

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766

ADMINISTRATION
Phone (505) 827-5700
Fax (505) 827-5853

GENERAL COUNSEL
Phone (505) 827-5713
Fax (505) 827-4262

PUBLIC AFFAIRS
Phone (505) 827-1245
Fax (505) 827-5766



11/144

COMMERCIAL RESOURCES
Phone (505) 827-5724
Fax (505) 827-6157

MINERAL RESOURCES
Phone (505) 827-5744
Fax (505) 827-4739

ROYALTY MANAGEMENT
Phone (505) 827-5772
Fax (505) 827-4739

SURFACE RESOURCES
Phone (505) 827-5793
Fax (505) 827-5711

**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

March 11, 2002

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attn: Mr. Robert Bullock

Re: * Amended Letter – Automatic Elimination
Correction - Lands Remaining
Morton Unit Agreement
Lea County, New Mexico

Dear Mr. Bullock:

Pursuant to our notice of January 30, 2002, the automatic elimination date of the Morton Unit area was November 2, 2001.

The correct descriptions of the lands remaining in the Morton Unit following contraction are as follows:

TOWNSHIP 14 SOUTH, RANGE 35E
S/2 Section 32: 320.00 acres

TOWNSHIP 15 SOUTH, RANGE 35 EAST
* Lots 1,2,3,4, S/2N/2 Section 5: 329.80 acres

Pursuant to Article 9, of the Morton Unit Agreement, please submit revised exhibits "A" and "B" reflecting the lands remaining in the unit agreement following the contraction that occurred on November 2, 2001.

Please notify all interested parties of this action.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

A handwritten signature in cursive script, appearing to read "Jami Bailey".

BY:
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744
RP/JB/pm

cc: NMOCD- Attn: Mr. Roy Johnson
TRD- Attn: Mr. Valdean Severson
Reader File

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**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

March 7, 2002

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attn: Mr. Robert Bullock

Re: Automatic Elimination
Morton Unit Agreement
Lea County, New Mexico

Dear Mr. Bullock:

Pursuant to our notice of January 30, 2002, the automatic elimination date of the Morton Unit area was November 2, 2001.

The following lands containing 649.80 acres remain in the Morton unit following contraction:

TOWNSHIP 14 SOUTH, RANGE 35E
S/2 Section 32: 320.00 acres

TOWNSHIP 15 SOUTH, RANGE 35 EAST
Lots 1,2,3,4, S/2N/2 Section 15: 329.80 acres

Pursuant to Article 9, of the Morton Unit Agreement, please submit revised exhibits "A" and "B" reflecting the lands remaining in the unit agreement following the contraction that occurred on November 2, 2001.

Please notify all interested parties of this action.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: *Pete Martinez for Jami Bailey*
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/pm

cc: ~~FOUO~~ CD- Attn: Mr. Roy Johnson
TRD- Attn: Mr. Valdean Severson
Reader File

"WE WORK FOR EDUCATION"
310 Old Santa Fe Trail, P. O. Box 1148 Santa Fe, New Mexico 87504-1148.

AUTOMATIC ELIMINATION--Acreage after contraction, effective 11-02-2001
UNIT NAME: Morton Unit
OPERATOR: YATES PETROLEUM CORPORATION
COUNTY: LEA

DATE APPROVED	OCC CASE NO. OCC ORDER NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
EFFECTIVE 02/27/1996	CASE NO. 11444 ORDER NO. R-10542	640.80	640.80	0	0	STRICT	5 YEARS SO LONG AS

Remaining acreage after contraction,
effective 11/02/2001.

APPROVALS

SLO--02-27-1996
OCD--01-30-1996

TOWNSHIP 14 SOUTH, RANGE 35 EAST
SECTION 32: S/2

TOWNSHIP 15 SOUTH, RANGE 35 EAST
SECTION 5: Lots 1-4, S/2N/2

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**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

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SURFACE RESOURCES
Phone (505) 827-5793
Fax (505) 827-5711

June 6, 2002

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210-2118

Attn: Ms. Bonnie Floore

Re: 2002 Plan of Development
Morton Unit
Lea County, New Mexico

Dear Ms. Floore:

The Commissioner of Public Lands has, of this date, approved the above-captioned Plan of Development. Our approval is subject to like approval by all other appropriate agencies.

The possibility of drainage by wells outside of the unit area and the need for further development of the unit may exist. You may be contacted at a later date regarding these possibilities.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: *Anthony H. Nash*
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

FOR

RP/JB/cpm
xc: Reader File

OCD



11144

COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5795

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

State of New Mexico
Commissioner of Public Lands

Ray Powell, M.S., D.V.M.
310 Old Santa Fe Trail, P. O. Box 1148
Santa Fe, New Mexico 87504-1148
Phone (505)-827-5760, Fax (505)-827-5766

PUBLIC AFFAIRS
(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5713

PLANNING
(505)-827-5752

March 4, 1997

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Attn: Ms. Mecca Mauritsen

Re: 1997 Plan of Development
Morton Unit
Lea County, New Mexico

Dear Ms. Mauritsen:

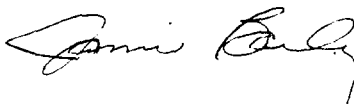
The Commissioner of Public Lands has, of this date, approved the above-captioned Plan of Development. Our approval is subject to like approval by all other appropriate agencies.

The possibility of drainage by wells outside of the Unit Area and the need for further development of the unit may exist. You may be contacted at a later date regarding these possibilities.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm
cc: Reader File

OCD

BLM

11144



COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5793

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

State of New Mexico
Commissioner of Public Lands

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(505)-827-5700

LEGAL
(505)-827-5713

PLANNING
(505)-827-5752

January 27, 1997

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Attn: Mr. Robert Bullock

Re: Morton Unit Well No. 1
Commercial Determination--Morrow Formation
Lea County, New Mexico

Dear Mr. Bullock:

We received your letter of December 20, 1996, together with data that supports your commercial determination regarding the Morton Unit Well No. 1.

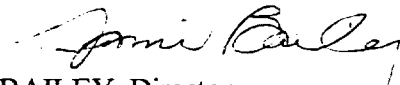
The Commissioner of Public Lands concurs with Yates Petroleum Corporation's determination that the above-mentioned well is commercial in the Morrow Formation.

Please submit your 1997 Plan of Development for this unit.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

cc: Reader File

OCD

TRD

BLM



COMMERCIAL RESOURCES
(505)-827-5724

SURFACE RESOURCES
(505)-827-5793

MINERAL RESOURCES
(505)-827-5744

ROYALTY
(505)-827-5772

State of New Mexico
Commissioner of Public Lands

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(505)-827-5765

ADMINISTRATIVE MGMT.
(505)-827-5700

LEGAL
(505)-827-5715

PLANNING
(505)-827-5752

January 8, 1997

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Attn: Mr. Robert Bullock

Re: Commercial Determination - Morton Unit Well No. 1
NW4NE4, Section 5-15S-35E
Lea County, New Mexico

Dear Mr. Bullock:

We are in receipt of your letter of December 20, 1996, together with data supporting your determination that the Morton Unit Well No. 1 is a commercial producer in the Mississippian formation.

Pursuant to Article 8, of the Morton Unit Agreement, the Commissioner of Public Lands concurs with your determination that the Morton Unit Well No. 1 is capable of producing unitized substances in paying quantities from the Mississippian formation. This well is located in the NW4NE4 of Section 5, Township 15 South, Range 35 East, Lea County, New Mexico.

Pursuant to Article 9 of the unit agreement, please submit your 1997 plan of development to this office for approval.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: *Jami Bailey*
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

cc: Reader File

TRD

OCD--Mr. Roy Johnson

Commissioner's File



#11144

State of New Mexico
Commissioner of Public Lands

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

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

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

February 27, 1996

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

Attn: Mr. Robert Bullock

Re: Final Approval, Morton Unit Agreement, Lea County, New Mexico

Dear Mr. Bullock:

We received your letter of February 23, 1996, requesting final approval of the Morton Unit Agreement, Lea County, New Mexico.

The Commissioner of Public Lands has this date granted final approval to the referenced Unit Agreement. The effective date of the Agreement is February 27, 1996. It is our understanding that tract numbers 1 through 6 are fully committed, and that tract numbers 7 and 8 are not committed to the Unit Agreement at this time.

Our approval is subject to like approval by the New Mexico Oil Conservation Division.

Enclosed are five Certificates of Approval. Your filing fee of \$120.00 has been received.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 

LARRY KEHOE, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/LK/cpm

Enclosure

cc: Reader Files OCD: Mr. Roy Johnson TRD: Mr. Valdean Severson

RECEIVED
MAY 1996
108 FT 24 OCT 8 52

UNIT NAME: MORTON UNIT
OPERATOR: YATES PETROLEUM CORPORATION
COUNTY: LEA

DATE	OCC CASE NO.	TOTAL	ACREAGE	STATE	FEDERAL	FEE	SEGREGATION	TERM
APPROVED	OCC ORDER NO.						CLAUSE	
EFFECTIVE	11444	2093.75	1933.75	-0-		160.00	STRICT	5 YEARS
2/27/96	R-10542							SO LONG AS

APPROVALS

SLO--2/27/96
OCD--1/30/96

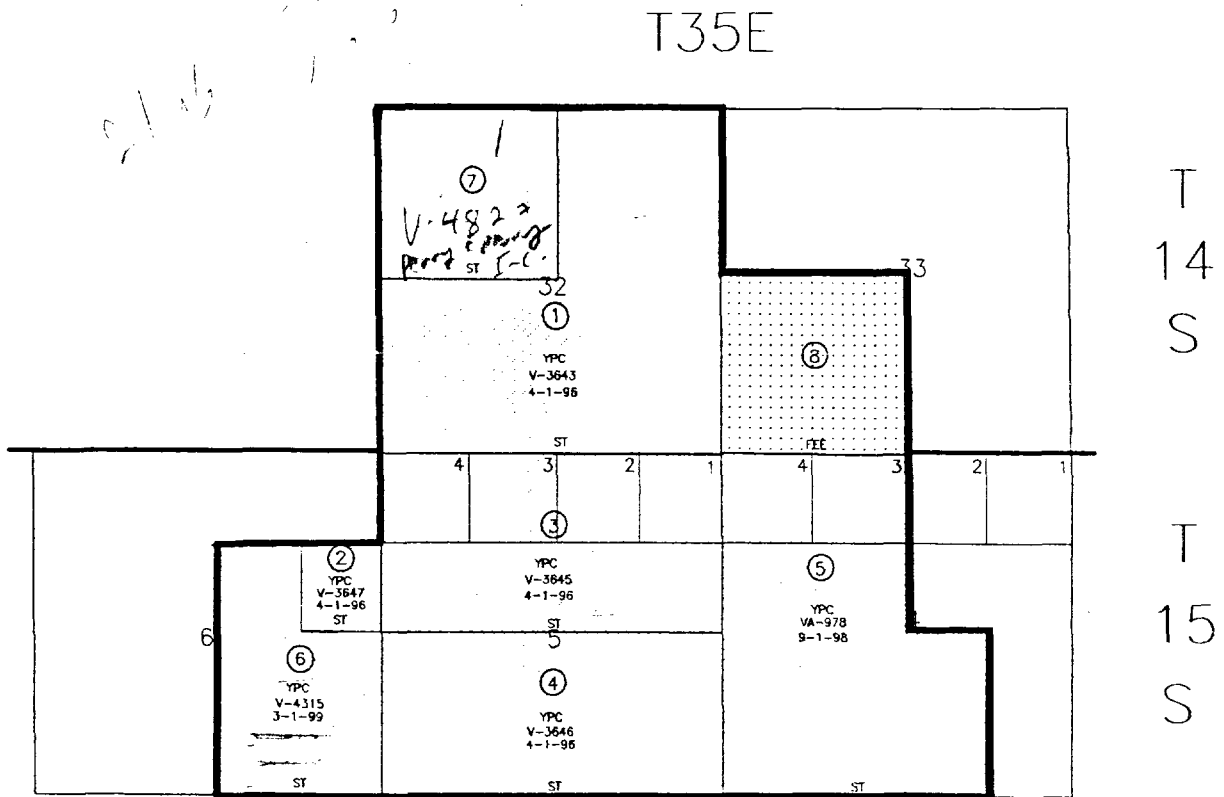
TOWNSHIP 14 SOUTH, RANGE 35 EAST

SECTION 32: ALL
SECTION 33: SW/4

TOWNSHIP 15 SOUTH, RANGE 35 EAST

SECTION 4: LOTS 3, 4, S/2NW/4, SW/4, W/2SE/4
SECTION 5: LOTS 1, 2, 3, 4, S/2N/2, S/2
SECTION 6: SE/4, S/2NE/4

EXHIBIT "A"



UNIT OUTLINE	
TRACT NUMBER	①
STATE LANDS	2019.96 AC (92.6604%)
FEE LANDS	160.00 AC (7.3396%)
TOTAL UNIT ACRES	2179.96 AC (100%)

Yates Petroleum Corporation		
NEW MEXICO MORTON UNIT		
		1/2/96
	Scale 1:36000	

EXHIBIT "B" SCHEDULE OF OWNERSHIP
Schedule Showing All Lands and Leases
MORTON UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

Tract #	Land Description	Number of Acres	Serial #	Basic Royalty Exp. Date	Ownership	Lessee of Record	ORR Owners	Working Interest Owners	Beneficiary
1	Township 14 South, Range 35 East Section 32: E/2, SW/4	480.00	V-3643 - 0	4/1/96	1/6th State of NM	Yates Petroleum Corporation	None	Yates Petroleum Corp Yates Drilling Corp Abo Petroleum Corp MYCO Industries, Inc	70% State of NM 1-22-96 10% 1-22-96 10% 1-22-96 10% 1-22-96
2	Township 15 South, Range 35 East Section 6: SE/4NE/4	40.00	V-3647 - 0	4/1/96	1/6th State of NM	Yates Petroleum Corporation	None	Yates Petroleum Corp Yates Drilling Corp Abo Petroleum Corp Myco Industries Corp	70% State of NM 1-22-96 10% 1-22-96 10% 1-22-96 10% 1-22-96
3	Township 15 South, Range 35 East Section 5: Lots 1-4, S/2N/2	329.80	V-3645 - 0	4/1/96	1/6th State of NM	Yates Petroleum Corporation	None	Yates Petroleum Corp Yates Drilling Corp Abo Petroleum Corp Myco Industries Corp	70% State of NM 1-22-96 10% 1-22-96 10% 1-22-96 10% 1-22-96
4	Township 15 South, Range 35 East Section 5: S/2	320.00	V-3646 - 0	4/1/96	1/6th State of NM	Yates Petroleum Corporation	None	Yates Petroleum Corp Yates Drilling Corp Abo Petroleum Corp Myco Industries, Inc	70% State of NM 1-22-96 10% 1-22-96 10% 1-22-96 10% 1-22-96
5	Township 15 South, Range 35 East Section 4: Lots 3 & 4, S/2NW/4 SW/4, W/2SE/4	403.95	VA-978 - 0	9/1/98	1/8th State of NM	Yates Petroleum Corporation	None	Yates Petroleum Corp Yates Drilling Corp Abo Petroleum Corp Myco Industries, Inc	70% State of NM 1-22-96 10% 1-22-96 10% 1-22-96 10% 1-22-96

EXHIBIT "B" SCHEDULE OF OWNERSHIP
Schedule Showing All Lands and Leases
MORTON UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

Tract #	Land Description	Number of Acres	Serial # Exp. Date	Basic Royalty & Ownership	Lessee of Record	ORR Owners	Working Interest Owners	Beneficiary
6	<u>Township 15 South, Range 35 East</u> Section 6: SW/4NE/4, SE/4	200.00	V-4315 - 2 3/1/99	1/6th State of NM	Yates Petroleum Corporation	None	Yates Petroleum Corp	70% State of NM 1-22-96
							Yates Drilling Corp	10% 1-22-96
							Abo Petroleum Corp	10% 1-22-96
							Myco Industries, Inc	10% 1-22-96
7	<u>Township 14 South, Range 35 East</u> Section 32: NW/4	160.00	VO-4827 - 0 3/1/2001	1/6th State of NM	Perry & Perry Inc.		Perry & Perry Inc.	100 State of NM
8	<u>Township 14 South, Range 35 East</u> Section 33: SW/4	160.00	FEE		Partially Leased		Yates Petroleum Corp	70% FEE Owner 1-22-96
							Yates Drilling Corp	10% 1-22-96
							Abo Petroleum Corp	10% 1-22-96
							Myco Industries, Inc	10% 1-22-96

RECAPITULATION

1933.75	Acres of State Lands Leased	92.3582 %
25.58	Acres of Fee Lands Leased	1.2217 %
134.42	Acres of Fee Lands Unleased	6.4201 %
2093.75		100.0000 %



State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

February 16, 1996

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

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

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Attn: Ms. Mecca Mauritsen

Re: 1996 Plan of Development
North Millman Unit
Eddy County, New Mexico

Dear Ms. Mauritsen:

The Commissioner of Public Lands has this date approved the above-captioned Plan of Development. Our approval is subject to like approval by all other appropriate agencies.

The possibility of drainage by wells outside of the Unit Area and the need for further development of the unit may exist. You may be contacted at a later date regarding these possibilities.

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

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
LARRY KEHOE, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/LK/cpm

Enclosure

cc: Reader File

OCD

TRD



State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

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

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

February 5, 1996

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Attn: Mr. Robert Bullock

Re: Preliminary Approval
Proposed Morton Unit Agreement
Lea County, New Mexico

Dear Mr. Bullock:

We have reviewed the unexecuted copy of the unit agreement which you have submitted for the proposed Morton Unit Area, Lea County, New Mexico. This agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given. Also, prior to the effective date of this agreement, any well commenced which penetrates its objective horizon shall not be construed as the initial test well.

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

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



United States Department of the Interior

BUREAU OF LAND MANAGEMENT CONSERVATION DIVISION
Roswell District Office
1717 West Second Street
Roswell, New Mexico 88201-2019

11114
RECEIVED

1995 SEP 26 AM 8 52

IN REPLY REFER TO:
NMNM94454X
3180 (06200)

SEP 14 1995

Great Western Drilling Company
Attention: Mr. Mike S. Heathington
P. O. Box 1659
Midland, TX 79702

Gentlemen:

Approval is hereby given for the South Carter (San Andres) Unit Agreement, Lea County, New Mexico. Such agreement has been assigned No. NMNM94454X and is effective April 1, 1995, the date the NMOCD approved the unit.

Only one copy of the agreement was received by this office and will be retained for our files.

You are requested to furnish all interested principals with appropriate evidence of this approval.

Sincerely,

(Orig Sdg) Tony L. Ferguson

Tony L. Ferguson
Assistant District Manager,
Minerals Support Team

cc:
MMS, Denver (3110)
NMOCD, Santa Fe

Feel.

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C., sec. 181, et seq., and delegated to the Authorized Officer of the Bureau of Land Management, under the authority of 43 CFR 3183, I do hereby:

- A. Approve the attached agreement for the development and operation of the South Carter (San Andres) unit area, State of New Mexico. This approval shall be invalid ab initio if the public interest requirement under §3183.4 (b) of this title is not met.

- B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

- C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated: September 13, 1995

Authorized Officer)
Bureau of Land Management

Contract No: NMNM94454X



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

BRUCE KING
GOVERNOR

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

November 15, 1994

KELLAHIN AND KELLAHIN
Attorneys at Law
P. O. Drawer 2265
Santa Fe, New Mexico 87504

RE: CASE NO. 11114
ORDER NO. R-10248

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,


Sally E. Martinez
Administrative Secretary

cc: BLM - Carlsbad

peggy j. standefer
attorney at law

OIL CONSERVATION DIVISION

SEP 28 1994

2872 ivy street/san diego/ca 92104

tel/fax (619)232-4165

4 00 5 00 8 52

September 28, 1994

Mr. Michael E. Stogner
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

W. Thomas Kellahin, Counsel to
Great Western Drilling Company, Applicant
El Patio Building
117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2285

Re: Application of Great Western Drilling Company
for Statutory Unitization for its South Carter
(San Andres) Unit, Lea County, New Mexico; and

Re: Application of Great Western Drilling Company
for Approval of a Waterflood Project for
its South Carter (San Andres) Waterflood Project
and to Qualify Said Project for the Recovered Oil
Tax Rate Pursuant to the "New Mexico Enhanced Oil
Recovery Act," Lea County, New Mexico

Hearing Date Set for October 13, 1994

Gentlemen:

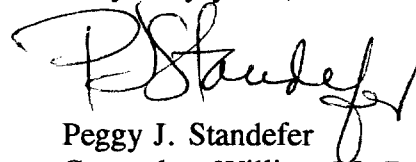
William Renick, identified on Exhibit "D" to the Application as an owner of a Royalty Interest who has not ratified the Unit Agreement, wishes his objections to approval to be considered by the Examiner and noted for the record.

Mr. Renick, through counsel, made written inquiry to Great Western Drilling on September 7, 1994 for clarification of certain terms of the Unit Agreement. A true and correct copy of this correspondence is attached and incorporated herein by this reference. There has been no response received from Great Western Drilling.

Midhael E. Stogner
W. Thomas Kellahin
September 28, 1994
Page 2

To the extent that the Unit Agreement or approval of same will impair any rights of Mr. Renick as a Royalty Owner, Mr. Renick objects to approval of the Unit Agreement as part of the Application.

Very truly yours,

A handwritten signature in black ink, appearing to read "P. Standefer", with a large, stylized initial "P" and a long, sweeping horizontal stroke extending to the right.

Peggy J. Standefer
Counsel to William M. Renick

attachment

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September 7, 1994

Mike S. Heathington
Land Manager
Great Western Drilling Company
Post Office Box 1659
Midland TX 79702

Re: William M. Renick
Proposed South Carter (San Andres) Unit
Lea County, New Mexico, containing 624.0 acres

Dear Mr. Heathington:

I represent William Renick, a royalty owner of the subject property by succession. He has asked that I review the Unit Agreement dated January 10, 1994 and request clarification of the following matters prior to his execution of the Agreement.

As a successor in interest to the original royalty owner of the tract, Mr. Renick does not have in his possession the original lease governing his royalty interest. Therefore, he wishes to be advised whether and in what respects the Unit Agreement purports to amend his rights under the original lease. Specifically, does the Tract Participation set forth in Article 5.1 of the Agreement, incorporating Exhibit "A", amend the participation interest of the royalty owners under leases?

Is the phrase "and saved" under Article 6.1 a qualification of his rights?

We believe that the last sentence of Article 6.3 should additionally provide, "subject to the obligation of accounting and payment to Royalty Owners."

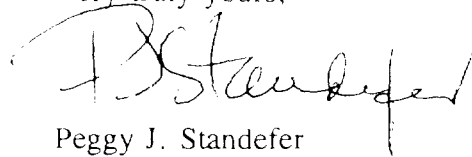
Please also clarify the last sentence of Article 6.6, which states "No payment shall be due or payable to Royalty Owners on substances produced from the Unitized formation that are deemed to be Outside Substances." It is understood that the Working Interests are entitled to recoup the cost of Outside Substances injected, however, after such reimbursement, shouldn't the Royalty Owners receive payment for substances produced?

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A definition of a failed interest, as that term is used in Article 10.4, is also requested.

Mr. Renick is not adverse to executing the Unit Agreement, however, wishes to assure himself that he is not abandoning any rights previously vested. Your early comments are appreciated and will assist him in an early decision with regard to execution of the Agreement.

Very truly yours,

A handwritten signature in dark ink, appearing to read "P. Standefer", with a stylized flourish at the end.

Peggy J. Standefer

cc: William Renick
Eric Mendoza