcels or portions of such Tract and owned severally by different persons, the Unitized Substances allocated to such Tract shall, in the absence of a recordable instrument executed by the owners of such interest, furnished to Unit Operator and fixing the divisions of ownership, be divided among the owners of interest in such parcels or portions in proportion to the number of surface acres in each parcel or portion.

The Unitized Substances allocated to each Tract shall be delivered in kind to the parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each of the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose within the Unit Area, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 14, Royalty Settlement, hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any Working Interest Owner shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unitized Formation currently as and when produced, Unit Operator, in order to avoid curtailing Unit operations, may sell or otherwise dispose of such production to itself or to others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such Working Interest Owner shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owner of the Tract or Tracts concerned or to a party designated in writing by such Working Interest Owner. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any Working Interest Owner's

BOOK 312 PAGE 370

share of gas production without first giving such Working Interest Owner sixty (60) days notice of such intended sale.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any Tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all Royalty due under the lease or leases covering said Tract, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for Royalty due under the lease or leases covering said Tract.

SECTION 17. BALANCING OF PRODUCTION. Unit Operator shall make a proper and timely gauge of all lease and other tanks located on each committed Tract in order to ascertain the amount of merchantable oil in such tanks, above the pipeline connection, on the effective date hereof. All such oil which is a part of the prior allowable of the well or wells from which the same was produced shall be and remain the property of the Owners entitled thereto as if this agreement had not been entered into and such Owners shall promptly remove same. Any such oil not so removed may be sold by the Unit Operator for the account of such Owners, subject to payment of all Royalties due under the terms and provisions of the applicable lease or leases and other contracts. All oil which is in excess of the prior allowable for the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof. If, as of the effective date hereof, any Tract of unitized land is overproduced with respect to the allowable of the well or wells on that Tract and if the amount of such over-production has been sold or otherwise disposed of, such over-production shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof, and the amount thereof charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

SECTION 18. ROYALTY SETTLEMENT. The State of New Mexico and the United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the Unitized Substances produced from any Tract unitized hereunder, shall hereafter be entitled to take in kind their share of the Unitized Substances allocated to such

Tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interests not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all Unitized Substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rate specified in the respective Federal leases or at such lower rate or rates as may be authorized by law or regulation; provided, that for leases on which the royalty rate depends on the daily average oil production per well and/or the average gravity of such oil production and/or the daily average gas production per lease, such average production or average gravity shall be determined in accordance with the operating regulations as though the unitized lands were a single consolidated lease.

If the amount of production or the proceeds thereof accruing to any Royalty Owner (except the United States of America) in a Tract depends upon the average production per well or the average pipeline run per well from a Tract during any period of time, then such production shall be determined from and after the effective date hereof by dividing the production allocated each Tract during such period of time by the number of wells located thereon capable of producing as of the effective date hereof, provided, however, any Tract without a producible well on said effective date shall, for the purposes herein contained, be considered as having one such well thereon.

All Royalty due the State of New Mexico and the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective Tract or Tracts qualified hereunder, in lieu of actual production from such Tract or Tracts.

Each Royalty Owner (other than the State of New Mexico and the United States of America) that ratifies this agreement represents and warrants that he is the owner of a Royalty Interest in a Tract or Tracts within the Unit Area as his interest appears in Exhibit "B" attached hereto. If the title to a Royalty Interest fails but the lands to which it relates remain subject hereto, the party whose title failed shall not be entitled to share hereunder with respect to such interest.

SECTION 19. RENTAL SETTLEMENT. Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof, due under their leases. Rental for lands of the State of New Mexico subject to this agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental or minimum royalty for lands of the United States of America subject to this agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 20. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal and State laws and regulations.

SECTION 21. DRAINAGE. The Unit Operator shall take such measures as the Supervisor or the Commissioner deems appropriate and adequate to prevent drainage of the Unitized Substances from the Unitized Lands by wells on land not subject to this agreement.

SECTION 22. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary and the Commissioner,

respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty and royalty requirement of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement.

Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every separately owned Tract committed to this agreement, regardless of whether there is any development of any particular Tract of the Unitized Land.

(b) Drilling and producing operations performed hereunder upon any Tract of Unitized Land will be accepted and deemed to be performed upon and for the benefit of each and every Tract of Unitized Land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all Unitized Lands pursuant to direction or consent of the Commissioner and the Supervisor shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every Tract of Unitized Land. A suspension of drilling or producing operations on specified lands shall be applicable only to such lands.

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for Unitized Substances, which by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement, as to the land committed so long as such lease remains subject hereto.

(e) Any Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the committed land so long as such land remains committed hereto.

(f) Any lease embracing lands of the State of New Mexico which is made subject to this agreement shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such lease shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease (whether within or without the Unit Area), if oil or gas are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein, any such lease shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of Unitized Substances, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as Unitized Substances are produced in paying quantities from any portion of said lands.

(b) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization; provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

SECTION 23. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interests until this agreement terminates, and any grant, transfer, or conveyance of interest

in land or leases subject hereto shall be and hereby is ³¹² ~~made~~ ³⁷⁵ ~~made~~ the assumption of all privileges and obligations incurred by the grantor, transferee, or other successor in interest. No assignment or transfer of

any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic or certified copy of the instrument of transfer; and no assignment or transfer of any Royalty Interest shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, photostatic or certified copy of the instrument of transfer.

SECTION 24. EFFECTIVE DATE AND TERM. This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of the first day of the calendar month next following:

(a) The execution or ratification of this agreement and the Unit Operating Agreement by Working Interest Owners owning tracts with a combined Phase II Unit Participation of at least eighty-five percent (85%), and the execution or ratification of this agreement by Royalty and Record Owners owning interests in tracts having a combined interest of at least sixty-five percent (65%) of the Royalty and Record Interest in the Unit Area, calculated on the basis of Phase II Unit Participation; and

(b) The approval of this agreement by the Commissioner, the Supervisor, and the Comissioner;

(c) If (a) and (b) above are not accomplished on or before January 1, 1974, this agreement 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 tracts with a combined Phase II Unit Participation of at least eighty percent (80%), and the Working Interest Owners owning tracts with a combined Phase II Unit Participation of at least sixty-five percent (65%) committed to this agreement have decided to extend said expiration date for a period not to exceed six (6) months (hereinafter called "extended expiration date"). If said expiration date is so extended and (a) and (b) are not accomplished on or before said extended expiration date, this agreement shall ipso facto expire on said extended expiration date and thereafter be of no further force and effect.

Unit Operator shall file at least one counterpart of this agreement for record in the office of the County Clerk of Lea County, New Mexico. Within thirty (30) days after the effective date of this agreement, Unit Operator shall file for record in each office where a counterpart of this agreement is recorded, a certificate to the effect that this agreement has become effective according to its terms and stating further the effective date.

The term of this agreement shall be for and during the time that Unitized Substances are or can be produced in quantities sufficient to repay the cost of producing same from the Unitized Land and should production cease so long thereafter as drilling, reworking or other operations to restore production (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, and should production be restored so long thereafter as such Unitized Substances can be produced as aforesaid.

This agreement may be terminated at any time with the approval of the Commissioner and the Supervisor by Working Interest Owners owning tracts with a combined Phase II Unit Participation of at least seventy five percent (75%). Notice of any such termination shall be given by Unit Operator to all parties hereto.

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.

If not otherwise covered by the leases unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit Operations.

SECTION 25. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and to alter or modify the quantity and rate of production under this Agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served

thereby to be stated in the order of alteration or modification; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately-owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

Powers in this Section vested in the Director and Commissioner shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice.

SECTION 26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), which are hereby incorporated by reference in this agreement.

SECTION 27. APPEARANCES. Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby before the Commissioner, the Department, and the Commission, and to appeal from any order issued under the rules and regulations of the Commissioner, the Department, or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Commissioner, the Department, or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 28. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 29. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the

BOOK 312 PAGE 378

right to assert any legal or constitutional right or defense as to the validity or invalidity of any Federal or State law or rule or regulation issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

SECTION 30. WAIVER OF RIGHTS TO PARTITION. Each party hereto covenants that, during the existence of this agreement, it will not resort to any action to partition the Unitized Formation or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

SECTION 31. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue secondary recovery operations or to operate on or produce Unitized Substances from any of the lands covered by this agreement shall be suspended while, but only so long as the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not. Nothing herein shall be construed to require Unit Operator, against its will, to settle strikes.

SECTION 32. LOSS OF TITLE. In the event title to any tract of unitized land shall fail so as to render the tract not subject to this agreement and the true owner cannot be induced to join this Agreement, such Tract shall be automatically regarded as not committed hereto and there shall be ~~such readjustment of future costs and benefits as may be required on account of the loss of such title.~~ ~~if a Tract ceases to be subject to this agreement because of the failure of title, Unit Operator, subject to Section 16, Tract Participation, hereof, shall recompute the Tract Participation of each of the Tracts remaining qualified for participation and shall revise Exhibit "C" accordingly.~~ The revised exhibit shall be effective as of the first day of the calendar month in which such failure of title is finally determined.

If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of the failure of title shall be governed by the Unit Operating Agreement. If title to a Royalty Interest fails, but the Tract to which it relates remains qualified, the parties whose title failed shall not be entitled to share hereunder with respect to such interest. In the

event of a title dispute as to any Royalty, Working Interest or other interest subject hereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld, but such funds shall be deposited as directed by the Commissioner or the Supervisor (as the case may be), to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

SECTION 33. JOINDER IN DUAL CAPACITY. Execution as herein provided by any party either as a Working Interest Owner or as a Royalty Owner shall commit all interests that may be owned or controlled by such party not specifically excluded by the terms of the joinder instrument, provided said party also executes the Unit Operating Agreement as owner of a Working Interest.

SECTION 34. NONJOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a qualified Tract fails or refuses to subscribe or consent to this agreement, the owner of the Working Interest in that Tract may withdraw said Tract from this agreement by written notice to the Supervisor, the Commissioner and the Unit Operator prior to the approval of this agreement by the Supervisor and the Commissioner. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to this agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this agreement.

Any oil or gas interest in the Unitized Formation not committed hereto prior to the effective date of this agreement may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 15 (Tracts Qualified for Participation) hereof, at any time during a period of six months after the effective date of this agreement on the same basis of participation as provided in said Section 15, by the owner or owners thereof subscribing, ratifying, or consenting in writing to

BOOK 312 PAGE 380

this agreement and, if the interest is a Loring interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that after such six months the right of subsequent joinder as provided in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by Working Interest Owners owning tracts with Phase II Participation of at least eighty percent (80%) and approval of the Supervisor and the Commissioner, provided that the Tract participation of each previously qualified Tract shall remain in the same ratio one to the other. Such joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this agreement and the Unit Operating Agreement. Such joinder by a Royalty Owner must be evidenced by his execution or ratification of this agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such Royalty Owner.

Except as may be otherwise herein provided, subsequent joinder to this agreement shall be effective the first day of the month following the filing with the Commissioner and the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any Tract or interest to this agreement, unless objection to such joinder by the Commissioner or the Supervisor is duly made within sixty (60) days after such filing; provided, however, that as to State lands such subsequent joinder must be approved by the Commissioner.

It is expressly agreed by the parties hereto that the provisions of this Section 34 are made subject to the provisions of Section 15 hereinabove set forth and nothing contained herein shall be construed in contravention or derogation thereof.

SECTION 15. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the land within the above described Unit Area.

SECTION 36. TAXES: The Working Interest Owners shall render

and pay or cause to be rendered and paid for their account and the account of the Royalty Owners all valid taxes on or measured by the amount or value of the Unitized Substances produced, gathered and sold from the land subject to this agreement. The Working Interest Owners in each Tract may charge the proper proportion of said taxes to the Royalty Owners having interests in said Tract, and may currently retain and deduct sufficient of the Unitized Substances or derivative products, or net proceeds thereof, from the allocated share of each Royalty Owner to secure reimbursement for the taxes so paid. No taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee to pay such taxes.

In order to avoid title failures which might incidentally cause the title to a Working Interest or Royalty Interest to fail, the owners of (1) the surface rights to each committed Tract, (2) severed mineral or Royalty Interest in said Tracts and (3) improvements located in said Tracts not utilized for Unit operations shall individually be responsible for the rendition and assessment, for ad valorem tax purposes, of all such property, and for the payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner or Owners. If any ad valorem taxes are not paid by such owner responsible therefor when due, Unit Operator may, at any time prior to tax sale, pay the same, redeem such property and discharge such tax liens as may arise through non-payment. In the event Unit Operator makes any such payment or redeems any such property from tax sale, Unit Operator shall be reimbursed therefor by the Working Interest Owners in proportion to their respective Unit Participations then in effect, and Unit Operator shall withhold from any proceeds derived from the sale of Unitized Substances otherwise due to said delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholding to be distributed among the Working Interest Owners in proportion to their respective contributions toward such payment or redemption. Such withholding shall be without prejudice to any other remedy, either at law or in equity, which may be available for exercise by the Unit Operator or by the Working Interest Owners.

SECTION 37. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working Interest Owner, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority which by any provisions of this agreement are vested in the Commission shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

SECTION 38. NO PARTNERSHIP. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

SECTION 39. NO SHARING OF MARKET. This agreement is not intended to provide, and shall not be construed to provide, directly or indirectly for any cooperative refining, joint sale, or marketing of Utilized Substances.

SECTION 40. BORDER AGREEMENTS. Unit Operator, with concurrence of Working Interest Owners having a combined Phase II Unit Participation of sixty five percent (65%) or more, may, subject to approval of the Supervisor, enter into a border-protection agreement or agreements with the Working Interest Owners of lands not subject hereto, when said agreements provide for operations designed to increase ultimate recovery, conserve

natural resources, and protect the parties and their interests.

BUA 312 PAGE 383

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

Witness

Assistant Secretary

SKELLY OIL COMPANY

Vice President

Date: April 5, 1973

UNIT OPERATOR

NON-OPERATORS

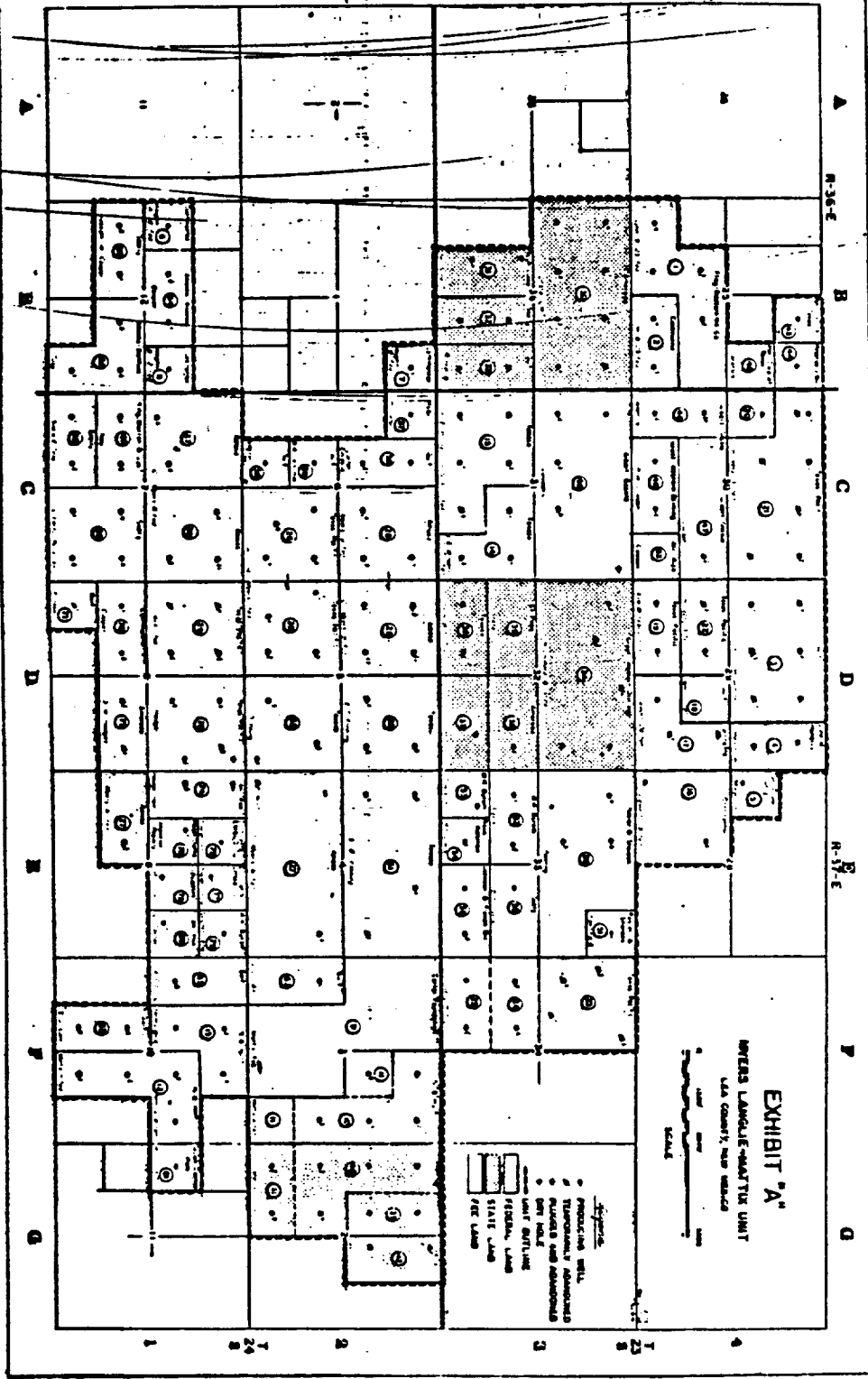
OKLAHOMA
STATE OF NEW MEXICO)
COUNTY OF TULSA) SS

The foregoing instrument was acknowledged before me this 5th day of April, 1973 by Quinn J. Gualline Vice President for SKELLY OIL COMPANY, on behalf of said company.

My Commission Expires:

Aug 24, 1975

Louise N. Linn
Notary Public



**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:**

**CASE NO. 5086
Order No. R-4660**

**APPLICATION OF SKELLY OIL COMPANY
FOR APPROVAL OF THE MYERS LANGLIE-
MATTIX UNIT AGREEMENT, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on October 31, 1973, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 16th day of November, 1973, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Skelly Oil Company, seeks approval of the Myers Langlie-Mattix Unit Agreement covering 9923.68 acres, more or less, of State, Federal and Fee lands described as follows:

LEA COUNTY, NEW MEXICO

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM

**Section 25: N/2 NE/4, SE/4 NE/4, E/2 SW/4,
SW/4 SW/4, and SE/4**

Section 36: N/2, SE/4, and E/2 SW/4

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM

Section 28: SW/4 NW/4 and SW/4

Sections 29 through 33: All

Section 34: W/2

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM

Section 1: NE/4 NE/4

Section 12: S/2 N/2, N/2 S/2, and SE/4 SE/4

EXHIBIT

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM

Section 2: W/2 NE/4 and W/2

Section 3: NE/4, E/2 SE/4, and W/2 SW/4

Sections 4 and 5: All

Section 6: E/2, E/2 W/2, and NW/4 NW/4

Section 7: All

Section 8: N/2, N/2 S/2, and SW/4 SW/4

Section 9: N/2 and N/2 SW/4

Section 10: NW/4, W/2 NE/4, SE/4 NE/4, E/2 SW/4,
and W/2 SE/4

Section 11: SW/4 NW/4

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Myers Langlie-Mattix Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

-3-

Case No. 5086

Order No. R-4660

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


I. R. Trujillo
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6987
Order No. R-6447

APPLICATION OF GETTY OIL COMPANY
FOR STATUTORY UNITIZATION, LEA
COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 5, 1980, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 27th day of August, 1980, the Commission, a quorum being present, having considered the testimony and the record and being otherwise fully advised in the premises,

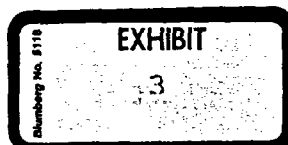
FINDS:

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

(2) That the applicant, Getty Oil Company, seeks the statutory unitization, pursuant to the "Statutory Unitization Act," Sections 70-7-1 through 70-7-21, NMSA 1978, of 9,360 acres, more or less, being a portion of the Langlie Mattix Pool, Lea County, New Mexico, said portion being known as the Myers Langlie-Mattix Unit Area and applicant further seeks approval of the Unit Agreement as revised and the Unit Operating Agreement as revised.

(3) That the Myers Langlie-Mattix Unit Agreement was approved by the Oil Conservation Commission by Order No. R-4680 entered in Case No. 5087 on October 31, 1973.

(4) That the Myers Langlie-Mattix Unit became effective on February 1, 1974, and has been operated by Getty Oil Company and its predecessor in interest, Skelly Oil Company, since that date.



(5) That the applicant seeks statutory unitization of this voluntary unit to enable it to institute more effective and efficient operating practices thereby extending the economic life of the unit.

(6) That the unit area should be designated the Myers Langlie-Mattix Unit Area and the horizontal limits of said unit area should be comprised of the following described lands:

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM

Section 25: N/2 NE/4, SE/4 NE/4 E/2
SW/4, SW/4 SW/4, and SE/4
Section 36: N/2, SE/4, and E/2 SW/4

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM

Section 28: SW/4
Section 29: W/2, W/2 E/2, and E/2 SE/4
Section 30: N/2, SW/4, N/2 SE/4, and
SW/4 SE/4
Sections 31 through 33: All
Section 34: W/2

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM

Section 1: NE/4 NE/4
Section 12: S/2 N/2, N/2 S/2, and SE/4
SE/4

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM

Section 2: W/2 NE/4 and W/2
Section 3: NE/4, E/2 SE/4, and W/2
SW/4
Sections 4 and 5: All
Section 6: E/2, E/2 W/2, and NW/4
NW/4
Section 7: N/2, SE/4, and S/2 SW/4
Section 8: N/2, N/2 S/2, and SW/4
SW/4
Section 9: NW/4, N/2 SW/4, N/2 NE/4,
and SE/4 NE/4
Section 10: NW/4, W/2 NE/4, SE/4 NE/4,
E/2 SW/4, and W/2 SE/4

Section 11: SW/4 NW/4

(7) That the vertical limits of said Myers Langlie-Mattix Unit Area should comprise that interval which extends from a point 100 feet above the base of the Seven Rivers formation to

the base of the Queen formation; said interval having been heretofore found to occur in the Texas Pacific Oil Company's Blinbry "B" Well No. 3 located 330 feet from the North line and 2310 feet from the West line of Section 34, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, at an indicated depth interval of 3168 feet to 3570 feet, as recorded on the Schlumberger Electrical Log Run No. 1 taken December 26, 1952, said log being measured from a derrick floor elevation of 3300 feet above sea level.

(8) That the portion of the Langlie Mattix Pool proposed to be included in the aforesaid Myers Langlie-Mattix Unit Area has been reasonably defined by development.

(9) That the applicant proposes to continue water flooding for the secondary recovery of oil, gas, gaseous substances, sulfur contained in gas, condensate, distillate and all associated and constituent liquid or liquifiable hydrocarbons within and to be produced from the proposed unit area.

(10) That the continuation of secondary recovery operations as a result of statutory unitization should result in the additional recovery of approximately 500,000 barrels of oil.

(11) That the unitized management, operation and further development of the Myers Langlie-Mattix Unit Area, as proposed, is reasonably necessary to effectively carry on secondary recovery operations and will substantially increase the ultimate recovery of oil from the unitized portion of the pool.

(12) That the proposed unitized method of operation as applied to the Myers Langlie-Mattix Unit Area is feasible and will result with reasonable probability in the increased recovery of substantially more oil from the unitized portion of the pool than would otherwise be recovered without unitization.

(13) That the estimated additional investment costs which result from statutory unitization are \$1.6 million from which can be deducted \$600,000, which will be saved by not having to maintain separate production facilities on certain tracts within the unit area for a net additional investment of \$1 million.

(14) That the additional recovery to be derived from the extended secondary recovery operations resulting from statutory unitization will have a gross value to the unit of \$18.24 million.

(15) That the estimated additional costs of the proposed operations (as described in Finding No. (13) above) will not exceed the estimated value of the additional oil (as described in Finding No. (14) above) plus a reasonable profit.

(16) That the applicant, the designated Unit Operator pursuant to the Unit Agreement and the Unit Operation Agreement, has made a good faith effort to secure voluntary unitization within the Myers Langlie-Mattix Unit Area.

(17) That the participation formula contained in the Unit Agreement allocates the produced and saved unitized substances to the separately owned tracts in the unit area on a fair, reasonable, and equitable basis.

(18) That statutory unitization and the adoption of the proposed unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the Myers Langlie-Mattix Unit Area.

(19) That the granting of the application in this case will have no adverse effect upon other portions of the Langlie Mattix Pool.

(20) That applicant's Exhibits Nos. 9 and 11 as revised by Exhibits 10 and 12 in this case, being the Unit Agreement and the Unit Operating Agreement, respectively, should be incorporated by reference into this order.

(21) That the Myers Langlie-Mattix Unit Agreement and the Myers Langlie-Mattix Unit Operating Agreement provide for unitization and unit operation of the Myers Langlie-Mattix 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 such 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 Commission 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 or substitution of an operator from among the working interest owners to conduct the unit operations;

(f) a provision for 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.

(22) That applicant seeks establishment of an administrative procedure whereby the conversion of additional wells to injection may be approved without further notice or hearing.

(23) That the statutory unitization of the Myers Langlie-Mattix Unit Area is in conformity with the above findings, and

will prevent waste and protect the correlative rights of all owners of interest within the proposed unit area, and should be approved.

IT IS THEREFORE ORDERED:

(1) That the Myers Langlie-Mattix Unit Area, comprising 9,360 acres, more or less, in the Langlie Mattix Pool, Lea 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) That the lands included within the Myers Langlie-Mattix Unit Area shall be comprised of:

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM

Section 25: N/2 NE/4, SE/4 NE/4, E/2
SW/4, SW/4 SW/4, and SE/4
Section 36: N/2, SE/4, and E/2 SW/4

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM

Section 28: SW/4
Section 29: W/2, W/2 E/2, and E/2 SE/4
Section 30: N/2, SW/4, N/2 SE/4, and
SW/4 SE/4
Sections 31 through 33: All
Section 34: W/2

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM

Section 1: NE/4 NE/4
Section 12: S/2 N/2, N/2 S/2, and
SE/4 SE/4

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM

Section 2: W/2 NE/4 and W/2
Section 3: NE/4, E/2 SE/4, and W/2 SW/4
Sections 4 and 5: All
Section 6: E/2, E/2 W/2, and NW/4 NW/4
Section 7: N/2, SE/4, and S/2 SW/4
Section 8: N/2, N/2 S/2, and SW/4 SW/4
Section 9: NW/4, N/2 SW/4, N/2 NE/4,
and SE/4 NE/4
Section 10: NW/4, W/2 NE/4, SE/4 NE/4,
E/2 SW/4, and W/2 SE/4
Section 11: SW/4 NW/4

(3) That the vertical limits of said Myers Langlie-Mattix Unit Area should comprise that interval which extends from a point 100 feet above the base of the Seven Rivers formation to the base of the Queen formation; said interval having been heretofore found to occur in the Texas Pacific Oil Company's Blinbry "B" Well No. 3 located 330 feet from the North line and 2310 feet from the West line of Section 34, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, at an indicated depth interval of 3168 feet to 3570 feet, as recorded on the Schlumberger Electrical Log Run No. 1 taken December 26, 1952, said log being measured from a derrick floor elevation of 3300 feet above sea level.

(4) That the applicant shall waterflood for the secondary recovery of oil, gas, gaseous substances, sulfur contained in gas, condensate, distillate, and all associated and constituent liquid or liquified hydrocarbons within and produced from the unit area.

(5) That the Myers Langlie-Mattix Unit Agreement as revised and the Myers Langlie-Mattix Unit Operating Agreement as revised are approved and adopted and incorporated by reference into this order.

(6) That when, pursuant to the terms of Sections 70-7-9 NMSA 1978, 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 unitized whether or not such persons have approved the Unit Agreement or the Unit Operating Agreement in writing.

(7) That 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.

(8) That the applicant is authorized to convert additional wells to injection in accordance with the provisions of Division Rule 701 E 4.

(9) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

-8-

Case No. 6987

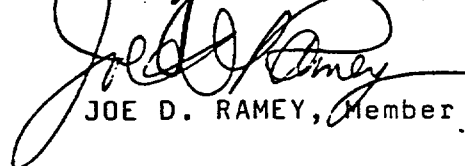
Order No. R-6447

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

ALEX J. ARMIJO, Member


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

S E A L

fd/

INTEREST OWNERS
MYERS LANGLEIE-MATTIX UNIT

Amerada Hess Corporation
P.O. Box 2040
Tulsa, OK 74102-2040

Arlene S. Anthony
721 Chatham Road
Glenview, IL 60025

George R. Bentley
P.O. Box 37
Pineville, KY 40977-0037

James C. Brown
P.O. Box 10621
Midland, TX 79702-0621

James E. Burr
P. O. Box 50233
Midland, Texas 7910-0233

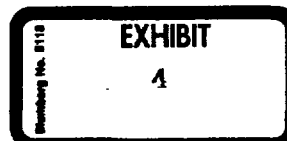
Ellen Harris Clay Trust
c/o Texas American Bank Fort Worth
P.O. Box 2605
Fort Worth, TX 76113-2605

Jennifer Ann Clay
4135 Glenwick, #25
Dallas, TX 75205

Joan Clay
c/o Grant Thornton
P.O. Box 19585
Irvine, CA 92713-9585

Clay Trusts 618-123
Ameritrust Texas N.A.
P.O. Box 901004
Fort Worth, TX 76101-1004

John W. Clay, III
4005 Pin Oak Terrace, #304
Euless, TX 76040



Rufus "Pete" Clay, Jr. Trust
P.O. Box 50688
Amarillo, TX 79159-0688

Susan Marie Clay
2737 Colonial Parkway
Fort Worth, TX 76109

Adele Combs Clough
6926 Midbury Drive
Dallas, TX 75230

Michael Clough
7717 Meadowhaven Dr.
Dallas, TX 75240

Margaret Couch Trust
P.O. Box 50688
Amarillo, TX 79159-0688

Cross Timbers Production Co.
810 Houston St., Ste 2000
Fort Worth, TX 76102

James A. Davidson
P. O. Box 494
Midland, Texas 79702-0494

El Paso Natural Gas Company
P.O. Box 1492
El Paso, TX 79978-1492

Jack Fletcher
P. O. Box 10887
Midland, Texas 79702-0887

Geodyne Resources, Inc.
NW-8045
P.O. Box 8045
Minneapolis, MN 55485-8045
Attention: R. L. Clemens, Vice President

HCW Income Properties
The Historic Church
Grn Bld, 101 Summer Street
Boston, MA 21100

Headington Oil Company
7557 Rambler Road, #1150
Dallas, TX 74231
Attention: Brooks Purnell, Vice President

Edythe B. Prikryl
5708 Melstone
Arlington, TX 76016

Lamar Hunt
2400 Thanksgiving Tower
1601 Elm Street
Dallas, TX 75201

N. B. Hunt
2400 Thanksgiving Tower
1601 Elm Street
Dallas, TX 75201

W. H. Hunt
2400 Thanksgiving Tower
1601 Elm Street
Dallas, TX 75201

Kerr-McGee Corporation
P.O. Box 730330
Dallas, TX 75373-0330

Weslynn McCallister
P.O. Box 88
Nokomis, FL 34274

Lortscher Family Trust
Marilyn A. Tarlton, Trustee
561 Orange Avenue
Los Altos, CA 94022

Maralo, Inc.
P.O. Box 832
Midland, TX 79702-0832
Attention: R. A. Lowery, Production Manager

Myers Partners, Inc.
214 W. Texas, Ste. 1200
Midland, TX 79701

Larry A. Nermyr
HC-57 Box 4106
Sidney, MT 59270

Evelyn Clay O'Hara Trust
c/o Juanita Jackson
3774 West Sixth Street
Fort Worth, TX 76107

OXY USA, Inc.
P.O. Box 300
Tulsa, OK 74102

PC Ltd.
P.O. Box 911
Breckenridge, TX 76024-0911

Robert C. Scott
2400 N.E. 26th Avenue
Fort Lauderdale, FL 33305

Sirgo Brothers, Inc.
P.O. Box 3531
Midland, TX 79702-3531

L. Summers Oil Co.
P.O. Box 776
Hobbs, NM 88240-0776
Attention: Louise Summers

Ruth Sutton
2826 Moss
Midland, Texas 79702

Texaco E & P, Inc.
P.O. Box 3109
Midland, TX 79702-3109

Sirgo Operating, Inc.

P. O. Box 3531, Midland, Texas 79702 (915) 685-0878

October 4, 1990

Mr. Doyle Hartman
Midland, Texas

Re: Offer to Purchase W.I. in
Myers Langlie-Mattix Unit
Lea County, New Mexico
Via A Like Kind Exchange
Transaction

Mr. Hartman,

Reference is made to my letter to you dated June 27, 1990 proposing a like kind exchange offer for your interests in the Myers Langlie-Mattix Unit. At that time, I proposed a transaction whereby we would have escrowed the purchase of your interests in the unit, and then identify a property within the following six months to acquire an interest in a property of your choice. This proposal was the result of our previous discussion with you whereby you indicated you were not interested in a cash sale, but a property exchange. We then began to identify tracts we thought were acceptable to you and pursued negotiations to purchase these interests.

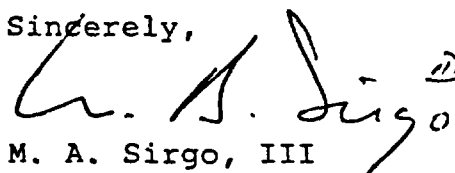
When I had reached a point in those negotiations where I felt the opportunity for us to purchase these tracts was eminent, I sent you the June 27 proposal. You indicated at that time you would rather have confirmation of the exchange interests, than have it open ended. We have since received written confirmation from ARCO concerning three tracts that we can purchase. (See attached letter).

I submitted these to your people last week for review and evaluation. Needless to say, I cannot keep ARCO hanging and if you are no longer interested in this kind of trade, I need to make other arrangements with these interests, as I do not intend to not perform with ARCO.

As to the Myers Unit, we have now purchased 60+% of the Unit and Texaco has agreed to relinquish operations to us. I would propose to trade you the ARCO tracts for \$800,000 plus your interests in the Myers.

If at all possible, could you let me know by Monday, October 8, 1990 if you are interested in this transaction.

Sincerely,



M. A. Sirgo, III

MAS/pr
Attachment



OCT 8 1990

JOINT ACCOUNT STATEMENT
MYERS LANGLEIE-MATTIX UNIT
ACCOUNT NO. 65002
OCTOBER, 1990

REPORT NO 01621
41

OHEAD

INC OHEAD

CONTINUED

07	1	WESLYNN MCCALLISTER LARSEN	277,634.36	.00142940	396.85
82	1	LORTSCHER FAMILY TRUST	277,634.36	.00255840	711.30
00	1	MARALO INC CRCK	277,634.36	.00596160	1,655.15
00	1	EVELYN CLAY O'HARA TRUST	277,634.36	.00457425	1,269.97
28	1	OXY USA INC.	277,634.36	.01692790	4,609.77
52	1	PC LTD	277,634.36	.00140390	389.53
78	1	ROBERT C SCOTT	277,634.36	.00170560	473.53
17	1	SIRGO BROTHERS INC.	277,634.36	.07293030	20,247.90
15	1	T J SIVLEY	277,634.36	.00398550	1,106.51
42	1	LOUISE SUMMERS	277,634.36	.00086490	240.15
26	1	TEXACO PRODUCING INC	277,634.36	.24323390	67,530.09
35	1	TEXACO INC	277,634.36	ROUNDING	0.00
TOTAL AMOUNT BY CO-OWNERS					277,634.36

EXHIBIT

6

Shirley No. 8116

TPI-MIDLAND
JOINT ACCOUNT STATEMENT
MYERS LANGLIE-MATTIX UNIT
ACCOUNT NO. 65002
DECEMBER, 1990

REPORT NO 01621
41

	OHEAD	NO OHEAD
366-MYERS LANGLIE MATTIX UNIT O/A		
ID: 333000061300482		
DIRECT LABOR	.00	11,220.60
HOLIDAY PREMIUM PAY	.00	1,491.04
OVERTIME OPERATING-NONSCHEDULED	.00	1,40.48
DIRECT LABOR-REPAIRS & MAINT	.00	1,917.85
WELL SERVICE & PULLING UNITS	.00	18,754.16
TRANSPORTATION - HIRED	.00	3,034.11
CONTRACT WORK - GENERAL OPER	.00	13,221.77
SUBSURFACE PUMPS AND PARTS	.00	1,567.29
TOOLS AND SUPPLIES	.00	6,624.27
RENTALS-TOOLS AND EQUIPMENT	.00	343.95
RENTALS-OTHER	.00	1,186.59
ELECTRIC ENERGY PURCHASED	.00	28,313.88
SALES AND USE TAX	.00	7,58.00
COMPANY TRUCKING-DEBIT	.00	78.04
COMPANY AUTOMOBILE	.00	8,539.56
PRESSURE MAINT-SECOND RECOVERY	.00	37,220.61
PRODUCING OVERHEAD	.00	58,601.46
DISTRIBUTED-OTHER	.00	3,638.30
SEE DETAIL ATTACHED	.00	41,802.63
PROPERTY TOTAL	.00	258,377.68
AFE: 684734- MYERS-LANGLIE-MATTIX #27		
DISTRIBUTED SUPERVISION	.00	361.41
AFE TOTAL	.00	361.41
AFE: 60030068- MYERS LANGLIE MATTIX UT #55 OA		
WELL SERVICE & PULLING UNITS	.00	12,118.38
AFE TOTAL	.00	12,118.38
TOTAL OHEAD/NO OHEAD	.00	250,357.47
PART INTEREST ACCOUNT		250,357.47

CO-OWNER NAME	AMT	100%	CO-OWNER NAME	AMT	100%
AMERADA HESS CORP	250,357.47	.00	AMERADA HESS CORP	16,023.60	.00
ARLENE S ANTHONY	250,357.47	.00	ARLENE S ANTHONY	2,133.85	.00
GEORGE R GENTLEY	250,357.47	.00	GEORGE R GENTLEY	37.93	.00
JAMES C BROWN	250,357.47	.00	JAMES C BROWN	450.78	.00
ELLEN HARRIS CLAY ESTATE	250,357.47	.00	ELLEN HARRIS CLAY ESTATE	29.33	.00
JENNIFER ANN CLAY	250,357.47	.00	JENNIFER ANN CLAY	4.66	.00
JOAN CLAY	250,357.47	.00	JOAN CLAY	1,298.89	.00
CLAY TRUSTS 618-123	250,357.47	.00	CLAY TRUSTS 618-123	1,111.65	.00
JOHN W. CLAY III	250,357.47	.00	JOHN W. CLAY III	7.66	.00
ROFUS "PETER" CLAY JR TRUST	250,357.47	.00	ROFUS "PETER" CLAY JR TRUST	1.66	.00
SUSAN MARIE CLAY	250,357.47	.00	SUSAN MARIE CLAY	1.66	.00
ADELE COMES CLOUGH	250,357.47	.00	ADELE COMES CLOUGH	1.66	.00
MICHAEL CLOUGH	250,357.47	.00	MICHAEL CLOUGH	1.66	.00
MARGARET COUCH TRUST	250,357.47	.00	MARGARET COUCH TRUST	1.66	.00
CROSS TIMBERS PRODUCTION CO.	250,357.47	.00	CROSS TIMBERS PRODUCTION CO.	1,119.40	.00
EL PASO NATURAL GAS CO	250,357.47	.00	EL PASO NATURAL GAS CO	2,289.40	.00
GEODYNE RESOURCES INC.	250,357.47	.00	GEODYNE RESOURCES INC.	2,244.04	.00
HGW INCOME PROPERTIES	250,357.47	.00	HGW INCOME PROPERTIES	2,558.31	.00
DOYLE HARTMAN	250,357.47	.00	DOYLE HARTMAN	1,135.05	.00
HEADINGTON MINERALS INC.	250,357.47	.00	HEADINGTON MINERALS INC.	16,972.00	.00
EDYTHE B. HUMPHRIES	250,357.47	.00	EDYTHE B. HUMPHRIES	521.65	.00
LAMAR HUNT	250,357.47	.00	LAMAR HUNT	4.66	.00
N B HUNT	250,357.47	.00	N B HUNT	3,896.19	.00
W H HUNT	250,357.47	.00	W H HUNT	7,792.46	.00
KERR-MCGEE CORPORATION	250,357.47	.00	KERR-MCGEE CORPORATION	3,896.22	.00
WESLYNN MCCALLISTER LARSEN	250,357.47	.00	WESLYNN MCCALLISTER LARSEN	3,106.17	.00
LORTSCHER FAMILY TRUST	250,357.47	.00	LORTSCHER FAMILY TRUST	3,585.58	.00
MARALO INC CRCK	250,357.47	.00	MARALO INC CRCK	641.79	.00
MEYERS PARTNERS INC	250,357.47	.00	MEYERS PARTNERS INC	1,495.51	.00
EVELYN CLAY O'HARA TRUST	250,357.47	.00	EVELYN CLAY O'HARA TRUST	66,692.30	.00
OXY USA INC.	250,357.47	.00	OXY USA INC.	1,147.48	.00
PC LTD	250,357.47	.00	PC LTD	4,246.49	.00
ROBERT C SCOTT	250,357.47	.00	ROBERT C SCOTT	352.18	.00
SIRGO BROTHERS INC.	250,357.47	.00	SIRGO BROTHERS INC.	427.86	.00
L. SUMMERS OIL CO.	250,357.47	.00	L. SUMMERS OIL CO.	53,265.57	.00
TEXACO PRODUCING INC	250,357.47	.00	TEXACO PRODUCING INC	216.97	.00
TEXACO INC	250,357.47	.00	TEXACO INC	61,017.04	.00
TOTAL AMOUNT BY CO-OWNERS	250,357.47	.00	TOTAL AMOUNT BY CO-OWNERS	243,233.90	.00
			ROUNDING		.00

March 8, 1991

Sirgo Operating, Inc.
P. O. Box 3531
Midland, Texas 79702

Gentlemen:

By executing this letter, the undersigned working interest owner hereby acknowledges and represents that it will support a change in the operator on the Myers Langlie-Mattix Unit from the current Unit operator, Texaco, Inc., to the proposed new operator, Sirgo Operating, Inc.

The undersigned ratifies and confirms that this letter shall serve as the undersigned's ballot to cast its vote for Sirgo Operating, Inc. to assume all rights, duties, and obligations of Unit operator under the said Myers Langlie-Mattix Unit Agreement.

In consideration of the premises hereinbefore set forth and the promises hereinafter stated, Sirgo Operating, Inc. hereby covenants and agrees to fulfill the duties and assume the obligations of Unit operator under and pursuant to all the terms of the Myers Langlie-Mattix Unit Agreement, and the undersigned covenants and agrees that, effective upon approval of the change in operator by the authorized government agency, Sirgo Operating, Inc. shall be granted the exclusive right and privilege of exercise in any and all rights and privileges as Unit Operator, pursuant said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

Respectfully,

* PC, Ltd.

By: Fred F. Dueser General Partner

By: J. L. McClymond General Partner

WORKING INTEREST OWNER
MYERS LANGLIE-MATTIX UNIT
.140390 & W.I.

Agreed to and accepted this 8th day of March, 1991.

*PC, Ltd. has executed this letter conditioned on the understanding that Sirgo Production shall operate the Myers Langlie-Mattix Unit under the terms and conditions of all agreements (including Unit Operating Agreements) covering said property.

BY: Victor J. Sirgo
Victor J. Sirgo
Vice President

EXHIBIT

March 8, 1991

Sirgo Operating, Inc.
P. O. Box 3531
Midland, Texas 79702


Gentlemen:

By executing this letter, the undersigned working interest owner hereby acknowledges and represents that it will support a change in the operator on the Myers Langlie-Mattix Unit from the current Unit operator, Texaco, Inc., to the proposed new operator, Sirgo Operating, Inc.

The undersigned ratifies and confirms that this letter shall serve as the undersigned's ballot to cast its vote for Sirgo Operating, Inc. to assume all rights, duties, and obligations of Unit operator under the said Myers Langlie-Mattix Unit Agreement.

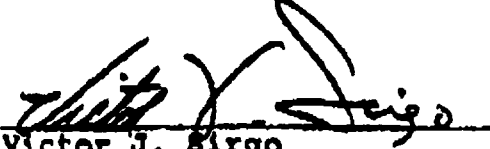
In consideration of the premises hereinbefore set forth and the promises hereinafter stated, Sirgo Operating, Inc. hereby covenants and agrees to fulfill the duties and assume the obligations of Unit operator under and pursuant to all the terms of the Myers Langlie-Mattix Unit Agreement, and the undersigned covenants and agrees that, effective upon approval of the change in operator by the authorized government agency, Sirgo Operating, Inc. shall be granted the exclusive right and privilege of exercise in any and all rights and privileges as Unit Operator, pursuant said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

Respectfully,


Signature
Print Name: R.W. Mullins
Title: Manager, Joint Venture - U.S. Onshore
WORKING INTEREST OWNER
MYERS LANGLIE-MATTIX UNIT
6.38753 % W.I. AMTRADA HESS CORPORATION

Agreed to and accepted this 8th day of March, 1991.

SIRGO OPERATING, INC.

BY: 
Victor J. Sirgo
Vice President

RECEIVED MAR 15 1991

February 28, 1991

Sirgo Operating, Inc.
P. O. Box 3531
Midland, Texas 79702

Gentlemen:

By executing this letter, the undersigned working interest owner hereby acknowledges and represents that it will support a change in the operator on the Myers Langlie-Mattix Unit from the current Unit operator, Texaco, Inc., to the proposed new operator, Sirgo Operating, Inc.

The undersigned ratifies and confirms that should a vote be called to elect a new operator, this letter shall serve as the undersigned's ballot to cast its vote for Sirgo Operating, Inc. to assume all rights, duties, and obligations of Unit operator under the said Myers Langlie-Mattix Unit Agreement.

In consideration of the premises hereinbefore set forth and the promises hereinafter stated, Sirgo Operating, Inc. hereby covenants and agrees to fulfill the duties and assume the obligations of Unit operator under and pursuant to all the terms of the Myers Langlie-Mattix Unit Agreement, and the undersigned covenants and agrees that, effective upon approval of the change in operator by the authorized government agency, Sirgo Operating, Inc. shall be granted the exclusive right and privilege of exercise in any and all rights and privileges as Unit Operator, pursuant said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

Respectfully,

KERR-McGEE CORPORATION

BY: [Signature]
Name
Title: Vice President
WORKING INTEREST OWNER
MYERS LANGLIE-MATTIX UNIT
1.238220% W.I.

Agreed to and accepted this 28th day of February, 1991.

SIRGO OPERATING, INC.

BY: [Signature]
M. A. Sirgo, III President

Kerr-McGee

RECEIVED MAR 10 1991

February 28, 1991

Sirgo Operating, Inc.
P. O. Box 3531
Midland, Texas 79702

Gentlemen:

By executing this letter, the undersigned working interest owner hereby acknowledges and represents that it will support a change in the operator on the Myers Langlie-Mattix Unit from the current Unit operator, Texaco, Inc., to the proposed new operator, Sirgo Operating, Inc.

The undersigned ratifies and confirms that should a vote be called to elect a new operator, this letter shall serve as the undersigned's ballot to cast its vote for Sirgo Operating, Inc. to assume all rights, duties, and obligations of Unit operator under the said Myers Langlie-Mattix Unit Agreement.

In consideration of the premises hereinbefore set forth and the promises hereinafter stated, Sirgo Operating, Inc. hereby covenants and agrees to fulfill the duties and assume the obligations of Unit operator under and pursuant to all the terms of the Myers Langlie-Mattix Unit Agreement, and the undersigned covenants and agrees that, effective upon approval of the change in operator by the authorized government agency, Sirgo Operating, Inc. shall be granted the exclusive right and privilege of exercise in any and all rights and privileges as Unit Operator, pursuant said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

Respectfully,

MARALO INC.

BY: R. A. Lowery

Name R. A. Lowery

Title: Production Manager

WORKING INTEREST OWNER

MYERS LANGLIE-MATTIX UNIT

0.596160% W.I.

Agreed to and accepted this 28th day of February, 1991.

SIRGO OPERATING, INC.

BY: M. A. Sirgo, III

M. A. Sirgo, III President

Maralo

March 8, 1991

Sirgo Operating, Inc.
P. O. Box 3531
Midland, Texas 79702

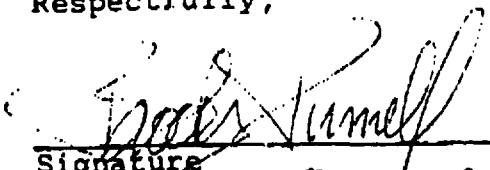
Gentlemen:

By executing this letter, the undersigned working interest owner hereby acknowledges and represents that it will support a change in the operator on the Myers Langlie-Mattix Unit from the current Unit operator, Texaco, Inc., to the proposed new operator, Sirgo Operating, Inc.

The undersigned ratifies and confirms that this letter shall serve as the undersigned's ballot to cast its vote for Sirgo Operating, Inc. to assume all rights, duties, and obligations of Unit operator under the said Myers Langlie-Mattix Unit Agreement.

In consideration of the premises hereinbefore set forth and the promises hereinafter stated, Sirgo Operating, Inc. hereby covenants and agrees to fulfill the duties and assume the obligations of Unit operator under and pursuant to all the terms of the Myers Langlie-Mattix Unit Agreement, and the undersigned covenants and agrees that, effective upon approval of the change in operator by the authorized government agency, Sirgo Operating, Inc. shall be granted the exclusive right and privilege of exercise in any and all rights and privileges as Unit Operator, pursuant said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.


Respectfully,


Signature
Print Name: Brooks Parnell
Title: Vice President
WORKING INTEREST OWNER
MYERS LANGLIE-MATTIX UNIT
207948 W.I.

Agreed to and accepted this 8th day of March, 1991.

SIRGO OPERATING, INC.

Herdington

BY: 
Victor J. Sirgo
Vice President

RECEIVED MAR 16 1991

March 8, 1991

Sirgo Operating, Inc.
P. O. Box 3531
Midland, Texas 79702

Gentlemen:

By executing this letter, the undersigned working interest owner hereby acknowledges and represents that it will support a change in the operator on the Myers Langlie-Mattix Unit from the current Unit operator, Texaco, Inc., to the proposed new operator, Sirgo Operating, Inc.

The undersigned ratifies and confirms that this letter shall serve as the undersigned's ballot to cast its vote for Sirgo Operating, Inc. to assume all rights, duties, and obligations of Unit operator under the said Myers Langlie-Mattix Unit Agreement.

In consideration of the premises hereinbefore set forth and the promises hereinafter stated, Sirgo Operating, Inc. hereby covenants and agrees to fulfill the duties and assume the obligations of Unit operator under and pursuant to all the terms of the Myers Langlie-Mattix Unit Agreement, and the undersigned covenants and agrees that, effective upon approval of the change in operator by the authorized government agency, Sirgo Operating, Inc. shall be granted the exclusive right and privilege of exercise in any and all rights and privileges as Unit Operator, pursuant said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

Respectfully,

Weslyan McCallister
Signature
Print Name: WESLYAN McCALLISTER
Title: _____
WORKING INTEREST OWNER
MYERS LANGLIE-MATTIX UNIT
.142940 % W.I.

Agreed to and accepted this 8th day of March, 1991.

SIRGO OPERATING, INC.

BY: Victor J. Sirgo
Victor J. Sirgo
Vice President

March 8, 1991

Sirgo Operating, Inc.
P. O. Box 3531
Midland, Texas 79702

Gentlemen:

By executing this letter, the undersigned working interest owner hereby acknowledges and represents that it will support a change in the operator on the Myers Langlie Mattix Unit from the current Unit operator, Texaco, Inc., to the proposed new operator, Sirgo Operating, Inc.

The undersigned ratifies and confirms that this letter shall serve as the undersigned's ballot to cast its vote for Sirgo Operating, Inc. to assume all rights, duties, and obligations of Unit operator under the said Myers Langlie Mattix Unit Agreement.

In consideration of the premises hereinbefore set forth and the promises hereinafter stated, Sirgo Operating, Inc. hereby covenants and agrees to fulfill the duties and assume the obligations of Unit operator under and pursuant to all the terms of the Myers Langlie-Mattix Unit Agreement, and the undersigned covenants and agrees that, effective upon approval of the change in operator by the authorized government agency, Sirgo Operating, Inc. shall be granted the exclusive right and privilege of exercise in any and all rights and privileges as Unit Operator, pursuant said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

Respectfully,


Signature

Print Name: Louise C. Sumner

Title:

WORKING INTEREST OWNER
MYERS LANGLIE-MATTIX UNIT
.096490 & W.I.

Agreed to and accepted this 8th day of March, 1991.

SIRGO OPERATING, INC.

BY: 

Victor J. Sirgo
Vice President

March 8, 1991

Sirgo Operating, Inc.
P. O. Box 3531
Midland, Texas 79702

Gentlemen:

By executing this letter, the undersigned working interest owner hereby acknowledges and represents that it will support a change in the operator on the Myers Langlie-Mattix Unit from the current Unit operator, Texaco, Inc., to the proposed new operator, Sirgo Operating, Inc.

The undersigned ratifies and confirms that this letter shall serve as the undersigned's ballot to cast its vote for Sirgo Operating, Inc. to assume all rights, duties, and obligations of Unit operator under the said Myers Langlie-Mattix Unit Agreement.

In consideration of the premises hereinbefore set forth and the promises hereinafter stated, Sirgo Operating, Inc. hereby covenants and agrees to fulfill the duties and assume the obligations of Unit operator under and pursuant to all the terms of the Myers Langlie-Mattix Unit Agreement, and the undersigned covenants and agrees that, effective upon approval of the change in operator by the authorized government agency, Sirgo Operating, Inc. shall be granted the exclusive right and privilege of exercise in any and all rights and privileges as Unit Operator, pursuant said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

Respectfully,

GEODYNE RESOURCES


Signature

Print Name: R. L. Clemons

Title: V.P. Geodyne Resources Co.

WORKING INTEREST OWNER

MYERS LANGLIE-MATTIX UNIT

102970 & W.I.

Agreed to and accepted this 8th day of March, 1991.

SIRGO OPERATING, INC.

BY: 

Victor J. Sirgo
Vice President

RECEIVED APR - 4 1991

March 8, 1991

Sirgo Operating, Inc.
P. O. Box 3531
Midland, Texas 79702

Gentlemen:

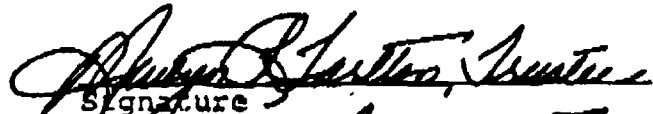
By executing this letter, the undersigned working interest owner hereby acknowledges and represents that it will support a change in the operator on the Myers Langlie-Mattix Unit from the current Unit operator, Texaco, Inc., to the proposed new operator, Sirgo Operating, Inc.

The undersigned ratifies and confirms that this letter shall serve as the undersigned's ballot to cast its vote for Sirgo Operating, Inc. to assume all rights, duties, and obligations of Unit operator under the said Myers Langlie-Mattix Unit Agreement.

In consideration of the premises hereinbefore set forth and the promises hereinafter stated, Sirgo Operating, Inc. hereby covenants and agrees to fulfill the duties and assume the obligations of Unit operator under and pursuant to all the terms of the Myers Langlie-Mattix Unit Agreement, and the undersigned covenants and agrees that, effective upon approval of the change in operator by the authorized government agency, Sirgo Operating, Inc. shall be granted the exclusive right and privilege of exercise in any and all rights and privileges as Unit Operator, pursuant said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

Respectfully,

LORTSCHER FAMILY TRUST



Signature

Print Name:

MAARILYN L. TARLETON

Title:

TRUSTEE

WORKING INTEREST OWNER

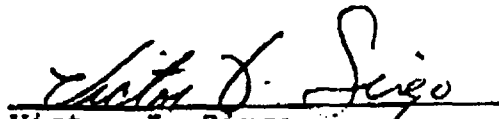
MYERS LANGLIE-MATTIX UNIT

255840 & W.I.

Agreed to and accepted this 8th day of March, 1991.

SIRGO OPERATING, INC.

BY:



Victor J. Sirgo
Vice President



Texaco Exploration and Production Inc
Midland Producing Division

P O Box 3109
Midland TX 79702-3109

April 15, 1991

230830 - MYERS LANGLIE-MATTIX UNIT
LEA COUNTY, NEW MEXICO
Resignation of Operator

TO: ALL WORKING INTEREST OWNERS

Reference is made to ARTICLE 6, PARAGRAPHS 6.2 and 6.3 of the Unit Operating Agreement and SECTIONS 6, 7 and 8 of the Unit Agreement, both dated January 1, 1973 covering the subject unit. Texaco Exploration and Production Inc. (successor to Texaco Producing Inc.) will resign as Unit Operator of the Myers Langlie-Mattix Unit in the near future.

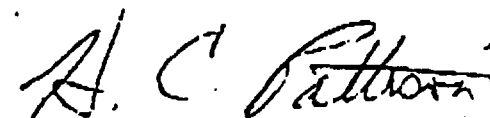
Texaco continues neutral in the matter of selecting a successor Unit Operator. It becomes the duty of the remaining Working Interest Owners in the Myers Langlie-Mattix Unit to select a successor Unit Operator based on their independent investigations and findings.

In this connection, Sirgo Operating, Inc. ("Sirgo") has furnished Texaco with copies of certain documents. These documents evidence the approval of the majority of the Unit Working Interest Owners to select Sirgo as successor Unit Operator, all as provided for in the aforementioned agreements.

Pending resolution of certain accounting matters, Texaco will submit to each of you its resignation as Unit Operator. Prior to that time, Texaco will continue to operate the Myers Langlie-Mattix Unit all in accordance with the unit agreements.

Yours very truly,

Texaco Exploration and Production Inc.

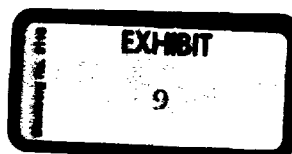

H. C. Pattison
Assistant Division Manager

RCD/srt



APR 18 1991

cc BT
CMS ✓
MS
DII





Texaco Exploration and Production Inc
Midland Producing Division

P O Box 3109
Midland TX 79702-3109

May 13, 1991

230830 - MYERS LANGLIE-MATTIX UNIT
LEA COUNTY, NEW MEXICO

State of New Mexico
Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88240

Attention: Mr. Jerry Sexton

Gentlemen:

Reference is made to our telephone conversation of this date wherein you were advised that Texaco Exploration and Production Inc. continues to operated the subject unit.

Although forms C-104 (Change of Operator) were filed by Sirgo Operating, Inc. covering the wells located in the unit, actual operations have not changed hands. Pending resolution of certain accounting matters, Texaco intends to submit its resignation as unit operator. Prior to that time, Texaco will continue to operate the Myers Langlie-Mattix Unit all in accordance with the unit agreements.

Yours very truly,

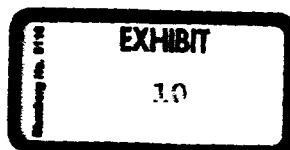
Texaco Exploration and Production Inc.

H. C. Pattison
Assistant Division Manager

RCD/srt

cc: M. A. Sirgo, III
Sirgo Operating Inc.
P. O. Box 3531
Midland, TX 79702

JAH (Hobbs)



Sirgo Operating, Inc.

P. O. Box 3531, Midland, Texas 79702 (915) 685-0878

22 APR 9 1991

3 LAW FIRM P.O.

May 20, 1991

Doyle Hartman
500 N. Main Street
Midland, Texas 79701

Attention: Mr. Bryan Jones

Re: Myers Langlie-Mattix Unit
Operator Ballot

Bryan,

As we have discussed with you, Sirgo Operating is soliciting the support of the working interest owners to be operator of the captioned unit. Enclosed is a ballot for your review, as well as a copy of the proposed project we intend to implement this summer.

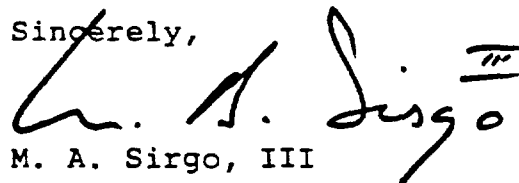
Exclusive of Hartman's interest, Sirgo's current ownership in conjunction with ballots received to date is sufficient for Sirgo to assume operatorship. Texaco has agreed to resign as operator to allow us to do so, and we would also like to have your vote.

Additionally, it is our intent to initially develop Phase I of the proposed project, and then stop and review the results.

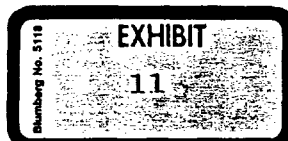
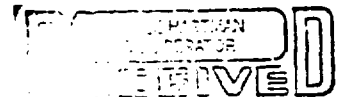
Phase I is a consensus of Texaco and Sirgo's combined engineering efforts as to the best place to start.

As with all the working interest owners, we are extending to you an invitation to sit down and review the proposed project with Sirgo's people or the Hickman engineering firm.

Sincerely,


M. A. Sirgo, III

MAS/pr



MAY 21 1991

March 8, 1991

Sirgo Operating, Inc.
P. O. Box 3531
Midland, Texas 79702

Gentlemen:

By executing this letter, the undersigned working interest owner hereby acknowledges and represents that it will support a change in the operator on the Myers Langlie-Mattix Unit from the current Unit operator, Texaco, Inc., to the proposed new operator, Sirgo Operating, Inc.

The undersigned ratifies and confirms that this letter shall serve as the undersigned's ballot to cast its vote for Sirgo Operating, Inc. to assume all rights, duties, and obligations of Unit operator under the said Myers Langlie-Mattix Unit Agreement.

In consideration of the premises hereinbefore set forth and the promises hereinafter stated, Sirgo Operating, Inc. hereby covenants and agrees to fulfill the duties and assume the obligations of Unit operator under and pursuant to all the terms of the Myers Langlie-Mattix Unit Agreement, and the undersigned covenants and agrees that, effective upon approval of the change in operator by the authorized government agency, Sirgo Operating, Inc. shall be granted the exclusive right and privilege of exercise in any and all rights and privileges as Unit Operator, pursuant said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

Respectfully,

Signature
Print Name: _____
Title: _____
WORKING INTEREST OWNER
MYERS LANGLIE-MATTIX UNIT
4.80989 % W.I.

Agreed to and accepted this 8th day of March, 1991.

SIRGO OPERATING, INC.

BY: Victor J. Sirgo
Victor J. Sirgo
Vice President

EVALUATION OF
WATERFLOOD DEVELOPMENT PROJECT
MYERS LANGLEIE MATTIX UNIT
LEA COUNTY, NEW MEXICO



T. SCOTT HICKMAN & ASSOCIATES, INC.
P E T R O L E U M E N G I N E E R S

February 15, 1991

Sirgo Production Company, Inc.
P.O. Box 3531
Midland, TX 79702

Attention: Mr. M.A. Sirgo III

Gentlemen:

Re: Waterflood Development Project
Myers Langlie Mattix Unit
Lea County, New Mexico

In accordance with Mr. Sirgo's request, we have evaluated the Proved crude oil and gas reserves as of January 1, 1991 attributed to additional development and expansion of injection in the Myers Langlie Mattix Unit located in Lea County, New Mexico. The results of this study are discussed in the attached report as outlined in the Table of Contents. A summary of our evaluation to 100% working interest (75% net revenue interest) for the escalated case is as follows:

	<u>Net Reserves</u>		<u>Future Net Revenue</u>	
	<u>Liquid</u>	<u>Gas</u>	<u>Undiscounted</u>	<u>Discounted</u>
	<u>(MBBL)</u>	<u>(MMCF)</u>	<u>(M\$)</u>	<u>@ 12%</u>
				<u>(M\$)</u>
Effective Date:	- - - - - January 1, 1991 - - - - -			
Proved				
Developed Producing	1,014	355	7,960	6,041
Undeveloped	<u>8,250</u>	<u>2,888</u>	<u>167,444</u>	<u>54,419</u>
Total Proved	9,264	3,243	175,404	60,460

Net oil and gas reserves are estimated quantities of crude oil, natural gas and natural gas liquid attributed to the composite revenue interests being evaluated after deduction of royalty and/or overriding royalty interests. The 1987 Oil and Gas Reserve Definitions, as endorsed by the SPE and SPEE and modified by use of assumed rather than existing economic conditions, were used to classify the reserves. Future net revenue was adjusted for capital expenditures,

operating costs, interest reversions, ad valorem taxes and wellhead taxes, but no consideration was given to Federal income taxes or any encumbrances that might exist against the evaluated interests. Present worth future net revenue shows the time value of money at certain discount rates, but does not represent our estimate of fair market value.

Reserves were determined using industry-accepted methods including extrapolation of established performance trends, volumetric calculations and analogy to similar producing zones as detailed in the attached study. Where applicable, the evaluator's own experience was used to check the reasonableness of the results.

In the preparation of this report, we have reviewed for reasonableness, but accepted without independent verification information furnished by Sirgo Production Company, Inc. with respect to interest factors, current prices, operating costs, current production and various other data. The price and expense escalation scheme and primary discount rate were applied at the direction of the client. The use of assumed rather than existing economic parameters affects both the cash flow projections by the difference in prices and expenses and also the reserve volumes by changing the economic limit at which production is terminated. The assumed pricing also has a major effect on the economic viability of non-developed potential and hence the volume of reserves that can be assigned to the non-producing categories.

We are qualified to perform engineering evaluations and do not claim any expertise in accounting or legal matters. As is customary in the profession, no field inspection was made of the properties nor have we verified that all operations are in compliance with any states and/or Federal conservation, pricing and environmental regulations that apply to them.

This study was performed using industry-accepted principles of engineering and evaluation that are predicated on established scientific concepts. However, the application of such principles involves extensive judgment and assumptions and is subject to changes in performance data, existing technical knowledge, economic conditions and/or statutory provisions. Consequently, our reserve estimates are furnished with the understanding that some revisions will probably be required in the future, particularly on new wells with little production history and for reserve categories other than Proved Developed Producing. Unless otherwise

Sirgo Production Company, Inc.
February 15, 1991
Page 3

noted, we have based our reserve projections on current operating methods and well densities.

This report is solely for the information of and the assistance to Sirgo Production Company, Inc. and the Myers Unit participants in the evaluation of the technical and economic feasibility of this project and is not to be used, circulated, quoted or otherwise referred to for any other purpose without the express written consent of the undersigned except as required by law. Persons other than those to whom this report is addressed shall not be entitled to rely upon the report unless it is accompanied by such consent. Data utilized in this report will be maintained in our files and are available for your use.

Yours very truly,

T. SCOTT HICKMAN & ASSOC., INC.

A handwritten signature in dark ink, appearing to read "C. Don Hunter", is written over the typed name.

C. Don Hunter, P. E.

glb
attachment

T A B L E O F C O N T E N T S

- - - - -

Discussion

Introduction
 Conclusions
 Recommendations
 Geology and Reservoir Properties
 Primary Performance
 Unit Waterflood Performance
 Future Performance Projection
 Redevelopment Plan and Economics

Table	1	Project Performance Summary
	2	Recovery Calculations
	3	Well Summary - Proposed Redevelopment Plan
	4	Proposed Investment Schedule and Well Summary Redevelopment Plan
	5	Phase Summary - Redevelopment Plan
	6	Summary of Economics - Escalated Case
	7	Summary of Economics - Unescalated Case
		Reserves and Economics - Escalated Case
Table	8	Total Proved
	9	Total Proved Developed Producing
	10	Total Proved Undeveloped
		Reserves and Economics - Unescalated Case
Table	11	Total Proved
	12	Total Proved Developed Producing
	13	Total Proved Undeveloped
Figure	1	Type Log
	2	Structure Map - Top of Queen Formation
	3	Structure Map - Top of Penrose Formation
	4	Oil Net Pay Isopach - Queen Formation
	5	Oil Net Pay Isopach - Penrose Formation
	6	Current Well Status Map
	7	Rate - Time Performance Graph, 1940 - 1969
	8	Rate - Time Performance Graph, 1970 - 1990
	9	Ultimate Primary Oil Recovery Map
	10	Cumulative Secondary Oil Production Map
	11	Proposed Redevelopment Plan Map
	12	Rate - Time Projection Graph

DISCUSSION

INTRODUCTION

The Myers Langlie Mattix Unit is an active waterflood project in the Langlie Mattix Seven Rivers-Queen-Grayburg Field, Lea County, New Mexico. The Unit produces from the Permian Age Queen and Penrose formations at a depth of approximately 3500'. Forty-acre development began in 1936 and although intermittent development continued through 1981, the major portion of the unit area was drilled prior to the mid-1960's. The Myers Unit currently has 232 wells on approximately 9600 acres.

Water injection commenced during 1975 with 121 producers and 111 injectors. Ultimate primary oil recovery has been 9000 MBBL. Currently 87 producers and 65 injectors are active. August 1990 oil rate was approximately 710 BOPD or 8.2 BOPD/well. Cumulative oil production as of September 1, 1990 was 14,424 MBBL. Remaining reserves under current operations are estimated at 1352 MBBL giving an ultimate recovery of 15,868 MBBLS, which is 13.8% of the estimated original oil-in-place. Secondary to primary ratio is 0.76.

Low primary recoveries are attributed to inefficient completions under 40-acre spacing. While response to injection has been satisfactory in isolated areas, project performance is generally characterized by inefficient injection, inadequate coverage due to completion practices and reservoir heterogeneity.

Five 20-acre infill producers were drilled during 1986 and although these wells were not within confined 5-spot patterns, the projected additional recoveries from increased production response has been sufficient to warrant an aggressive infill drilling program. Sirgo Production Company, Inc. acquired a major working interest position in this project for the purpose of redeveloping the waterflood by 20-acre infill drilling, well rework and reestablishing full-scale injection on 40-acre, 5-spot pattern configuration.

CONCLUSIONS

1. Productive limits of the field are controlled by structural and stratigraphic features.
2. Ultimate primary oil recovery is estimated at 9000 MBBL.

3. Ultimate secondary under current operations is projected to be 6868 MBBL of which an estimated 1352 MBBL remain to be produced for an ultimate oil recovery of 15,868 MBBL.
4. While response to injection has been satisfactory in isolated areas of the Unit, pattern performance is generally characterized by inefficient injection and inadequate coverage due to completion practices and reservoir heterogeneity.
5. An estimated 11,000 MBBL of additional Proved Undeveloped reserves can be recovered from the Myers Unit through infill drilling, recompletion and reestablishment of unit wide water injection.
6. An investment of 44,119 M\$ (8/8) is projected to result in a 50% rate of return and a 4.1 year payout. The investment cost does not include acquisition costs and investment costs do not include costs of financing.

RECOMMENDATIONS

1. Proceed with 20-acre infill drilling, recompletions, workovers and establishment of water injection on 40-acre, 5-spot patterns in a phased procedure as outlined in this report.
2. Development of each subsequent phase will depend, to some degree, upon results of the preceding phase. As additional petrophysical, technical and performance data becomes available, plans for subsequent phases may require revision or refinement.

GEOLOGY AND RESERVOIR PROPERTIES

The Langlie Mattix Seven Rivers-Queen-Grayburg Field is located along the western flank of the Central Basin Platform. Initial development in this field began in 1936. This is one of the largest fields in southwestern New Mexico with cumulative oil production in excess of 114 MMBBL.

The Myers Langlie Mattix Unit, which became effective February 1, 1974, currently encompasses approximately 9600 acres and 232 wells with cumulative oil production in excess of 14 MMBBL. The vertical limits of this Unit are 100 feet above the base of the Seven Rivers to the base of the Queen. The lower subdivision of the Queen formation is described

locally as the Penrose interval and usually is treated as a separate zone. The Queen-Penrose formation consists of a complex sequence of sandstones, dolomites and shales at a depth of 3500'. A type log for this Unit is shown by Figure 1. Detail core descriptions were not available; however it is considered that the high gamma ray response in the pay zones is probably caused by high feldspar content, which is typical for these formations.

Structure maps constructed on top of the Queen and Penrose formations are shown by Figures 2 and 3, respectively. The Queen and Penrose formations are asymmetrical north to south trending anticlines. Hydrocarbon entrapment and productive limits were controlled by a combination of structural and stratigraphic factors. The determination of depositional environment was beyond the scope of this study.

The Lower Seven Rivers interval is primarily gas productive across the western portion of the Unit with only minimal oil pay development in localized areas. The Lower Seven Rivers formation was considered to have insignificant waterflood potential and was therefore excluded from this study.

The structure map on top of the Queen interval, Figure 2, shows a structural high trending northwest-southeast along the eastern portion of the Unit. The upper limit of oil production in the Queen formation is interpreted to be at a datum of approximately -125', as evidenced by higher gas-oil ratios above -125' subsea and apparent decrease in porosity development. Figure 3 is a structure map on top of the Penrose interval. The lowermost oil productive limits in the Penrose would not be definitively established based on limited core and quantitative log information. However, the Penrose was determined not to be oil productive below an approximate subsea datum of -350'. Structure is considered to have a bearing on the trapping mechanism; however, stratigraphy is regarded as being the dominant factor in defining oil productive limits.

Core data and well logs were utilized for determination of reservoir parameters, although the quantitative data coverage is minimal and may not be fully representative of the unitized area. Porosity logs and/or cores were not available within several areas of apparent high net pay, as inferred from individual well production performance.

Log analyses were performed on twenty-three wells for net pay determination. Only eight of these wells had been cored. Description from twenty-eight cored wells indicate that the Queen and Penrose members range from clean sands to

limey or dolomitic sands. Core permeability is highly variable, ranging from 0.1 to 100 md. According to statistical permeability calculations furnished by Texaco, Dykstra-Parsons permeability variation for six wells ranged from 0.74 to 0.88, indicating a high degree of heterogeneity.

Net pay criteria was based on a porosity cutoff of 9%, which corresponds to permeabilities generally greater than 0.3 md. Average porosity of 13%, as determined from core data and log analyses, was utilized in volumetric calculations. Irreducible water saturations, determined from special core analyses, generally ranged from 29% to 42%. An irreducible water saturation of 40% was assumed for volumetric calculations. Residual oil saturation of 30% was obtained from special core analyses reports.

Net pay isopachs for the Queen and Penrose formations are shown by Figures 4 and 5, respectively. Net pay ranges in thickness from 1' to 40'. Reservoir net pay volume is 223,000 ac-ft for the composite Queen-Penrose reservoirs and original oil-in-place (OOIP) was calculated to be 115,000 MSTB. Reservoir saturations have been drastically altered by 15 years of water injection and no attempt was made to determine current saturation distribution.

PRIMARY PERFORMANCE

The Langlie-Mattix Field was discovered in 1936 and drilling within the current Myers Langlie Mattix Unit area began during that time. Although intermittent 40-acre development continued through 1981, the major portion of the Unit area was drilled prior to the mid-1960's. Figure 6 is a current well status map for the Unit. Primary production peaked during March 1956 at 1282 BOPD (Figure 7). Review of well performance and completion status was conducted with production data from commercial sources and public record and well completion status was reviewed from commercial sources.

It is not known whether a gas cap existed in the Queen formation prior to start of injection. However, high gas-oil ratios were prevalent across the northeastern portion of the Unit prior to 1974, coincident with Queen completions above a subsea datum of -125'. The Lower Seven Rivers interval is interpreted as primarily gas productive as evidenced by completion records and production histories. The high cumulative gas production in the western portion of the Unit is attributed to the Seven Rivers, which was open to production in the majority of wells. Method of completion, i.e., open hole completions and suspected poor cement jobs, has probably contributed to high gas-oil ratios. Once water injection

commenced during 1975, the GOR eventually declined to approximately 500-600 SCF/BBL. Insufficient data was available to determine the GOR at initial reservoir conditions.

The lowermost limits of oil production in the Penrose is interpreted as a subsea datum of -350'. Oil production is controlled by porosity development and possibly by down-structure water. However, insufficient core data and quantitative well logs were available to confirm the lower limits of porosity and permeability development in the Penrose. The Penrose does not appear to be fully exploited in the south-central portion of the Unit in areas interpreted as potentially oil productive. Eight wells in these areas did not penetrate the Penrose.

The primary producing mechanism in the Queen and Penrose formations is solution gas expansion with no apparent indications of natural water influx. Pressure data is not available and gas production data was not available prior to 1959. Therefore, determination of OOIP from material balance calculations was not possible. Ultimate primary recovery was estimated from extrapolation of established decline trends to be 9000 MBBL or an average of 40 MBBL/well for 227 wells. Primary recovery as a percentage of OOIP is 7.8%.

The effect of reservoir heterogeneity has been compounded by completion procedures. A review of well logs and completion data have revealed all of the pay may not be open in every well and many completions may also be open in the gas productive Seven Rivers zone. Also, technology was such prior to the 1970's that some completions are probably inefficient. As a result, the reservoir was not being efficiently drained on 40-acre spacing in many areas and this contributed to the low primary recovery.

UNIT WATERFLOOD PERFORMANCE

Due to the advanced stage of primary depletion and the apparent success of other Queen-Penrose waterfloods in the Langlie Mattix Field, the Myers Langlie Mattix Unit was formed for the purpose of waterflooding. The Unit became effective February 1, 1974 with Skelly as the operator. The unitized area encompassed approximately 10,000 acres and included 217 wells at that time. Water injection was initiated in August 1975 as a 5-spot pattern waterflood. The Unit responded within six months after start of injection. Peak oil rate of 2348 BOPD was reached in October 1979 (Figure 8). Table 1 is the Project Performance Summary for the Unit. An additional 10 wells were drilled prior to 1981 to complete

40-acre spacing. During full-scale operations, 121 producers and 111 injectors were active. Oil production rate has been on a steady decline since 1986. The stable water injection rates during the life of the project have contributed to the relatively shallow oil rate decline (Figure 8). Water-cut has also remained at 85-90% since 1984 (Figure 8). August 1990 oil rate for the Unit was 710 BOPD (8.2 BOPD/well).

A comparison of ultimate primary oil recoveries (Figure 9) and cumulative secondary oil recoveries (Figure 10) showed erratic waterflood response. Exceptional high secondary oil recoveries were noted within a southwestern portion of the Unit (Sections 5 and 7) which had very low primary oil recoveries. In contrast, the southeastern portion of the Unit (Sections 8 and 27) has poor secondary oil recoveries although primary oil recoveries were above average. A pattern analysis review was undertaken to evaluate production and injection performance and remaining reserve potential. Injection rates and wellhead injection pressures were included, but injection well profile surveys were not available.

The high injection-withdrawal ratios, prevalent throughout the low primary oil recovery areas in the eastern portion of the Unit, indicate poor conformance. Conversely, the high secondary oil recovery areas in the south-central portion of the Unit exhibited relatively high secondary-primary ratios, low injection withdrawals ratios and good injectivities, suggesting good vertical and areal conformance. There are other isolated areas within the Unit which have exhibited good oil response to injection due apparently to localized conditions. Fifteen wells had peak oil response rates in excess of 100 BOPD/well and 14 wells have cumulative secondary oil recoveries in excess of 100 MBBLs/well (Figure 10).

While response to injection has been satisfactory in these isolated areas, over all the injection has been inefficient. Under current operations, ultimate secondary oil recovery is projected at 57 MBBL/well for 121 producers. As shown by Tables 1 and 2, ultimate recoveries under existing development is estimated to be approximately 13.8% of OOIP whereas various other Queen waterflood projects under 40-acre spacing have reported recoveries significantly higher.

Five 20-acre infill producers (253, 254, 255, 256 and 257) were drilled in the Myers Unit during 1986 (Figure 10). Although no additional wells were converted to provide injection backup, several of the infill wells have significant reserves. Unit Well No. 253 is projected to ultimately

recover in excess of 200 MMBBL and several other wells should have recoveries in the 50-55 MMBBL/well range. Infill well performance has been sufficient to warrant an aggressive infill drilling program. Sirgo Production Company, Inc. acquired a major working interest position in this project for the purpose of redeveloping the waterflood by 20-acre infill drilling, well rework and reestablishing full-scale injection of 40-acre, 5-spot pattern configuration.

FUTURE PERFORMANCE PROJECTION

Additional Proved Undeveloped reserves of 11,000 MBBL were assigned for the selective drilling of 142 producers on 20-acre spacing and establishing injection on 40-acre, 5-spot patterns (Table 3). Total remaining Proved recovery under the proposed development is estimated at 12,352 MBBLs (Table 2). Potential recovery for each of the drilling well locations was developed from volumetric calculations of remaining mobile oil within each pattern area and from estimates of displacement efficiency. Remaining mobile oil for the total Unit was estimated at 31,265 MMBBL. Estimated recovery and producing rate predictions were influenced by experience in analogous projects and from the five Myers Unit 20-acre infill drilled wells. The limited scope of this evaluation and the limited data availability precluded the application of an analytical waterflood prediction technique or reservoir simulation. Achieving the projected oil rates and reserves are dependent upon adequate injection pressure support, improved overall conformance and close monitoring of the waterflood operations.

REDEVELOPMENT PLAN AND ECONOMICS

The 20-acre infill drilling, well recompletions and reestablishment of water injection on 40-acre, 5-spot patterns being recommended is set forth on Figure 11 and Tables 3 through 7. The program plan involves:

1. Drilling 142 producers.
2. Returning 15 wells to production status.
3. Drilling 2 injectors.
4. The reentry or conversion of 100 wells to injection.
5. Workover 94 injectors.

6. Reactivating 10 injectors.
7. Expansion and modification of injection facilities.
8. Expansion of production facilities.

Successful development of the project will depend upon the judicious utilization of information from the initial infill drilling. As additional geological and reservoir data becomes available, the reservoir characteristics and saturation distribution will be better defined. Therefore, plans for subsequent development will require revision and refinement. The completed project under current plans will have 157 producers and 206 injectors. The rate-time projections for the project is shown by Figure 12.

The price and escalation scheme were applied at the direction of Sirgo Production Company, Inc. with both an escalated and non-escalated cases being run. For the escalated pricing case, oil pricing of \$20/BBL, with no adjustments, was escalated starting immediately at 6% per annum to a maximum of \$50/BBL. Starting gas prices were based on actual prices as of September 30, 1990 and escalated starting immediately at 6% per annum until the oil price reached the maximum price.

Lease operating expenses were estimated by Sirgo Production Company, Inc. based on their experience for similar projects. The estimated expenses of \$800/well/month for producer and \$600/well/month for injector included general overhead. Expenses and investments were escalated starting immediately at 6% per annum until the primary product reached the maximum price. No equipment salvage value or abandonment costs were included for the properties. The cost for drilling, workovers and the reestablishment of injection were developed by Sirgo Production Company, Inc. We have reviewed their estimates for reasonableness, but made no independent determination. Investment costs do not include costs of financing.

Economics for the Myers Unit were based on a 100% working interest portion. Projections of incremental economics for the escalated case indicate that a capital investment of 44,119 M\$ will generate a 12% discounted future net revenue of 54,419 M\$ resulting in a 50% rate of return and a 4.1 year payout. The investment cost does not include acquisition costs and the investment costs does not include costs of financing. A summary of the escalated reserves and economics for the project is shown by Table 6. Table 8, 9 and 10 are escalated reserves and cash flow summaries for Total Proved, Proved Developed Producing and Proved

Undeveloped, respectively. Tables 7 through 13 are the corresponding cash flow summaries for the unescalated case. The oil rate forecast for the Total Proved and Proved Developed Producing reserves is shown by Figure 12.

TABLE 1

Project Performance Summary
 Myers Langlie Mattix Unit
 Langlie Mattix-Seven Rivers-Queen-Grayburg Field
 Lea County, New Mexico

Field Discovery Date	1936
Initial Completion Date	1936
Unitization Date	February 1, 1974
Initial Water Injection Date	August 1975
Total Completions:	
Producers	121
Injectors	<u>111</u>
Total	232
Active Completions @ 9-1-90	
Producers	87
Injectors	<u>65</u>
Total	152
Unitized Area (Acres)	9,560
Average Spacing (Acres/Well)	40
OOIP (MSTB)	115,000
Cumulative Oil Production @ 9-1-90 (MBBL)	14,424
Cumulative Oil Production @ 9-1-90 (BBL/Acre)	1,509
Average Oil Cumulative Per Well - 232 Wells (MBBL)	62
August 1990 Oil Rate - Total Unit (BOPD)	710
August 1990 Oil Rate - (Wells/BOPD)	8.2
Ultimate Primary Oil Recovery (MBBL)	9,000
Ultimate Primary Oil Recovery (BBL/Acre)	941
Recovery Factor (%)	7.8
Average Oil Recovery Per Well - 227 Wells (MBBL)	40
Cumulative Secondary Oil Recovery @ 9-1-90 (MBBL)	5,424
Ultimate Secondary Oil Recovery (MBBL)	6,868
Average Ultimate Secondary (Wells/MBBL)	56.8
Secondary : Primary Ratio	0.76
Ultimate Oil Recovery Under Current Mode (MBBL)	15,868
Estimated Recovery Factor (%)	13.8
Remaining Oil Recovery Under Current Mode @ 9-1-90 (MBBL)	1,352
Cumulative Gas Production @ 9-1-90 (MMCF)*	42,635
Cumulative GOR (SCF/BBL)	2,956
August 1990 Gas Rate (MCFPD)	381
August 1990 GOR (SCF/BBL)	537

TABLE 1

Project Performance Summary
 Myers Langlie Mattix Unit
 Langlie Mattix-Seven Rivers-Queen-Grayburg Field
 Lea County, New Mexico

Cumulative Water Production @ 9-1-90 (MBBL)	37,637
Cumulative WOR (Volume/Volume)	2.61
Cumulative Watercut (Percent)	72.3
August 1990 Water Rate (BWPD)	5,546
August 1990 WOR (Volume/Volume)	7.82
August 1990 Watercut (Percent)	88.7
Cumulative Water Injection @ 9-1-90 (MBBL)	146,051
Cumulative Injection-Secondary Oil Recovery Ratio (STB/STB)	26.9
Cumulative Injection-Withdrawal Balance (RBBL/RBBL)	2.0
August 1990 Injection Rate - Total Unit (BWPD)	23,418
August 1990 Injection Rate - Per Well (Range/BWPD)	360

* Gas production records are incomplete prior to 1959.

TABLE 2

Recovery Calculations
 Texaco - Myers Langlie Mattix Unit
 Langlie Mattix - Seven Rivers - Queen - Grayburg Field
 Lea County, New Mexico

Original Oil-in-Place

Where Ah = Reservoir Volume (Ac-Ft)

 \emptyset = Porosity

Sw = Connate Water Saturation

Boi = Original Formation Volume Factor

$$\begin{aligned} N &= 7,758 \text{ Ah } \emptyset (1-S_w) / (B_{oi}) \\ &= 7,758 (223,000) (.13) (1-0.40) / 1.177 \\ &= 115,000 \text{ MSTB} \quad = 516 \text{ STB/Ac-Ft} \end{aligned}$$

I. Project Status (Effective January 1, 1991)

Ultimate Recoveries Under Current Mode of Operations

Ultimate Primary Recovery (MSTB)	9,000
Primary Recovery Factor (%)	7.8
Ultimate Secondary Recovery (MSTB)	6,868
Secondary : Primary Ratio	0.76
Combined Ultimate Primary + Secondary (MSTB)	15,868
Recovery Factor (%)	13.8

II. Proposed Redevelopment (Effective January 1, 1991)

Cumulative Oil Production @ January 1, 1991 (MSTB)	14,516
Cumulative Recovery Factor @ January 1, 1991 (%)	12.6
OIP @ May 1, 1990 (=115,000-14,516)(MSTB)	100,484

Estimated Oil Saturation @ January 1, 1991

$$\begin{aligned} S_{oi} &= (1-RF)(B_o/B_{oi})(1-S_u) \\ &= (1-.126)(1.115/1.177)(1-0.45) \\ &= 0.455 \end{aligned}$$

Where Swi = estimated average current water saturation oil at
undrilled locations.

Remaining Mobil Oil

$$\begin{aligned} N_m &= 7,758 \text{ Ah } (\emptyset) (S_{oi} - S_{or}) / B_o \\ &= 7,758 (223,000) (.13) (.455 - 0.30) / 1.115 \\ &= 31,265 \text{ MSTB} \end{aligned}$$

TABLE 2

Recovery Calculations
 Texaco - Myers Langlie Mattix Unit
 Langlie Mattix - Seven Rivers - Queen - Grayburg Field
 Lea County, New Mexico

II. Proposed Redevelopment (Effective January 1, 1991) - Continued

Estimated Recoverable Mobil Oil (PDP and PUD)

Npf = Nm (EV)

= (31,265)(0.40)

= 12,352 MSTB

Where EV = Conformance Efficiency

Cumulative Oil Production @ January 1, 1991 (MSTB)	14,516
Remaining Proved Reserves @ January 1, 1991 (MSYB)	<u>12,352</u>
Ultimate Proved Reserves @ January 1, 1991 (MSTB)	26,868
Recovery Factor (%)	23.4

TABLE 3

Well Summary
Proposed Redevelopment Plan
Myers Langlie Mattix Unit
Lea County, New Mexico

<u>Phase</u>	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>TOTAL</u>
<u>Producers</u>					
Drill	35	38	35	34	142
Existing	<u>3</u>	<u>2</u>	<u>2</u>	<u>8</u>	<u>15</u>
Total	38	40	37	42	157
<u>Injectors</u>					
Drill	0	1	0	1	2
Conversions	13	24	30	33	100
Existing	<u>18</u>	<u>25</u>	<u>28</u>	<u>33</u>	<u>104</u>
Total	31	50	58	67	206
Total Wells	69	90	95	109	363

TABLE 4
PROPOSED INVESTMENT SCHEDULE
AND WELL SUMMARY
MYERS LANGLEY MATTHEW UNIT
RE-DEVELOPMENT PLAN
PHASE 1

PHASE	INVEST DATE	DRILL: PRODUCERS			INJECTORS					TOTAL PHASE INVESTMENT	
		WELL NO.	RESERVES (MBBL)	INV M\$					INV M\$	CUM INV M\$
					DRILL WELL NO.	CONV WELL NO.	WORKOVER WELL NO.	INV M\$	FACILITY M\$		
1	1 91	1-1	175	180.5			133	36		216.5	216.5
1	1 91	1-5	150	180.5			143	36		216.5	433.0
1	1 91	1-8	150	180.5			168	36		216.5	649.5
1	1 91	1-15	150	180.5			172	106		286.5	936.0
1	2 91	1-19	150	180.5			176	33		213.5	1149.5
1	2 91	1-18	150	180.5			178	106		286.5	1436.0
1	2 91	1-22	150	180.5			199	106		286.5	1722.5
1	2 91	1-17	140	180.5			201	33		213.5	1936.0
1	3 91	1-33	135	180.5			203	36		216.5	2152.5
1	3 91	1-4	125	180.5			213	106	206.1	492.6	2645.1
1	3 91	1-9	125	180.5			215	106		286.5	2931.6
1	3 91	1-14	125	180.5			234	36		216.5	3148.1
1	4 91	1-34	125	180.5			236	36		216.5	3364.6
1	4 91	1-31	115	180.5				130	41	221.5	3586.1
1	4 91	1-6	115	180.5				132	17	197.5	3783.6
1	4 91	1-7	115	180.5				142	17	197.5	3981.1
1	5 91	1-24	115	180.5				144	61	241.5	4222.6
1	5 91	1-32	105	180.5				167	33	206.1	4419.6
1	5 91	1-23	105	180.5				169	36	216.5	4636.7
1	5 91	1-3	100	180.5				171	36	216.5	4853.2
1	6 91	1-10	110	180.5				177	106	286.5	5139.7
1	6 91	1-26	100	180.5				179	106	286.5	5426.2
1	6 91	1-27	100	180.5				200	106	286.5	5712.7
1	6 91	1-29	100	180.5				202	56	236.5	5949.2
1	7 91	1-35	100	180.5				214	17	197.5	6146.7
1	7 91	1-11	95	180.5				216	17	206.1	6352.8
1	7 91	1-21	95	180.5				233	16	196.5	6549.3
1	7 91	1-2	90	180.5						180.5	6729.8
1	8 91	1-25	90	180.5						180.5	6910.3
1	8 91	1-30	90	180.5						180.5	7090.8
1	8 91	1-16	80	180.5					206.1	386.6	7477.4
1	8 91	1-13	70	180.5						180.5	7657.9
1	9 91	1-20	70	180.5						180.5	7838.4
1	9 91	1-12	40	180.5						180.5	8018.9
1	9 91	1-28	40	180.5						180.5	8199.4
		35	3890	6317.5	0	13	14	1477	824.4	8618.9	8618.9

TABLE 4
PROPOSED INVESTMENT SCHEDULE
AND WELL SUMMARY
MYERS LANGLIE MATTIX UNIT
RE-DEVELOPMENT PLAN
PHASE II

PHASE	INVEST DATE	DRILL: PRODUCERS			INJECTORS					TOTAL PHASE INVESTMENT	
		WELL NO.	RESERVES (MBOB)	INV M\$	DRILL CONV WORKOVER					INV M\$	CUM INV M\$
					WELL NO.	WELL NO.	WELL NO.	INV M\$	FACILITY M\$		
II	9 91	11-30	105	180.5		170		36		216.5	216.5
II	10 91	11-25	100	180.5	36-X			164		344.5	561.0
II	10 91	11-22	100	180.5		38		46	206.1	432.6	993.6
II	10 91	11-19	100	180.5		40		33		213.5	1207.1
II	10 91	11-18	100	180.5		62		46		226.5	1433.6
II	11 91	11-13	100	180.5		64		46		226.5	1660.1
II	11 91	11-10	100	180.5		66		46		226.5	1886.6
II	11 91	11-9	100	180.5		68		46		226.5	2113.1
II	11 91	11-16	100	180.5		70		46		226.5	2339.6
II	12 91	11-4	90	180.5		72		46		226.5	2566.1
II	12 91	11-8	90	180.5		74		33	206.1	419.6	2985.7
II	12 91	11-20	90	180.5		96		106		286.5	3272.2
II	12 91	11-35	90	180.5		100		106		286.5	3558.7
II	1 92	11-3	80	180.5		102		33		213.5	3772.2
II	1 92	11-7	80	180.5		106		33		213.5	3985.7
II	1 92	11-12	80	180.5		252		33		213.5	4199.2
II	1 92	11-17	80	180.5		135		33		213.5	4412.7
II	2 92	11-23	80	180.5		141		33		213.5	4626.2
II	2 92	11-24	80	180.5		174		106		286.5	4912.7
II	2 92	11-32	80	180.5		205		33	206.1	419.6	5332.3
II	2 92	11-33	80	180.5		207		106		286.5	5618.8
II	3 92	11-2	70	180.5		209		106		286.5	5905.3
II	3 92	11-6	70	180.5		211		106		286.5	6191.8
II	3 92	11-11	70	180.5		240		36		216.5	6408.3
II	3 92	11-15	70	180.5		242		36		216.5	6624.8
II	4 92	11-21	70	180.5			35	46		226.5	6851.3
II	4 92	11-26	70	180.5			37	17		197.5	7048.8
II	4 92	11-27	70	180.5			39	106		286.5	7335.3
II	4 92	11-28	70	180.5			61	17		197.5	7532.8
II	5 92	11-36	60	180.5			63	17		197.5	7730.3
II	5 92	11-38	60	180.5			65	106		286.5	8016.8
II	5 92	11-34	60	180.5			67	106	206.1	492.6	8509.4
II	5 92	11-1	60	180.5			69	17		197.5	8706.9
II	6 92	11-5	50	180.5			71	17		197.5	8904.4
II	6 92	11-14	50	180.5			73	17		197.5	9101.9
II	6 92	11-29	40	180.5			95	17		197.5	9299.4
II	6 92	11-31	40	180.5			97	106		286.5	9585.9
II	7 92	11-37	40	180.5			99	46		226.5	9812.4

TABLE 4
 PROPOSED INVESTMENT SCHEDULE
 AND WELL SUMMARY
 MYERS LANGLEIE MATTIX UNIT
 RE-DEVELOPMENT PLAN
 PHASE II

PHASE	INVEST DATE	DRILL: PRODUCERS			INJECTORS					TOTAL PHASE INVESTMENT	
		WELL NO.	RESERVES (MBBL)	INV M\$	DRILL CONV WORKOVER					INV M\$	CUM INV M\$
					WELL NO.	WELL NO.	WELL NO.	INV M\$	FACILITY M\$		
II	7 92						101	46		46	9858.4
II	7 92						103	61		61	9919.4
II	7 92						107	106		106	10025.4
II	8 92						134	17		17	10042.4
II	8 92						136	106		106	10148.4
II	8 92						140	17		17	10165.4
II	8 92						173	106		106	10271.4
II	9 92						204	17		17	10288.4
II	9 92						208	17		17	10305.4
II	9 92						210	106		106	10411.4
II	9 92						239	16		16	10427.4
		38	2925	6859	1	24	24	2744	824.4	10427.4	10427.4

TABLE 4
PROPOSED INVESTMENT SCHEDULE
AND WELL SUMMARY
MYERS LANGLIE MATTIX UNIT
RE-DEVELOPMENT PLAN
PHASE III

										TOTAL PHASE INVESTMENT	
DRILL: PRODUCERS					INJECTORS						
PHASE	INVEST DATE	WELL NO.	RESERVES (MBBL)	INV M\$	DRILL CONV WORKOVER					CUM INV M\$	
					WELL NO.	WELL NO.	WELL NO.	INV M\$	FACILITY M\$		
III	10 92	III-2	150	180.5		131	3,5	87		267.5	267.5
III	10 92	III-12	150	180.5		145	7,16	140		320.5	588.0
III	10 92	III-25	130	205.5		98	17	123		328.5	916.5
III	10 92	III-30	130	205.5		139	30	123		328.5	1245.0
III	11 92	III-11	110	180.5		2	26	123		303.5	1548.5
III	11 92	III-13	110	180.5		4	27	53	206.1	439.6	1988.1
III	11 92	III-26	110	205.5		6	28	123		328.5	2316.6
III	11 92	III-7	90	180.5		14	43	102		282.5	2599.1
III	12 92	III-19	90	205.5		15	45	72		277.5	2876.6
III	12 92	III-1	80	180.5		18	47	69		249.5	3126.1
III	12 92	III-8	80	180.5		25	53	50		230.5	3356.6
III	12 92	III-14	80	180.5		29	55	94		274.5	3631.1
III	1 93	III-17	80	180.5		44	57,77	140		320.5	3951.6
III	1 93	III-18	80	205.5		46	79	50	206.1	461.6	4413.2
III	1 93	III-33	80	205.5		54	89	94		299.5	4712.7
III	1 93	III-20	70	205.5		56	91,93	140		345.5	5058.2
III	2 93	III-29	65	205.5		58	109	50		255.5	5313.7
III	2 93	III-3	60	180.5		59	111	50		230.5	5544.2
III	2 93	III-4	60	180.5		60	113	50		230.5	5774.7
III	2 93	III-31	60	205.5		75	128	58		263.5	6038.2
III	3 93	III-34	60	205.5		76		33		238.5	6276.7
III	3 93	III-6	55	180.5		78		106	206.1	492.6	6769.3
III	3 93	III-9	50	180.5		80		106		286.5	7055.8
III	3 93	III-21	50	205.5		90		36		241.5	7297.3
III	4 93	III-24	50	205.5		92		41		246.5	7543.8
III	4 93	III-28	45	205.5		94		33		238.5	7782.3
III	4 93	III-5	45	180.5		251		33		213.5	7995.8
III	4 93	III-10	40	180.5		112		33		213.5	8209.3
III	5 93	III-23	40	205.5		114		106		311.5	8520.8
III	5 93	III-15	35	180.5		166		33		213.5	8734.3
III	5 93	III-22	30	205.5			146	33	206.1	444.6	9178.9
III	5 93	III-32	30	205.5			165	17		222.5	9401.4
III	6 93	III-16	25	180.5			19	106		286.5	9687.9
III	6 93	III-27	25	205.5			24	106		311.5	9999.4
III	6 93	III-35	20	205.5						205.5	10204.9
.....					
		35	2465	6767.5	0	30	28	2613	824.4	10204.9	10204.9

TABLE 4
PROPOSED INVESTMENT SCHEDULE
AND WELL SUMMARY
MYERS LANGLIE MATTIX UNIT
RE-DEVELOPMENT PLAN
PHASE IV

		DRILL: PRODUCERS			INJECTORS					TOTAL PHASE INVESTMENT	
PHASE	INVEST DATE	WELL NO.	RESERVES (MBBL)	INV M\$	DRILL CONV WORKOVER			FACILITY M\$	INV M\$	CUM INV M\$	
					WELL NO.	WELL NO.	WELL NO.				
IV	6 93	IV-27	90	205.5		129	10, 13, 32	85		290.5	290.5
IV	7 93	IV-29	90	205.5		147		81	67	272.5	563.0
IV	7 93	IV-20	80	205.5		9		85	77	282.5	845.5
IV	7 93	IV-31	80	205.5		12		86	74	279.5	1125.0
IV	7 93	IV-10	75	205.5		31		105	139	344.5	1469.5
IV	8 93	IV-6	70	205.5		33		115	66	206.1	477.6
IV	8 93	IV-7	70	205.5		88		117	66	271.5	2218.6
IV	8 93	IV-14	70	205.5		104		120	69	274.5	2493.1
IV	8 93	IV-32	70	205.5		116		122	72	277.5	2770.6
IV	9 93	IV-33	70	205.5		121		138	62	267.5	3038.1
IV	9 93	IV-34	70	205.5		123		148	139	344.5	3382.6
IV	9 93	IV-16	70	205.5		127		152	69	274.5	3657.1
IV	9 93	IV-8	60	205.5		137		154	139	344.5	4001.6
IV	10 93	IV-24	60	205.5		153		157	139	344.5	4346.1
IV	10 93	IV-30	60	205.5		155			106	206.1	517.6
IV	10 93	IV-9	55	205.5		158		181	58	263.5	5127.2
IV	10 93	IV-11	50	205.5		164		189	79	284.5	5411.7
IV	11 93	IV-17	50	205.5		180		192	152	357.5	5769.2
IV	11 93	IV-22	50	205.5		182		218	50	255.5	6024.7
IV	11 93	IV-2	45	205.5		188		222	79	284.5	6309.2
IV	11 93	IV-4	45	205.5		190		224	87	292.5	6601.7
IV	12 93	IV-1	40	205.5		191		228	87	292.5	6894.2
IV	12 93	IV-3	40	205.5		193		231	50	206.1	461.6
IV	12 93	IV-5	30	205.5		197		244	53	258.5	7614.3
IV	12 93	IV-12	30	205.5		217		246	50	255.5	7869.8
IV	1 94	IV-13	30	205.5		219		250	79	284.5	8154.3
IV	1 94	IV-18	30	205.5		223		159	212	417.5	8571.8
IV	1 94	IV-23	30	205.5		227			106	311.5	8883.3
IV	1 94	IV-25	30	205.5		230			33	238.5	9121.8
IV	2 94	IV-26	30	205.5	232-X				164	369.5	9491.3
IV	2 94	IV-28	30	205.5		118			33	206.1	444.6
IV	2 94	IV-15	30	205.5		245			106	311.5	10247.4
IV	2 94	IV-19	20	205.5		247			106	311.5	10558.9
IV	3 94	IV-24	20	205.5		249			36	241.5	10800.4
		34	1770	6987	1	33	28	2989	824.4	10800.4	10800.4

TABLE 4
 PROPOSED INVESTMENT SCHEDULE
 AND WELL SUMMARY
 MYERS LANGLIE MATTIX UNIT
 RE-DEVELOPMENT PLAN
 PHASE SUMMARY

PHASE	INVEST DATE	DRILL: PRODUCERS			INJECTORS					TOTAL PHASE INVESTMENT	
		WELL NO.	RESERVES (MGBL)	INV M\$	DRILL WELL NO.	CONV WELL NO.	WORKOVER WELL NO.	INV M\$	FACILITY M\$	INV M\$	CUM INV M\$
PHASE I-IV	1 91-	142	11050	26931	2	100	94	9823	3297.6	40051.6	40051.6
TOTALS	3 94										

TABLE 5
PHASE SUMMARY
MYERS LANGLIE MATTIX UNIT
RE-DEVELOPMENT PLAN
1991

PHASE	INVEST DATE	DRILL: PRODUCERS			INJECTORS					TOTAL PHASE INVESTMENT	
		WELL NO.	RESERVES (MBBL)	INV M\$ DRILL CONV WORKOVER					INV M\$	CUM INV M\$
					WELL NO.	WELL NO.	WELL NO.	INV M\$	FACILITY M\$		
I	1 91	1-1	175	180.5		133		36		216.5	216.5
I	1 91	1-5	150	180.5		143		36		216.5	433.0
I	1 91	1-8	150	180.5		168		36		216.5	649.5
I	1 91	1-15	150	180.5		172		106		286.5	936.0
I	2 91	1-19	150	180.5		176		33		213.5	1149.5
I	2 91	1-18	150	180.5		178		106		286.5	1436.0
I	2 91	1-22	150	180.5		199		106		286.5	1722.5
I	2 91	1-17	140	180.5		201		33		213.5	1936.0
I	3 91	1-33	135	180.5		203		36		216.5	2152.5
I	3 91	1-4	125	180.5		213		106	206.1	492.6	2645.1
I	3 91	1-9	125	180.5		215		106		286.5	2931.6
I	3 91	1-14	125	180.5		234		36		216.5	3148.1
I	4 91	1-34	125	180.5		236		36		216.5	3364.6
I	4 91	1-31	115	180.5			130	41		221.5	3586.1
I	4 91	1-6	115	180.5			132	17		197.5	3783.6
I	4 91	1-7	115	180.5			142	17		197.5	3981.1
I	5 91	1-24	115	180.5			144	61		241.5	4222.6
I	5 91	1-32	105	180.5			167	33	206.1	419.6	4642.2
I	5 91	1-23	105	180.5			169	36		216.5	4858.7
I	5 91	1-3	100	180.5			171	36		216.5	5075.2
I	6 91	1-10	110	180.5			177	106		286.5	5361.7
I	6 91	1-26	100	180.5			179	106		286.5	5648.2
I	6 91	1-27	100	180.5			200	106		286.5	5934.7
I	6 91	1-29	100	180.5			202	56		236.5	6171.2
I	7 91	1-35	100	180.5			214	17		197.5	6368.7
I	7 91	1-11	95	180.5			216	17	206.1	403.6	6772.3
I	7 91	1-21	95	180.5			233	16		196.5	6968.8
I	7 91	1-2	90	180.5						180.5	7149.3
I	8 91	1-25	90	180.5						180.5	7329.8
I	8 91	1-30	90	180.5						180.5	7510.3
I	8 91	1-16	80	180.5					206.1	386.6	7896.9
I	8 91	1-13	70	180.5						180.5	8077.4
I	9 91	1-20	70	180.5						180.5	8257.9
I	9 91	1-12	40	180.5						180.5	8438.4
I	9 91	1-28	40	180.5						180.5	8618.9
II	9 91	11-30	105	180.5		170		36		216.5	8835.4
II	10 91	11-25	100	180.5	36-X			164		344.5	9179.9
II	10 91	11-22	100	180.5		38		46	206.1	432.6	9612.5

TABLE 5
PHASE SUMMARY
MYERS LANGLIE MATTIX UNIT
RE-DEVELOPMENT PLAN
1991

PHASE	INVEST DATE	DRILL: PRODUCERS			INJECTORS					TOTAL PHASE INVESTMENT	
		WELL NO.	RESERVES (MBBL)	INV M\$	DRILL CONV WORKOVER					CUM	
					WELL NO.	WELL NO.	WELL NO.	INV M\$	FACILITY M\$	INV M\$	INV M\$
11	10 91	11-19	100	180.5		40		33		213.5	9826.0
11	10 91	11-18	100	180.5		62		46		226.5	10052.5
11	11 91	11-13	100	180.5		64		46		226.5	10279.0
11	11 91	11-10	100	180.5		66		46		226.5	10505.5
11	11 91	11-9	100	180.5		68		46		226.5	10732.0
11	11 91	11-16	100	180.5		70		46		226.5	10958.5
11	12 91	11-4	90	180.5		72		46		226.5	11185.0
11	12 91	11-8	90	180.5		74		33	206.1	419.6	11604.6
11	12 91	11-20	90	180.5		96		106		286.5	11891.1
11	12 91	11-35	90	180.5		100		106		286.5	12177.6
		48	5155	8664	1	25	14	2277	1236.6	12177.6	12177.6

TABLE 5
PHASE SUMMARY
MYERS LANGLEY MATTIX UNIT
RE-DEVELOPMENT PLAN
1992

					INJECTORS					TOTAL PHASE INVESTMENT	
DRILL: PRODUCERS					-----					-----	
PHASE	INVEST DATE	WELL NO.	RESERVES (MBBL)	INV M\$	DRILL CONV WORKOVER					INV M\$	CUM INV M\$
					WELL NO.	WELL NO.	WELL NO.	INV M\$	FACILITY M\$		
II	1 92	II-3	80	180.5		102		33		213.5	213.5
II	1 92	II-7	80	180.5		106		33		213.5	427.0
II	1 92	II-12	80	180.5		252		33		213.5	640.5
II	1 92	II-17	80	180.5		135		33		213.5	854.0
II	2 92	II-23	80	180.5		141		33		213.5	1067.5
II	2 92	II-24	80	180.5		174		106		286.5	1354.0
II	2 92	II-32	80	180.5		205		33	206.1	419.6	1773.6
II	2 92	II-33	80	180.5		207		106		286.5	2060.1
II	3 92	II-2	70	180.5		209		106		286.5	2346.6
II	3 92	II-6	70	180.5		211		106		286.5	2633.1
II	3 92	II-11	70	180.5		240		36		216.5	2849.6
II	3 92	II-15	70	180.5		242		36		216.5	3066.1
II	4 92	II-21	70	180.5			35	46		226.5	3292.6
II	4 92	II-26	70	180.5			37	17		197.5	3490.1
II	4 92	II-27	70	180.5			39	106		286.5	3776.6
II	4 92	II-28	70	180.5			61	17		197.5	3974.1
II	5 92	II-36	60	180.5			63	17		197.5	4171.6
II	5 92	II-38	60	180.5			65	106		286.5	4458.1
II	5 92	II-34	60	180.5			67	106	206.1	492.6	4950.7
II	5 92	II-1	60	180.5			69	17		197.5	5148.2
II	6 92	II-5	50	180.5			71	17		197.5	5345.7
II	6 92	II-14	50	180.5			73	17		197.5	5543.2
II	6 92	II-29	40	180.5			95	17		197.5	5740.7
II	6 92	II-31	40	180.5			97	106		286.5	6027.2
II	7 92	II-37	40	180.5			99	46		226.5	6253.7
II	7 92						101	46		46	6299.7
II	7 92						103	61		61	6360.7
II	7 92						107	106		106	6466.7
II	8 92						134	17		17	6483.7
II	8 92						136	106		106	6589.7
II	8 92						140	17		17	6606.7
II	8 92						173	106		106	6712.7
II	9 92						204	17		17	6729.7
II	9 92						208	17		17	6746.7
II	9 92						210	106		106	6852.7
II	9 92						239	16		16	6868.7
III	10 92	III-2	150	180.5		131	3,5	87		267.5	7136.2
III	10 92	III-12	150	180.5		145	7,16	140		320.5	7456.7
III	10 92	III-25	130	205.5		98	17	123		328.5	7785.2
III	10 92	III-30	130	205.5		139	30	123		328.5	8113.7

TABLE 5
 PHASE SUMMARY
 MYERS LANGLIE MATTIX UNIT
 RE-DEVELOPMENT PLAN
 1992

PHASE	INVEST DATE	DRILL: PRODUCERS			INJECTORS					TOTAL PHASE INVESTMENT	
		WELL NO.	RESERVES (MBBL)	INV M\$	DRILL CONY WORKOVER					INV M\$	CUM INV M\$
					WELL NO.	WELL NO.	WELL NO.	INV M\$	FACILITY M\$		
III	11 92	III-11	110	180.5		2	26	123		303.5	8417.2
III	11 92	III-13	110	180.5		4	27	53	206.1	439.6	8856.8
III	11 92	III-26	110	205.5		6	28	123		328.5	9185.3
III	11 92	III-7	90	180.5		14	43	102		282.5	9467.8
III	12 92	III-19	90	205.5		15	45	72		277.5	9745.3
III	12 92	III-1	80	180.5		18	47	69		249.5	9994.8
III	12 92	III-8	80	180.5		25	53	50		230.5	10225.3
III	12 92	III-14	80	180.5		29	55	94		274.5	10499.8
		37	2970	6778.5	0	24	38	3103	618.3	10499.8	10499.8

TABLE 5
PHASE SUMMARY
MYERS LANGLEY MATTIX UNIT
RE-DEVELOPMENT PLAN
1993

PHASE	INVEST DATE	DRILL: PRODUCERS			INJECTORS					TOTAL PHASE INVESTMENT	
		WELL NO.	RESERVES (MBBL)	INV M\$	DRILL		CONV		FACILITY M\$	INV M\$	CUM INV M\$
					WELL NO.	WELL NO.	WELL NO.	INV M\$			
III	1 93	III-17	80	180.5		44	57,77	140		320.5	320.5
III	1 93	III-18	80	205.5		46	79	50	206.1	461.6	782.1
III	1 93	III-33	80	205.5		54	89	94		299.5	1081.6
III	1 93	III-20	70	205.5		56	91,93	140		345.5	1427.1
III	2 93	III-29	65	205.5		58	109	50		255.5	1682.6
III	2 93	III-3	60	180.5		59	111	50		230.5	1913.1
III	2 93	III-4	60	180.5		60	113	50		230.5	2143.6
III	2 93	III-31	60	205.5		75	128	58		263.5	2407.1
III	3 93	III-34	60	205.5		76		33		238.5	2645.6
III	3 93	III-6	55	180.5		78		106	206.1	492.6	3138.2
III	3 93	III-9	50	180.5		80		106		286.5	3424.7
III	3 93	III-21	50	205.5		90		36		241.5	3666.2
III	4 93	III-24	50	205.5		92		41		246.5	3912.7
III	4 93	III-28	45	205.5		94		33		238.5	4151.2
III	4 93	III-5	45	180.5		251		33		213.5	4364.7
III	4 93	III-10	40	180.5		112		33		213.5	4578.2
III	5 93	III-23	40	205.5		114		106		311.5	4889.7
III	5 93	III-15	35	180.5		166		33		213.5	5103.2
III	5 93	III-22	30	205.5			146	33	206.1	444.6	5547.8
III	5 93	III-32	30	205.5			165	17		222.5	5770.3
III	6 93	III-16	25	180.5			19	106		286.5	6056.8
III	6 93	III-27	25	205.5			24	106		311.5	6368.3
III	6 93	III-35	20	205.5						205.5	6573.8
IV	6 93	IV-27	90	205.5		129	10, 13, 32	85		290.5	6864.3
IV	7 93	IV-29	90	205.5		147	81	67		272.5	7136.8
IV	7 93	IV-20	80	205.5		9	85	77		282.5	7419.3
IV	7 93	IV-31	80	205.5		12	86	74		279.5	7698.8
IV	7 93	IV-10	75	205.5		31	105	139		344.5	8043.3
IV	8 93	IV-6	70	205.5		33	115	66	206.1	477.6	8520.9
IV	8 93	IV-7	70	205.5		88	117	66		271.5	8792.4
IV	8 93	IV-14	70	205.5		104	120	69		274.5	9066.9
IV	8 93	IV-32	70	205.5		116	122	72		277.5	9344.4
IV	9 93	IV-33	70	205.5		121	138	62		267.5	9611.9
IV	9 93	IV-34	70	205.5		123	148	139		344.5	9956.4
IV	9 93	IV-16	70	205.5		127	152	69		274.5	10230.9
IV	9 93	IV-8	60	205.5		137	154	139		344.5	10575.4
IV	10 93	IV-24	60	205.5		153	157	139		344.5	10919.9
IV	10 93	IV-30	60	205.5		155		106	206.1	517.6	11437.5
IV	10 93	IV-9	55	205.5		158	181	58		263.5	11701.0
IV	10 93	IV-11	50	205.5		164	189	79		284.5	11985.5
IV	11 93	IV-17	50	205.5		180	192	152		357.5	12343.0

TABLE 5
 PHASE SUMMARY
 MYERS LANGLIE MATTIX UNIT
 RE-DEVELOPMENT PLAN
 1993

PHASE	INVEST DATE	DRILL: PRODUCERS			INJECTORS					TOTAL PHASE INVESTMENT	
		WELL NO.	RESERVES (MBBL)	INV M\$	DRILL CONV WORKOVER					INV M\$	CUM INV M\$
					WELL NO.	WELL NO.	WELL NO.	INV M\$	FACILITY M\$		
IV	11 93	IV-22	50	205.5		182	218	50		255.5	12598.5
IV	11 93	IV-2	45	205.5		188	222	79		284.5	12883.0
IV	11 93	IV-4	45	205.5		190	224	87		292.5	13175.5
IV	12 93	IV-1	40	205.5		191	228	87		292.5	13468.0
IV	12 93	IV-3	40	205.5		193	231	50	206.1	461.6	13929.6
IV	12 93	IV-5	30	205.5		197	244	53		258.5	14188.1
IV	12 93	IV-12	30	205.5		217	246	50		255.5	14443.6
		48	2675	9639	0	43	40	3568	1236.6	14443.6	14443.6

TABLE 5
 PHASE SUMMARY
 MYERS LANGLIE MATTIX UNIT
 RE-DEVELOPMENT PLAN
 1994

PHASE	INVEST DATE	DRILL: PRODUCERS			INJECTORS					TOTAL PHASE INVESTMENT	
		WELL NO.	RESERVES (MBBL)	INV M\$ DRILL CONV WORKOVER					INV M\$	CUM INV M\$
					WELL NO.	WELL NO.	WELL NO.	INV M\$	FACILITY M\$		
IV	1 94	IV-13	30	205.5		219	250	79		284.5	284.5
IV	1 94	IV-18	30	205.5		223	159	212		417.5	702.0
IV	1 94	IV-23	30	205.5		227		106		311.5	1013.5
IV	1 94	IV-25	30	205.5		230		33		238.5	1252.0
IV	2 94	IV-26	30	205.5	232-X			164		369.5	1621.5
IV	2 94	IV-28	30	205.5		118		33	206.1	444.6	2066.1
IV	2 94	IV-15	30	205.5		245		106		311.5	2377.6
IV	2 94	IV-19	20	205.5		247		106		311.5	2689.1
IV	3 94	IV-24	20	205.5		249		36		241.5	2930.6
		9	250	1849.5	1	8	2	875	206.1	2930.6	2930.6

TABLE 5
 PHASE SUMMARY
 MYERS LANGLE MATTIX UNIT
 RE-DEVELOPMENT PLAN
 1991-1994

PHASE	INVEST DATE	DRILL: PRODUCERS			INJECTORS					TOTAL PHASE INVESTMENT	
		WELL NO.	RESERVES (MBBL)	INV M\$	DRILL CONV WORKOVER					INV M\$	CUM INV M\$
					WELL NO.	WELL NO.	WELL NO.	INV M\$	FACILITY M\$		
1991		48	5155	8664.0	1	25	14	2277	1236.6	12177.6	12177.6
1992		37	2970	6778.5	0	24	38	3103	618.3	10499.8	10499.8
1993		48	2675	9639.0	0	43	40	3568	1236.6	14443.6	14443.6
1994		9	250	1849.5	1	8	2	875	206.1	2930.6	2930.6
1991-1994		142	11050	26931.0	2	100	94	9823	3297.6	40051.6	40051.6

TABLE 6

Summary of Economics - Escalated Case
 Project Waterflood Redevelopment
 Myers Langlie Mattix Unit
 Lea County, New Mexico

	Proved Developed <u>Producing</u>	Proved <u>Undeveloped</u>	Total <u>Proved</u>
Effective Date:	- - - - - January 1, 1991- - - - -		
Interest:			
Working, Decimal	- - - - -	1.00 - - - - -	- - - - -
Net Revenue, Decimal	- - - - -	.75 - - - - -	- - - - -
Gross Reserves:			
Oil, MBBL	1,352	11,000	12,352
Gas, MMCF	473	3,850	4,323
Net Reserves:			
Oil, MBBL	1,014	8,250	9,264
Gas, MMCF	355	2,888	3,243
Net Operating Revenue, M\$	26,715	277,834	304,549
Expenses:			
Wellhead Taxes, M\$	1,773	18,441	20,214
Operating Costs, M\$	16,982	47,830	64,812
Total, M\$	18,755	66,271	85,026
Investments, M\$	0	44,119	44,119
Future Net Revenue:			
Undiscounted, M\$	7,960	167,444	175,404
Discounted @ 12% M\$	6,041	54,419	60,460
Payout, Years	--	4.10	--
Annualized Rate of Return, %	--	49.90	--
Income/Investment Ratio:			
Undiscounted	--	4.80	--
Discounted @ 12%	--	2.50	--

TABLE 6

TABLE 7

Summary of Economics - Unescalated Case
 Project Waterflood Redevelopment
 Myers Langlie Mattix Unit
 Lea County, New Mexico

	Proved Developed <u>Producing</u>	Proved <u>Undeveloped</u>	Total <u>Proved</u>
Effective Date:	- - - - - January 1, 1991 - - - - -		
Interest:			
Working, Decimal	- - - - -	1.00 - - - - -	- - - - -
Net Revenue, Decimal	- - - - -	.75 - - - - -	- - - - -
Gross Reserves:			
Oil, MBBL	1,352	11,000	12,352
Gas, MMCF	473	3,850	4,323
Net Reserves:			
Oil, MBBL	1,014	8,250	9,264
Gas, MMCF	355	2,888	3,243
Net Operating Revenue, M\$	21,046	171,179	192,225
Expenses:			
Wellhead Taxes, M\$	1,397	11,362	12,759
Operating Costs, M\$	12,768	26,064	38,832
Total, M\$	14,165	37,426	51,591
Investments, M\$	0	40,052	40,052
Future Net Revenue:			
Undiscounted, M\$	6,881	93,702	100,583
Discounted @ 12% M\$	5,342	31,414	36,756
Payout, Years	--	4.27	--
Annualized Rate of Return, %	--	41.24	--
Income/Investment Ratio:			
Undiscounted	--	3.34	--
Discounted @ 12%	--	1.95	--

*Payout based on project effective date

RESERVES AND ECONOMICS

SIRSO OPERATING INC ESC

AS OF JANUARY 1, 1991

-END- MO-YR	---GROSS PRODUCTION---			---NET PRODUCTION---			--PRICES--		-----OPERATIONS, M\$-----			12.00 PCT			
	OIL, MBBL	GAS, MMCF		OIL, MBBL	GAS, MMCF		DIL \$/B	GAS \$/M	NET OPER REVENUES	SEV+ADU+ WF TAXES	NET OPER EXPENSES	CAPITAL COSTS, M\$	CASH FLOW RTAX, M\$	CUM. DISC RTAX, M\$	
12-91	397.141	138.999		297.856	104.250	20.54	2.20		6348.383	421.373	1972.245	12508.809	-8554.044	-8025.061	
12-92	785.431	246.902		529.073	185.177	21.78	2.33		11953.037	793.382	2328.383	11432.543	-2601.271	-10170.123	
12-93	1141.643	399.575		856.232	299.681	23.08	2.47		20505.005	1361.020	2991.620	16670.387	-518.022	-10494.358	
12-94	1280.250	448.087		960.188	336.065	24.47	2.62		24374.209	1617.838	3337.012	3507.381	15911.978	123.720	
12-95	1192.989	417.546		894.742	313.160	25.94	2.78		24075.650	1598.022	3759.769	.000	18717.859	11369.962	
12-96	1102.004	385.702		826.503	289.277	27.49	2.94		23573.851	1564.714	3935.868	.000	18073.269	21065.457	
12-97	985.050	344.766		738.787	258.575	29.14	3.12		22336.294	1482.571	4172.020	.000	16681.703	29055.620	
12-98	843.231	295.132		632.423	221.349	30.89	3.31		20267.747	1345.271	4236.996	.000	14685.480	35335.992	
12-99	722.152	252.753		541.614	189.565	32.74	3.50		18398.969	1221.232	4491.216	.000	12686.521	40180.189	
12- 0	634.167	221.958		475.626	166.468	34.71	3.71		17126.751	1136.787	4227.559	.000	11762.405	44190.308	
12- 1	503.608	176.263		377.706	132.197	36.79	3.94		14416.811	956.916	2494.468	.000	10965.427	47528.172	
12- 2	453.247	158.636		339.935	118.977	39.00	4.17		13753.622	912.897	2644.136	.000	10196.589	50299.450	
12- 3	407.923	142.773		305.942	107.080	41.34	4.42		13120.979	870.905	2802.784	.000	9447.290	52591.976	
12- 4	367.130	128.496		275.343	96.372	43.82	4.69		12517.422	830.845	2970.951	.000	8715.626	54480.348	
12- 5	330.417	115.646		247.813	86.735	46.45	4.97		11941.613	792.624	2926.255	.000	8222.734	56071.044	
\$ TBT	11066.383	3873.234		8299.788	2904.928	29.58	3.17		254710.343	16906.397	49291.282	44119.119	144393.545	56071.044	
REM.	1286.023	450.108		964.518	337.582	49.80	5.34		49838.904	3308.057	15520.389	.000	31010.458	60459.698	
TOTAL	12352.406	4323.342		9264.306	3242.510	31.69	3.39		304549.247	20214.454	64811.671	44119.119	175404.003	60459.698	
CUM.	14516.212	42654.774							NET OIL REVENUES (M\$)	293553.501		-----PRESENT WORTH PROFILE-----			
									NET GAS REVENUES (M\$)	10995.746		DISC	PW OF NET	DISC	PW OF NET
ULT.	26868.618	46978.116							TOTAL REVENUES (M\$)	304549.247		RATE	RTAX, M\$	RATE	RTAX, M\$
RTAX RATE OF RETURN (PCT)									PROJECT LIFE (YEARS)	20.376		.0	175404.002	30.0	16859.521
RTAX PAYOUT YEARS									DISCOUNT RATE (PCT)	12.000		2.0	143730.379	35.0	11948.959
RTAX PAYOUT YEARS (DISC)									GROSS OIL WELLS	.000		5.0	108597.314	40.0	8327.571
RTAX NET INCOME/INVEST									GROSS GAS WELLS	.000		8.0	83625.916	45.0	5600.763
RTAX NET INCOME/INVEST (DISC)									GROSS WELLS	.000		10.0	70888.198	50.0	3511.880
												12.0	60459.698	60.0	611.732
												15.0	48086.066	70.0	-1215.531
												18.0	38606.559	80.0	-2403.815
												20.0	33485.887	90.0	-3193.317
												25.0	23688.894	100.0	-3724.644

MYERS LANGLEIE MATTIX UNIT (PDP)
 LANGLEIE MATTIX 7 RWRS ON GRB
 LEA, NM
 OPR: TEXACO

TABLE 9

DATE: 02/05/91
 TIME: 09:23.39
 FILE: PRO2
 GET#: 42

RESERVES AND ECONOMICS

SIRGO OPERATING INC ESC

AS OF JANUARY 1, 1991

-END- MO-YR	---GROSS PRODUCTION---		---NET PRODUCTION---		--PRICES--		-----OPERATIONS, M\$-----			CAPITAL COSTS, M\$	CASH FLOW RTAX, M\$	12.00 PCT CUM. DISC RTAX, M\$
	OIL, MREL	GAS, MMCF	OIL, MREL	GAS, MMCF	OIL \$/B	GAS \$/M	NET OPER REVENUES	SEV+ADU+ WF TAXES	NET OPER EXPENSES			
12-91	252.711	68.449	189.533	66.337	20.54	2.20	4039.630	268.130	1627.102	.000	2144.398	2027.350
12-92	194.676	68.137	146.007	51.103	21.78	2.33	3298.651	218.948	1554.869	.000	1524.834	3314.496
12-93	177.155	62.004	132.866	46.503	23.08	2.47	3181.868	211.196	1648.161	.000	1322.511	4311.247
12-94	143.144	50.100	107.358	37.575	24.47	2.62	2725.264	180.889	1556.196	.000	988.179	4976.221
12-95	130.261	45.592	97.696	34.194	25.94	2.78	2628.798	174.487	1649.568	.000	804.743	5459.734
12-96	108.789	38.076	81.592	28.557	27.49	2.94	2327.199	154.468	1616.576	.000	556.155	5758.086
12-97	98.999	34.649	74.249	25.987	29.14	3.12	2244.825	149.000	1713.571	.000	382.254	5941.177
12-98	90.088	31.531	67.566	23.648	30.89	3.31	2165.339	143.724	1816.385	.000	205.230	6028.945
12-99	81.981	28.693	61.486	21.520	32.74	3.50	2088.717	138.638	1925.368	.000	24.711	6038.331
12- 0	74.602	26.111	55.952	19.583	34.71	3.71	2014.768	133.729	1874.287	.000	6.752	6040.693
12- 1												
12- 2												
12- 3												
12- 4												
12- 5												
S TOT	1352.406	473.342	1014.305	355.007	25.39	2.72	26715.059	1773.209	16982.083	.000	7959.767	6040.683
REM.	.000	.000	.000	.000	.00	.00	.000	.000	.000	.000	.000	6040.683
TOTAL	1352.406	473.342	1014.305	355.007	25.39	2.72	26715.059	1773.209	16982.083	.000	7959.767	6040.683
CUM.	14516.212	42654.774					NET OIL REVENUES (M\$)	25750.696				
							NET GAS REVENUES (M\$)	964.363				
ULT.	15868.618	43128.116					TOTAL REVENUES (M\$)	26715.059				
									-----PRESENT WORTH PROFILE-----			
									DISC	PW OF NET	DISC	PW OF NET
									RATE	RTAX, M\$	RATE	RTAX, M\$
RTAX RATE OF RETURN (PCT)		100.00	PROJECT LIFE (YEARS)		10.000				.0	7959.767	30.0	4483.024
RTAX PAYOUT YEARS		.00	DISCOUNT RATE (PCT)		12.000				2.0	7558.607	35.0	4197.211
RTAX PAYOUT YEARS (DISC)		.00	GROSS OIL WELLS		.000				5.0	7026.985	40.0	3951.560
RTAX NET INCOME/INVEST		.00	GROSS GAS WELLS		.000				8.0	6566.047	45.0	3738.401
RTAX NET INCOME/INVEST (DISC)		.00	GROSS WELLS		.000				10.0	6291.883	50.0	3551.839
									12.0	6040.683	60.0	3241.104
INITIAL W.I. FRACTION		1.000000	INITIAL NET OIL FRACTION		.750000				15.0	5701.424	70.0	2992.920
FINAL W.I. FRACTION		1.000000	FINAL NET OIL FRACTION		.750000				18.0	5400.886	80.0	2790.199
PRODUCTION START DATE		5- 1-90	INITIAL NET GAS FRACTION		.750000				20.0	5219.085	90.0	2621.470
MONTHS IN FIRST LINE		12.00	FINAL NET GAS FRACTION		.750000				25.0	4819.124	100.0	2478.788

TABLE 9

MYERS LANGLEIE MATTIX UNIT (PUD)
 LANGLEIE MATTIX 7 RURS ON GRB
 LEA, NM
 OPR: TEXACO

TABLE 10

DATE: 02/05/91
 TIME: 09:23.39
 FILE: PRD2
 GET#: 43

RESERVES AND ECONOMICS

SINGO OPERATING INC ESC

AS OF JANUARY 1, 1991

-END- MO-YR	---GROSS PRODUCTION---		---NET PRODUCTION---		--PRICES--		-----OPERATIONS, M\$-----			CAPITAL COSTS, M\$	CASH FLOW RTAX, M\$	12.00 PCT CUM. DISC RTAX, M\$	
	OIL, MREL	GAS, MMCF	OIL, MREL	GAS, MMCF	OIL \$/B	GAS \$/M	NET OPER REVENUES	SEU+ADV+ WF TAXES	NET OPER EXPENSES				
12-91	144.430	50.550	108.323	37.913	20.54	2.20	2308.753	153.243	345.143	12508.809	-10698.442	-10052.411	
12-92	510.755	178.765	383.066	134.074	21.78	2.33	8654.386	574.434	773.514	11432.543	-4126.105	-13484.619	
12-93	964.488	337.571	723.366	253.178	23.08	2.47	17323.137	1149.824	1343.459	16670.387	-1840.533	-14805.605	
12-94	1137.106	397.987	852.830	298.490	24.47	2.62	21648.945	1436.949	1780.816	3507.381	14923.799	-4852.501	
12-95	1062.728	371.954	797.046	278.966	25.94	2.78	21446.852	1423.535	2110.201	.000	17913.116	5910.228	
12-96	993.215	347.626	744.911	260.720	27.49	2.94	21246.652	1410.246	2319.292	.000	17517.114	15307.371	
12-97	886.051	310.117	664.538	232.588	29.14	3.12	20091.469	1333.571	2458.449	.000	16299.449	23114.443	
12-98	753.143	263.601	564.857	197.701	30.89	3.31	18102.408	1201.547	2420.611	.000	14480.250	29307.047	
12-99	640.171	224.060	480.128	169.045	32.74	3.50	16310.252	1082.594	2565.848	.000	12661.810	34141.808	
12- 0	559.565	195.847	419.674	146.885	34.71	3.71	15111.983	1003.058	2353.272	.000	11755.653	38149.625	
12- 1	503.608	176.263	377.706	132.197	36.79	3.94	14416.811	956.916	2494.468	.000	10965.427	41487.489	
12- 2	453.247	158.636	339.935	118.977	39.00	4.17	13753.622	912.897	2644.136	.000	10196.589	44258.767	
12- 3	407.923	142.773	305.942	107.080	41.34	4.42	13120.979	870.905	2802.784	.000	9447.290	46551.293	
12- 4	367.130	128.496	275.348	96.372	43.82	4.69	12517.422	830.845	2970.951	.000	8715.626	48439.665	
12- 5	330.417	115.646	247.813	86.735	46.45	4.97	11941.613	792.624	2926.255	.000	8222.734	50030.361	
S TOT	9713.977	3399.892	7285.483	2549.921	30.16	3.23	227995.284	15133.188	32309.199	44119.119	136433.778	50030.361	
REM.	1286.023	450.108	964.518	337.582	49.80	5.34	49838.904	3308.057	15520.389	.000	31010.458	54419.015	
TOTAL	11000.000	3850.000	8250.001	2887.503	32.46	3.47	277834.188	18441.245	47829.588	44119.119	167444.236	54419.015	
CUM.	.000	.000					NET OIL REVENUES (M\$)	267802.805		-----PRESENT WORTH PROFILE-----			
							NET GAS REVENUES (M\$)	10031.383		DISC	PW OF NET	DISC	PW OF NET
ULT.	11000.000	3850.000					TOTAL REVENUES (M\$)	277834.188		RATE	RTAX, M\$	RATE	RTAX, M\$
										----	-----	----	-----
RTAX RATE OF RETURN (PCT)			49.89				PROJECT LIFE (YEARS)	20.376		.0	167444.235	30.0	12376.497
RTAX PAYOUT YEARS			4.10				DISCOUNT RATE (PCT)	12.000		2.0	136171.772	35.0	7751.748
RTAX PAYOUT YEARS (DISC)			4.45				GROSS OIL WELLS	.000		5.0	101570.329	40.0	4376.011
RTAX NET INCOME/INVEST			4.80				GROSS GAS WELLS	.000		8.0	77059.869	45.0	1862.362
RTAX NET INCOME/INVEST (DISC)			2.50				GROSS WELLS	.000		10.0	64596.315	50.0	-39.959
										12.0	54419.015	60.0	-2629.372
INITIAL W.I. FRACTION			1.000000				INITIAL NET OIL FRACTION	.750000		15.0	42384.642	70.0	-4208.451
FINAL W.I. FRACTION			1.000000				FINAL NET OIL FRACTION	.750000		18.0	33205.673	80.0	-5194.014
PRODUCTION START DATE			1- 1-91				INITIAL NET GAS FRACTION	.750000		20.0	28266.802	90.0	-5814.787
MONTHS IN FIRST LINE			12.00				FINAL NET GAS FRACTION	.750000		25.0	18869.770	100.0	-6203.432

TABLE 10

RESERVES AND ECONOMICS

SIRGO OPERATING INC UNESC

AS OF JANUARY 1, 1991

-END- MO-YR	---GROSS PRODUCTION---		---NET PRODUCTION---		--PRICES--		-----OPERATIONS, M\$-----			12.00 PCT			
	OIL, MMKL	GAS, MMCF	OIL, MMKL	GAS, MMCF	OIL \$/B	GAS \$/M	NET OPER REVENUES	SEV+ADU+ WF TAXES	NET OPER EXPENSES	CAPITAL COSTS, M\$	CASH FLOW RTAX, M\$	CUM. DISC RTAX, M\$	
12-91	397.141	138.999	297.856	104.250	20.00	2.14	6180.215	410.212	1920.000	12177.600	-8327.597	-7818.527	
12-92	705.431	246.902	529.073	185.177	20.00	2.14	10977.738	728.647	2138.400	10499.600	-2389.109	-9793.186	
12-93	1141.643	399.575	856.232	299.681	20.00	2.14	17765.957	1179.217	2592.000	14443.600	-448.860	-10079.725	
12-94	1280.250	448.087	960.188	336.065	20.00	2.14	19922.940	1322.386	2727.600	2930.600	12942.354	-1445.265	
12-95	1192.989	417.546	894.742	313.160	20.00	2.14	18565.002	1232.252	2899.200	.000	14433.550	7226.838	
12-96	1102.004	385.702	826.503	289.277	20.00	2.14	17149.113	1138.273	2863.200	.000	13147.640	14279.955	
12-97	985.050	344.766	738.787	258.575	20.00	2.14	15329.090	1017.469	2863.200	.000	11448.421	19763.493	
12-98	843.231	295.132	632.423	221.349	20.00	2.14	13122.147	870.984	2743.200	.000	9507.963	23829.655	
12-99	722.152	252.753	541.614	189.565	20.00	2.14	11237.949	745.920	2743.200	.000	7748.829	26728.453	
12- 0	634.167	221.958	475.626	166.468	20.00	2.14	9868.762	655.040	2436.000	.000	6777.722	29099.160	
12- 1	503.608	176.263	377.706	132.197	20.00	2.14	7837.022	520.183	1356.000	.000	5960.839	30913.633	
12- 2	453.247	158.636	339.935	118.977	20.00	2.14	7053.311	468.163	1356.000	.000	5229.148	32334.836	
12- 3	407.923	142.773	305.942	107.080	20.00	2.14	6347.991	421.348	1356.000	.000	4570.643	33443.971	
12- 4	367.130	128.496	275.348	96.372	20.00	2.14	5713.196	379.214	1356.000	.000	3977.982	34305.861	
12- 5	330.417	115.646	247.813	86.735	20.00	2.14	5141.873	341.292	1260.000	.000	3540.581	34990.790	
S TOT	11066.383	3873.234	8299.788	2904.928	20.00	2.14	172212.306	11430.600	32610.000	40051.600	88120.106	34990.790	
REM.	1286.023	450.108	964.518	337.582	20.00	2.14	20012.786	1328.350	6221.788	.000	12462.643	36756.073	
TOTAL	12352.406	4323.342	9264.306	3242.510	20.00	2.14	192225.092	12758.950	38831.788	40051.600	100582.754	36756.073	
CUM.	14516.212	42654.774					NET OIL REVENUES (M\$)	185286.120		-----PRESENT WORTH PROFILE-----			
							NET GAS REVENUES (M\$)	6938.972		DISC	PW OF NET	DISC	PW OF NET
ULT.	26868.618	46978.116					TOTAL REVENUES (M\$)	192225.092		RATE	RTAX, M\$	RATE	RTAX, M\$
RTAX RATE OF RETURN (PCT)							PROJECT LIFE (YEARS)	20.376		.0	100582.754	30.0	9704.400
RTAX PAYOUT YEARS							DISCOUNT RATE (PCT)	12.000		2.0	83630.285	35.0	6455.721
RTAX PAYOUT YEARS (DISC)							GROSS OIL WELLS	.000		5.0	64352.672	40.0	4024.780
RTAX NET INCOME/INVEST							GROSS GAS WELLS	.000		8.0	50248.009	45.0	2173.930
RTAX NET INCOME/INVEST (DISC)							GROSS WELLS	.000		10.0	42886.038	50.0	744.453
										12.0	36756.073	60.0	-1254.469
										15.0	29341.081	70.0	-2517.850
										18.0	23537.619	80.0	-3335.765
										20.0	20351.280	90.0	-3872.549
										25.0	14138.751	100.0	-4226.082

DATE: 02/05/91
TIME: 08:19.29
FILE: PR02
GET: 42

AS OF JANUARY 1, 1991

TABLE 12

MYERS LANGLEIE MATTIX UNIT (PUD)
 LANGLEIE MATTIX 7 WURS ON GRK
 LEA, NM
 DPR: TEXACO

TABLE 13

DATE: 02/05/91
 TIME: 08:19.29
 FILE: PRD2
 GET#: 43

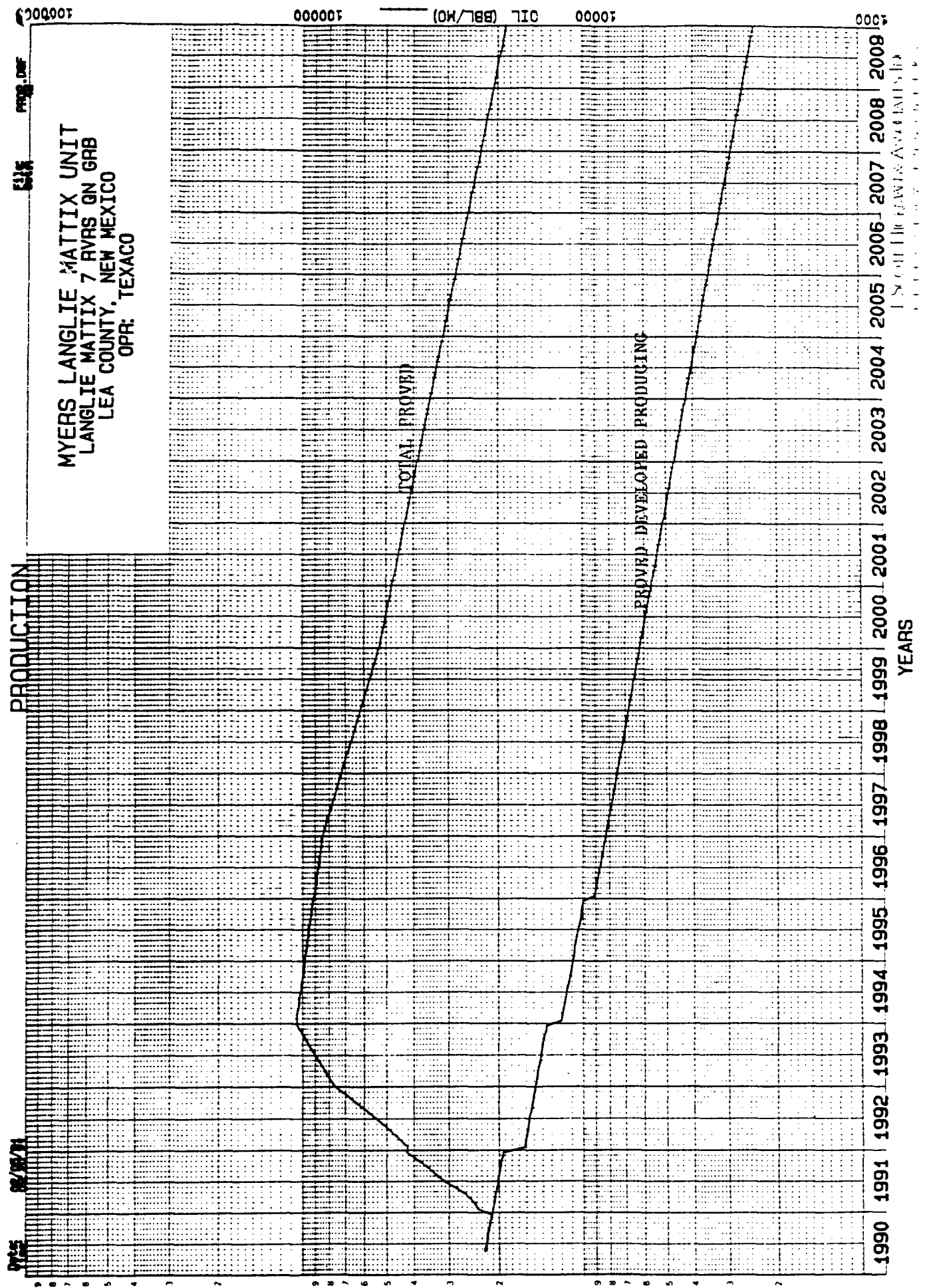
RESERVES AND ECONOMICS

SIRGD OPERATING INC UNESC

AS OF JANUARY 1, 1991

-END- MO-YR	---GROSS PRODUCTION---		---NET PRODUCTION---		--PRICES--		-----OPERATIONS, M\$-----			CAPITAL COSTS, M\$	CASH FLOW BTAX, M\$	12.00 PCT CUM. DISC BTAX, M\$
	DIL, MMBL	GAS, MMCF	DIL, MMBL	GAS, MMCF	DIL \$/B	GAS \$/M	NET DPER REVENUES	SEU+ADV+ WF TAXES	NET DPER EXPENSES			
12-91	144.430	50.550	108.323	37.913	20.00	2.14	2247.594	149.184	336.000	12177.600	-10415.190	-9792.173
12-92	510.755	178.765	383.066	134.074	20.00	2.14	7948.238	527.564	710.400	10499.800	-3789.526	-12948.955
12-93	964.488	337.571	723.366	253.178	20.00	2.14	15069.121	996.231	1164.000	14443.600	-1594.710	-14099.099
12-94	1137.106	397.987	852.830	298.490	20.00	2.14	17695.369	1174.531	1455.600	2930.600	12134.638	-6008.175
12-95	1062.728	371.954	797.046	278.966	20.00	2.14	16537.907	1097.704	1627.200	.000	13813.003	2291.085
12-96	993.215	347.626	744.911	260.720	20.00	2.14	15456.161	1025.903	1687.200	.000	12743.058	9127.162
12-97	886.051	310.117	664.538	232.588	20.00	2.14	13768.498	915.212	1687.200	.000	11186.086	14485.047
12-98	753.143	263.601	564.857	197.701	20.00	2.14	11720.220	777.930	1567.200	.000	9375.090	18494.385
12-99	640.171	224.060	490.128	168.045	20.00	2.14	9962.176	661.240	1567.200	.000	7733.736	21447.420
12- 0	559.565	195.847	419.674	146.885	20.00	2.14	8707.814	577.982	1356.000	.000	6773.832	23756.801
12- 1	503.608	176.263	377.706	132.197	20.00	2.14	7837.022	520.183	1356.000	.000	5960.839	25571.274
12- 2	453.247	158.636	339.935	118.977	20.00	2.14	7053.311	468.163	1356.000	.000	5229.148	26992.477
12- 3	407.923	142.773	305.942	107.080	20.00	2.14	6347.991	421.348	1356.000	.000	4570.643	28101.612
12- 4	367.130	128.496	275.348	96.372	20.00	2.14	5713.196	379.214	1356.000	.000	3977.982	28963.502
12- 5	330.417	115.646	247.813	86.735	20.00	2.14	5141.873	341.292	1260.000	.000	3540.581	29648.431
3 TOT	9713.977	3399.892	7285.483	2549.921	20.00	2.14	151166.491	10633.681	19842.000	40051.600	81239.210	29648.431
REM.	1286.023	450.108	964.518	337.582	20.00	2.14	20012.786	1328.350	6221.788	.000	12462.648	31413.714
TOTAL	11000.000	3850.000	8250.001	2887.503	20.00	2.14	171179.277	11362.031	26063.788	40051.600	93701.858	31413.714
CUM.	.000	.000					NET OIL REVENUES (M\$)	165000.020	-----PRESENT WORTH PROFILE-----			
							NET GAS REVENUES (M\$)	6179.257	DISC	PW OF NET	DISC	PW OF NET
ULT.	11000.000	3850.000					TOTAL REVENUES (M\$)	171179.277	RATE	BTAX, M\$	RATE	BTAX, M\$

BTAX RATE OF RETURN (PCT)			41.24	PROJECT LIFE (YEARS)			20.376	.0	93701.858	30.0	5645.616	
BTAX PAYOUT YEARS			4.27	DISCOUNT RATE (PCT)			12.000	2.0	77067.952	35.0	2637.099	
BTAX PAYOUT YEARS (DISC)			4.72	GROSS OIL WELLS			.000	5.0	58214.806	40.0	413.969	
BTAX NET INCOME/INVEST			3.34	GROSS GAS WELLS			.000	8.0	44480.524	45.0	-1255.424	
BTAX NET INCOME/INVEST (DISC)			1.95	GROSS WELLS			.000	10.0	37339.990	50.0	-2525.165	
								12.0	31413.714	60.0	-4255.972	
INITIAL N.I. FRACTION			1.000000	INITIAL NET OIL FRACTION			.750000	15.0	24275.123	70.0	-5303.211	
FINAL N.I. FRACTION			1.000000	FINAL NET OIL FRACTION			.750000	18.0	18717.867	80.0	-5943.152	
PRODUCTION START DATE			1- 1-91	INITIAL NET GAS FRACTION			.750000	20.0	15681.124	90.0	-6330.766	
MONTHS IN FIRST LINE			12.00	FINAL NET GAS FRACTION			.750000	25.0	9799.607	100.0	-6557.376	



FIGURE

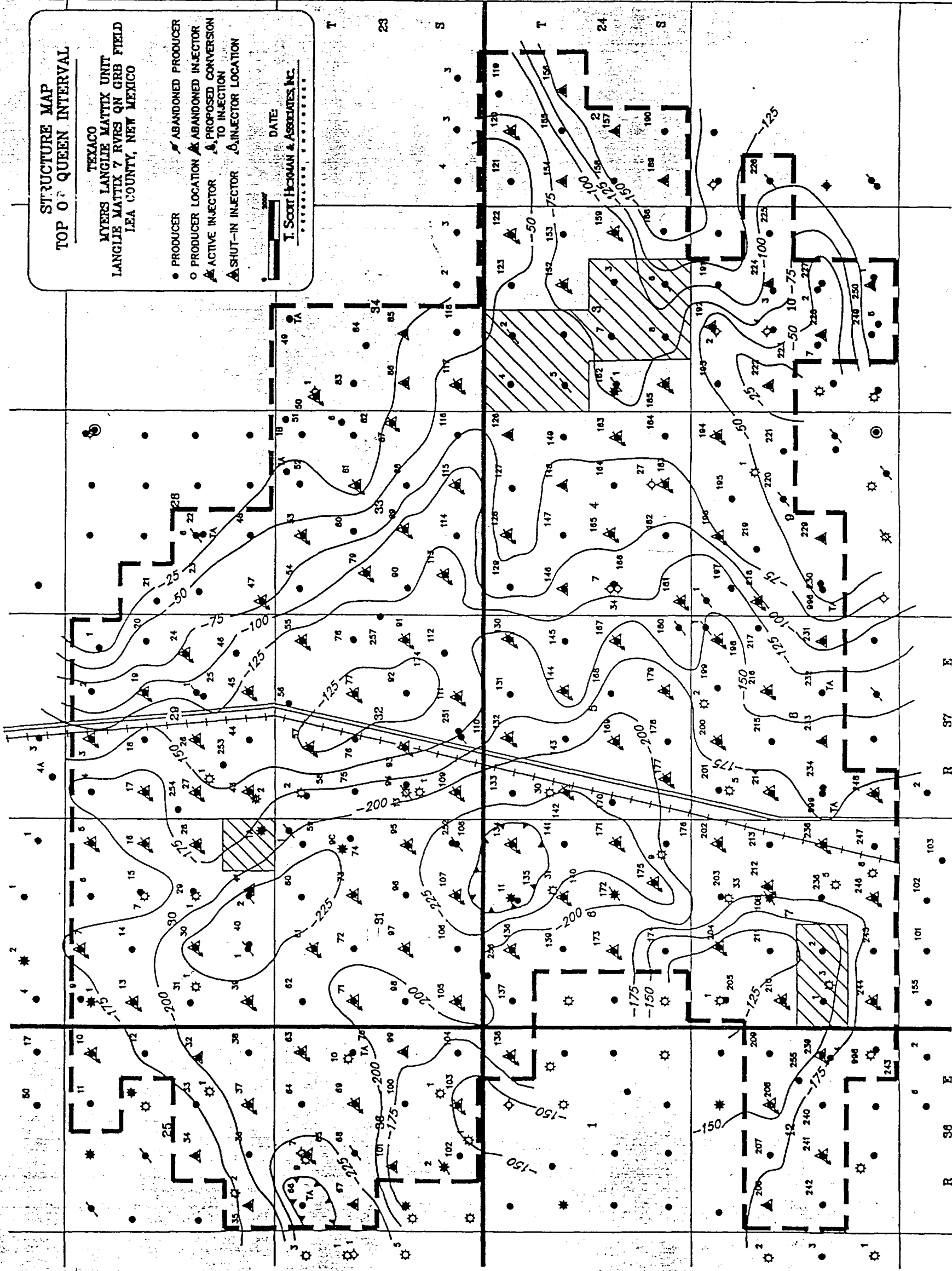
STRUCTURE MAP
TOP OF QUEEN INTERVAL

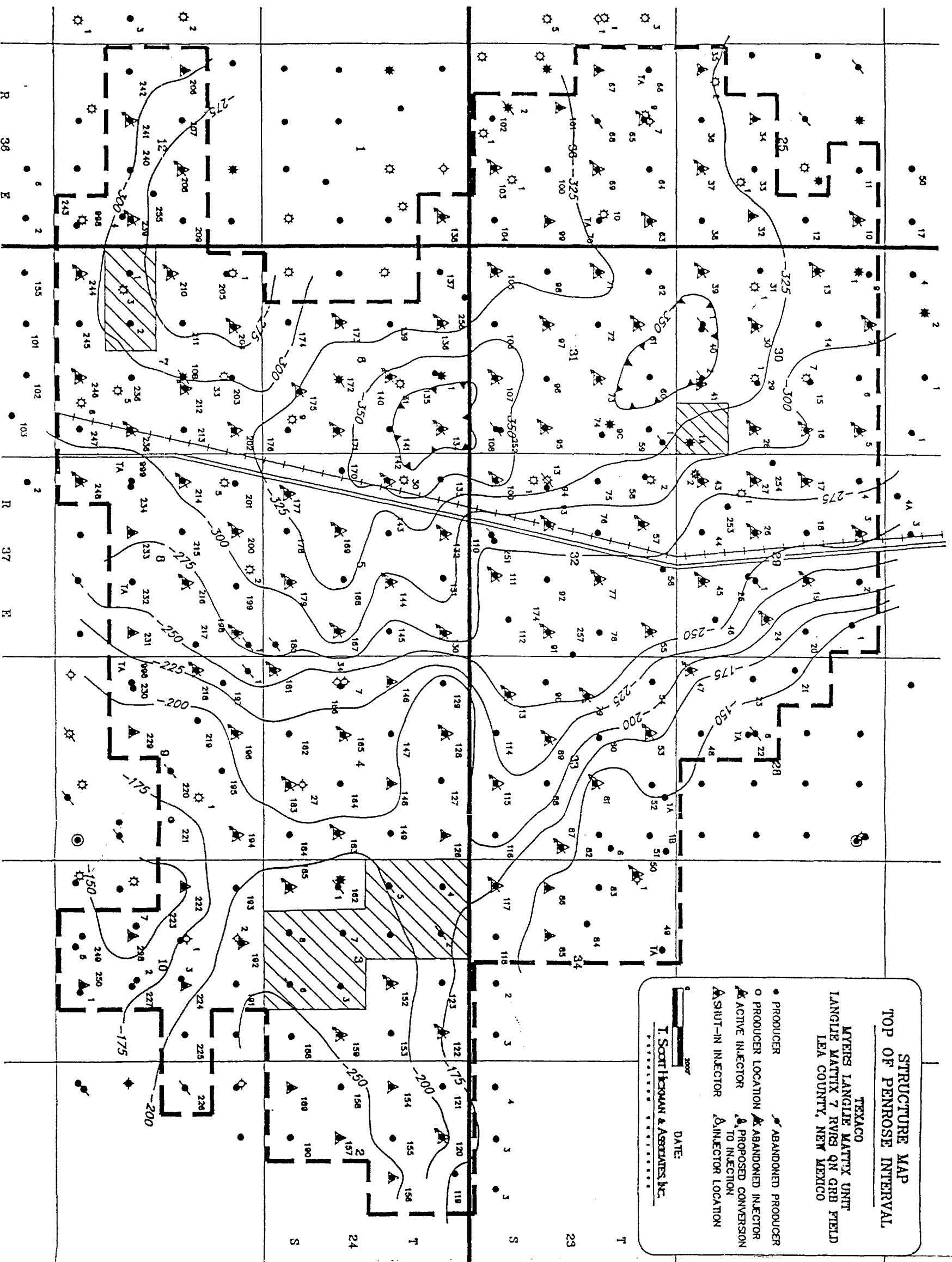
TEXACO
MYERS LANGLEY MATIX UNIT
LANGLEY MATIX 7 RVS ON GRB FIELD
LEA COUNTY, NEW MEXICO

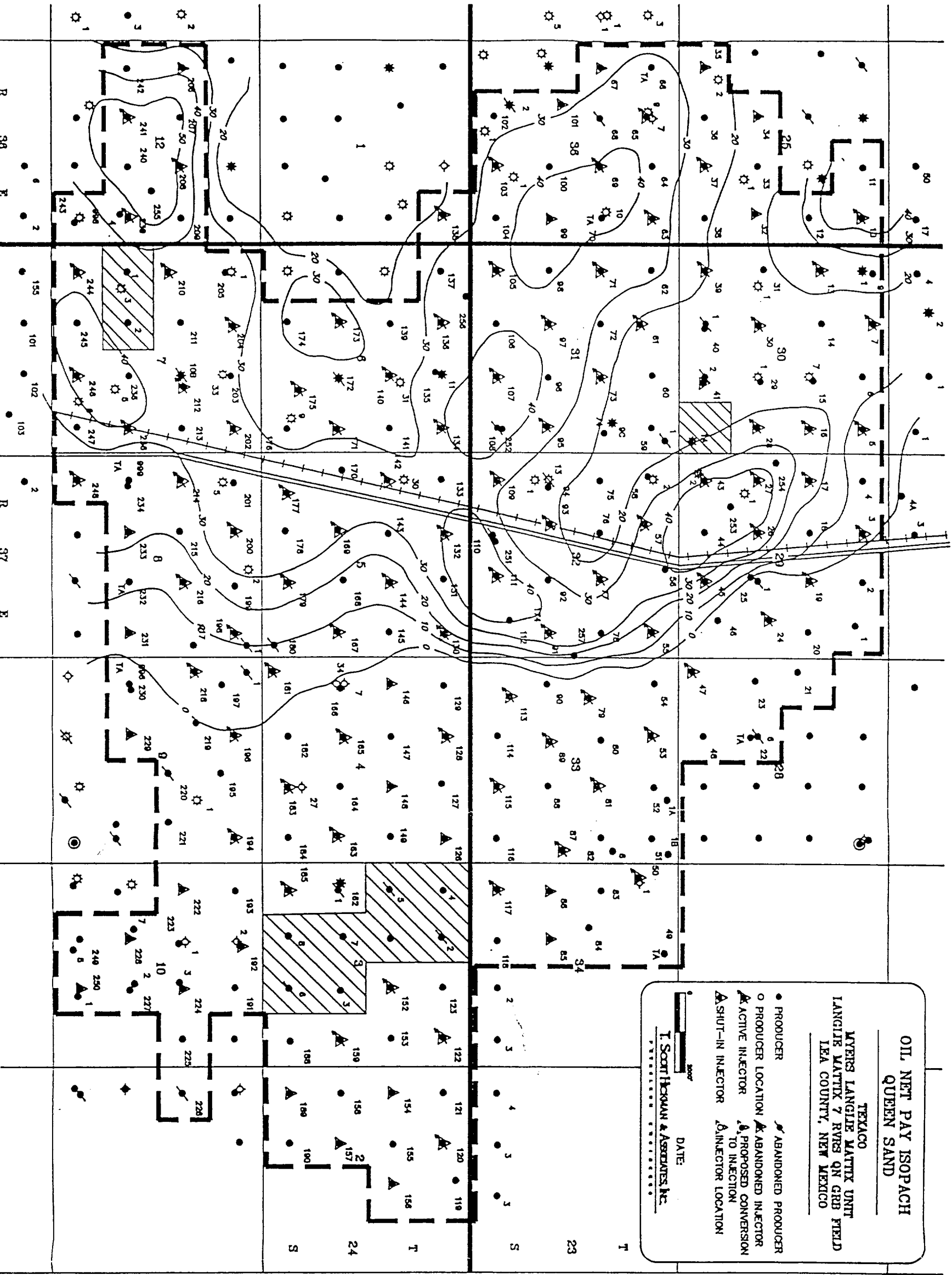
- PRODUCER
- PRODUCER LOCATION
- ▲ ABANDONED INJECTOR
- △ ACTIVE INJECTOR
- △ SHUT-IN INJECTOR
- △ PROPOSED CONVERSION TO INJECTION
- △ INJECTOR LOCATION

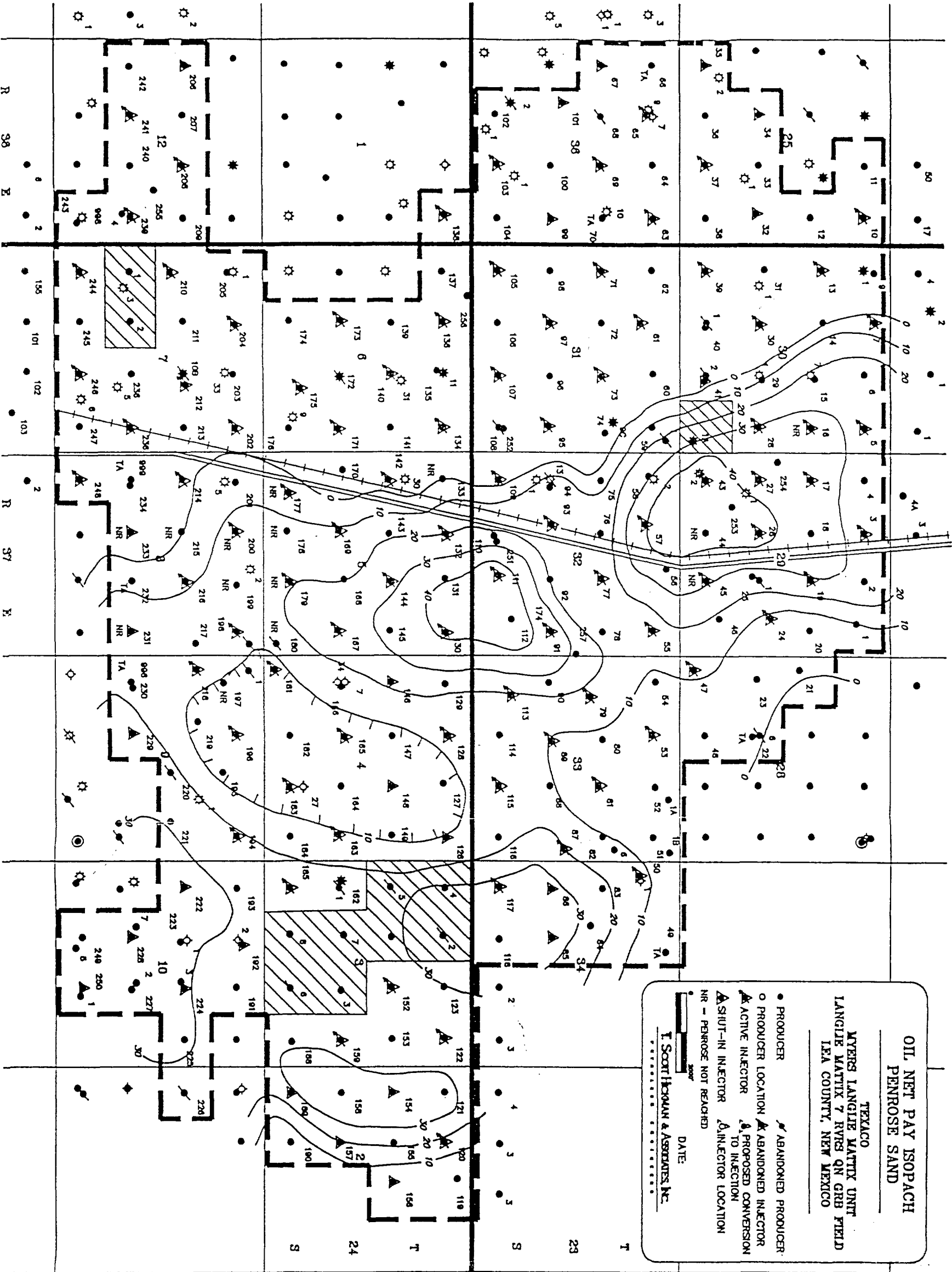
DATE

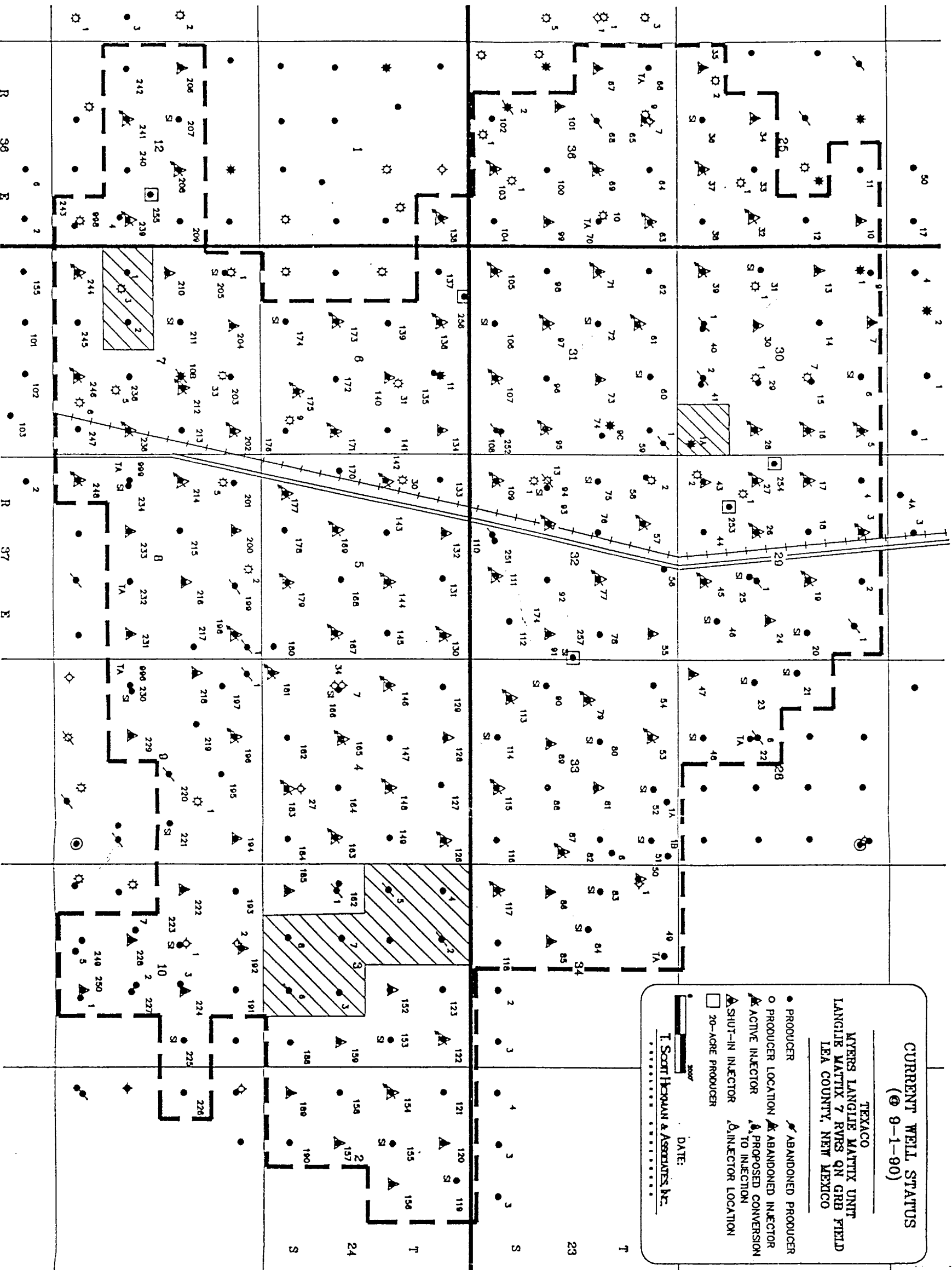
T. SCOTT HEDMAN & ASSOCIATES, INC.











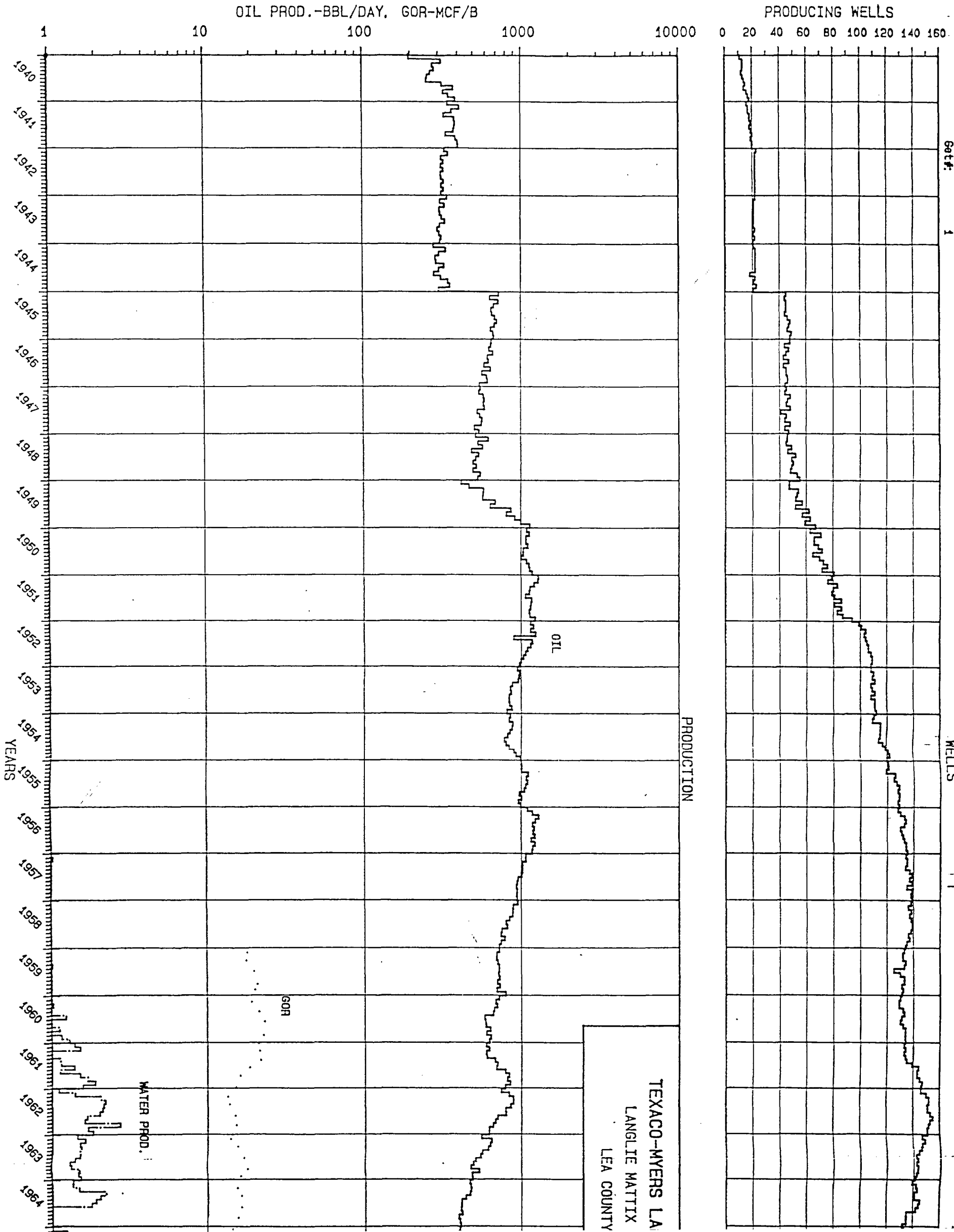


FIGURE 8

