

DOYLE HARTMAN
Oil Operator
3811 TURTLE CREEK BLVD., SUITE 200
DALLAS, TEXAS 75219

(214) 520-1800
(214) 520-0811 FAX

Via Certified Mail, Return Receipt Requested

May 28, 1997

OXY USA, Inc.
P.O. Box 50250
Midland, Texas 79710

Attn: Donald Romine, V.P. Western Region
Robert Hunt, Asset Team Leader
T. Kent Wooley, Senior Landman

Re: Follow-up Request for OXY to Comply with NMOCD
Order No. R-6447 Creating the 9326.56-acre MLMU
Statutory Unit and Unitizing All MLMU Interests

Gentlemen:

Reference is made to OXY USA, Inc.'s *Motion to Dismiss* that was filed with the NMOCD on May 23, 1997, which *Motion to Dismiss* in part stated:

...In 1986, Hartman obtained his 4.869074% working interest⁵ in the Unit by acquiring the interests of :

- (a) Texas Pacific Oil Company
in Unit Tracts 19, 20, 21, 22, 23, 24, 25, 26 and 72
- (b) Texas Pacific Oil Company, Schmitz, Scott, et al.
in Unit Tract 29,
- (c) Gulf Oil Corporation in Unit Tract 63.

⁵See Exhibit 6 being Exhibit C to Hartman's Counterclaim in Dallas litigation and also Revised Exhibit 10 "B" to Unit Agreement filed in OCD Case 6987.

Hartman lacks standing to complain about Order R-6447 (Case 6987) because the working interest owners of the Unit Tracts from whom Hartman obtained his

working interest in the Myers Langlie Mattix Unit were not the subject of this statutory unitization order.⁶...

...Hartman lacks standing to complain about Order R-6447 (Case 6987) because the working interest owners of the Unit Tracts from whom Hartman obtained his working interest in the Myers Langlie Mattix Unit ratified the unit agreement pursuant to the statutory unitization order.⁷...

⁷See Exhibit 7 being Exhibit 14 in Case 6987.

...The working interests in the unit area was not subject to this statutory unitization application because all working interests had been voluntarily committed to the Unit. Furthermore, this application did not change the boundary of the Unit or the participation of any working interest owner in the Unit.⁸(emphasis added)...

Reference is also made to our letter to Oxy USA, Inc. (OXY) dated December 9, 1993, a copy of which is enclosed herewith, and which in part stated:

...Being that Oxy is also presently in the process of acquiring Texaco's Myers Langlie Mattix Unit interest, and also since Oxy has indicated to us that it is hopeful of soon closing with us, as to the acquisition of our interest in the Myers Langlie Mattix Unit and the Penrose Skelly "B" Unit, but has stated that it would prefer drafting all of the necessary closing documents, so as to more promptly move along the closing process, please find enclosed the pertinent ownership instruments that establish Doyle Hartman's and Margaret M. Hartman's net ownership in the Myers Langlie Mattix Unit and the Penrose Skelly "B" Unit. We believe these instruments will facilitate Oxy's task of drafting the necessary assignments, from Doyle Hartman and Margaret M. Hartman into Oxy, of the Hartman's interest in the Myers Langlie Mattix Unit and Penrose Skelly "B" Unit...

After reading OXY's *Motion to Dismiss*, and then after reviewing our letter to OXY of December 9, 1993, the question must be asked as to why OXY has deliberately and incorrectly stated to the NMOCD that, in 1986, the Hartman 4.869074% MLMU working interest was acquired from Texas Pacific Oil Company, Herbert J. Schmitz, and Gulf Oil Corporation, when the comprehensive and valid ownership information that was furnished by us to OXY USA, Inc., on December 9, 1993, documents that we acquired our MLMU interest as follows:

<u>Date</u>	<u>Acquisition</u>
9-1-84	Acquired 50% NPI corresponding to 35.55% of Sun's MLMU WI (MLMU Trs.: 19, 20, 21, 22, 23, 24, 25, 26, 29, 72)
3-1-85	Acquired 71.094% of Gloria Bundy's MLMU WI (MLMU Tr. 29)
1-2-86	Acquired 35.55% of Sun's MLMU WI (MLMU Trs.: 19, 20, 21, 22, 23, 24, 25, 26, 29, 72)
4-8-88	Acquired the RI of Norma Chism McCarthy (MLMU Tr. 63)

Our letter to OXY USA, Inc. of December 9, 1993, clearly did not state that we had acquired our MLMU ownership from Texas Pacific Oil Company, Herbert J. Schmitz or Gulf Oil Corporation and consequently, it is extremely difficult to imagine how OXY, in good-faith, could have plead such an obviously incorrect statement.

Moreover, yesterday, May 27, 1997, Ms. Caroline Woods and Ms. Jolene Dicks, at my request, made an additional trip to the NMOCD's Santa Fe office to again review the NMOCD's file corresponding to Case No. 6987 including a review of hearing Exhibit No. 14. In OXY's May 23, 1997 *Motion to Dismiss*, it was unquestionably inferred that Exhibit No. 14 contained copies of Ratification and Approval instruments from the working interest owners from whom we, in 1986, allegedly obtained our MLMU working interest. In actual fact, the only ratification instruments contained in hearing Exhibit No. 14 (Case 6987) are copies of Consent and Ratification instruments pertaining to the execution of the original January 1, 1973 voluntary (not statutory) MLMU Unit Agreement and MLMU Unit Operating Agreement covering the original 9923.68-acre MLMU unit area.

Interestingly, among the 1973 Consent and Ratification instruments that were included as part of Exhibit No. 14 (Case 6987), were executed instruments from Texas Pacific Oil Company, Herbert J. Schmitz, Robert S. Scott, Charles T. Scott, and Gulf Oil Corporation, from whom we did not acquire our interest. However, NMOCD hearing Exhibit No. 14 (Case 6987) does not contain Ratification and Approval instruments from our actual predecessors-in-interest (Sun Oil Company and Gloria Bundy) corresponding to their 1980 ratification of NMOCD Order R-6447, which order statutorily unitized, pursuant to New Mexico's Statutory Unitization Act [70-7-1 through 70-7-21 NMSA 1978], all interests as to Getty's requested and revised 9326.56-acre Myers Langlie Mattix Unit Area. As documented in NMOCD Director Joe D. Ramey's January 5, 1981 Determination

Letter (copy enclosed), Commission Order R-6447 went into full force and effect on or about January 5, 1981.

Therefore, so as to set the record straight, that our actual MLMU working interest predecessors (Sun Oil Company and Gloria Bundy) did indeed ratify and approve the

...unitized management, operation and further development of the oil and gas properties in the Myers Langlie Mattix Unit pursuant to New Mexico Oil Conservation Commission Order No. R-6447 entered on August 27, 1980, approving statutory unitization of the Myers Langlie Mattix Unit ...,

as well as ratified and approved the MLMU Unit Agreement and MLMU Unit Operating Agreement, as revised by the terms and provisions of the Statutory Unitization Act [70-7-1 through 70-7-21 NMSA 1978] and NMOCD Order R-6447, we are herein enclosing for your review and inspection recorded copies of those certain October 23, 1980 and September 30, 1980 Ratification and Approval instruments executed by our predecessors-in-interest being Sun Oil Company (Miscellaneous Book 382, page 642) and Gloria Bundy (Miscellaneous Book 382, page 580), which ratifications and approvals of NMOCD Order R-6447 were recorded by Getty Oil Company in Lea County, New Mexico on January 6, 1981, along with its recording of the affidavit of Raymond W. Blohm (Miscellaneous Book 382, page 567). Raymond W. Blohm's affidavit (copy enclosed) further documents that all MLMU interests were included as part of the new unit created by NMOCD Order R-6447, and in part reads as follows:

...8. That said Order No. R-6447 provided "that when...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."

9. That following issuance of Order R-6447, Getty Oil Company solicited the written approval of ratification of all interest owners in the unit area.

10. That as of December 15, 1980, Getty Oil Company has received written approval or ratification of the plan for unit operations from more than 75% of those who would be required initially to pay the costs of unit operations and from more than 75% of the interest owners of production proceeds from the unit that will be credited to interests which are free of costs.

11. That Getty Oil Company intends to commence unitized operations of the Myers Langlie Mattix Unit under Oil Conservation Division Order No. R-6447 on January 1, 1981 at 7:00 a.m. (emphasis added)...

OXY USA, Inc.
May 28, 1997
Page 5

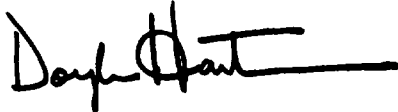
In recognition of the fact that all MLMU interest owners were statutorily unitized pursuant to NMOCD Order R-6447, and that the MLMU Unit Operating Agreement, as revised by the Statutory Unitization Act [70-7-1 through 70-7-21 NMSA 1978] and NMOCD Order R-6447, includes, as per finding 21(d) of NMOCD Order R-6447

...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; (emphasis added)....,

we again respectfully request that OXY immediately commence honoring all provisions of Commission Order R-6447 and the Statutory Unitization Act [70-7-1 through 70-7-21 NMSA 1978] and, under the terms of the amended and modified MLMU Unit Operating Agreement (70-7-18 NMSA 1978 and 296 F.2d 280), recognize our MLMU working interest as a non-consent working interest in accordance with our notice to OXY dated August 24, 1994 (copy enclosed).

Very truly yours,

DOYLE HARTMAN, Oil Operator



Doyle Hartman

enclosures

rcp/rjr
wpdocs\corresp.dh\mlmu.3

cc: William J. LeMay, Director
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

OXY USA, Inc.
May 28, 1997
Page 6

Rand Carroll, Division Attorney
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

David R. Catanach, Engineer
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

Ray B. Powell, Commissioner of Public Lands
New Mexico State Land Office
310 Old Santa Fe Trail (87501)
P.O. Box 1148
Santa Fe, NM 87504-1148

Jami Bailey, Director, Oil/Gas and Minerals Division
New Mexico State Land Office
310 Old Santa Fe Trail (87501)
P.O. Box 1148
Santa Fe, NM 87504-1148

Pete Martinez, Oil/Gas and Minerals Division
New Mexico State Land Office
310 Old Santa Fe Trail (87501)
P.O. Box 1148
Santa Fe, NM 87504-1148

Armando Lopez, Asst. Dist. Manager, Minerals
United States Geological Survey
Bureau of Land Management
1717 W. Second
Roswell, NM 88201

Dr. Ray R. Irani, Chairman and CEO
Occidental Petroleum Corporation
10889 Wilshire Blvd.
Los Angeles, CA 90024

OXY USA, Inc.
May 28, 1997
Page 7

Dr. Dale R. Laurance, President and Senior Operating Officer
Occidental Petroleum Corporation
10889 Wilshire Blvd.
Los Angeles, CA 90024

Donald P. Debrier, Executive V.P. and Senior General Counsel
Occidental Petroleum Corporation
10889 Wilshire Blvd.
Los Angeles, CA 90024

James A. Davidson
214 W. Texas, Suite 710
Midland, TX 79701

DOYLE HARTMAN, Oil Operator (Midland)
Don Mashburn
Steve Hartman
Linda Land
Cindy Brooks
Sheila Potts

DOYLE HARTMAN

Oil Operator

3811 TURTLE CREEK BLVD., SUITE 730

DALLAS, TEXAS 75219

(214) 520-1800

(214) 520-0811 FAX

December 9, 1993

Oxy U.S.A., Inc.
#6 Desta Drive, Suite 6002
Midland, Texas 79705-5505

Attn: Mr. T. Kent Woolley, CPL
Senior Landman

Re: Purchase/Exchange Offer
Eumont Gas Pool Interval
Oxy U.S.A., Inc.
State "N" Lease (B-1484)
SW/4 Section 2, T-22-S, R-36-E
Lea County, New Mexico
(160 acres)

Gentlemen:

Reference is made to Texaco's letter to us of November 30, 1993 (copy enclosed), wherein Texaco gave notice of a preliminary agreement being reached to transfer to Oxy its 24.32% working interest ownership in the Myers Langlie Mattix Unit.

Reference is also made to our written proposals of June 9, 1993 and July 20, 1993, and, to the various follow-up meetings and conversations, pertaining to the trade to Oxy of our 4.869074% interest in the Myers Langlie Mattix Unit plus our 50% net profits interest corresponding to a .789843% working interest in the Penrose Skelly "B" Waterflood Unit in exchange for Oxy's 100% interest in the 160-acre State "N" Eumont Lease located in the SW/4 Section 2, T-22-S, R-36-E, Lea County, New Mexico.

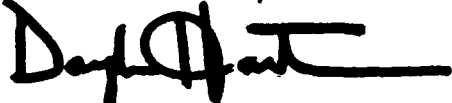
Being that Oxy is also presently in the process of acquiring Texaco's Myers Langlie Mattix Unit interest, and also since Oxy has indicated to us that it is hopeful of soon closing with us, as to the acquisition of our interest in the Myers Langlie Mattix Unit and the Penrose Skelly "B" Unit, but has stated that it would prefer drafting all of the necessary closing documents, so as to more promptly move along the closing process, please find enclosed

Oxy U.S.A., Inc.
December 9, 1993
Page 2

the pertinent ownership instruments that establish Doyle Hartman's and Margaret M. Hartman's net ownership in the Myers Langlie Mattix Unit and the Penrose Skelly "B" Unit. We believe these instruments will facilitate Oxy's task of drafting the necessary assignments, from Doyle Hartman and Margaret M. Hartman into Oxy, of the Hartman's interest in the Myers Langlie Mattix Unit and Penrose Skelly "B" Unit.

Very truly yours,

DOYLE HARTMAN, OIL OPERATOR



Doyle Hartman

DNH:pdd
Enclosures

cc: Mr. Donald Romine
Vice President - Western Region
Oxy U.S.A., Inc.
#6 Desta Drive, Suite 6002
Midland, Texas 79705-5505

Mr. Robert Hunt
Operations Manager - Western Region
Oxy U.S.A., Inc.
#6 Desta Drive, Suite 6002
Midland, Texas 79705-5505

Mr. Jon Thoma
Financial Consultant
Oxy U.S.A., Inc.
#6 Desta Drive, Suite 6002
Midland, Texas 79705-5505

Mr. Charles Pollard
Operations Engineering Supervisor
Oxy U.S.A., Inc.
#6 Desta Drive, Suite 6002
Midland, Texas 79705-5505

Mr. Patrick N. McGee
Land Manager
Oxy U.S.A., Inc.
#6 Desta Drive, Suite 6002
Midland, Texas 79705-5505

TABLE OF ENCLOSURES
TO LETTER DATED 12-9-93 FROM
DOYLE HARTMAN, OIL OPERATOR TO OXY U.S.A., INC.

1. Letter dated 11-30-93 from Texaco Exploration and Production Inc. to Working Interest Owners in the Myers Langlie Mattix Unit
2. Accumulation of Current Hartman MLMU Ownership
3. Summary by Tract of Doyle Hartman, Oil Operator's Myers Langlie Mattix Unit Ownership
4. Texaco Interoffice Memorandum dated 4-5-91 summarizing Doyle Hartman, Oil Operator's Myers Langlie Mattix Unit Ownership
5. Summary by Tract of Doyle Hartman, Oil Operator's Penrose Skelly "B" Unit Ownership
6. Myers Langlie Mattix Unit Tract Ownership Effective 1-1-86 to 5-1-89
7. Assignment and Conveyance dated 9-3-84 from The Prudential Insurance Company of America to Doyle Hartman
8. Assignment and Bill of Sale dated 3-20-85 from Gloria Bundy to Doyle Hartman
9. Stipulation of Interest dated 2-2-86
10. Conveyance and Agreement dated 2-2-86 from Sun Operating Limited Partnership to Doyle Hartman, et al
11. Trustee's Mineral Deed dated 4-8-88 from James R. Adelman, Trustee to Doyle Hartman



Texaco Exploration and Production Inc
Midland Producing Division

500 N Loraine
Midland TX 79701

P O Box 3109
Midland TX 79702

November 30, 1993

*Agmt
D.O.*

WORKING INTEREST OWNERS

MYERS LANGLIE MATTIX UNIT

Lea County, New Mexico

Texaco Exploration and Production Inc. [TEPI] has reached preliminary agreement to transfer its 24.32 percent interest in the Myers Langlie Mattix Unit to OXY USA Inc. TEPI will resign as Operator of the Unit when the agreement is final.

TEPI asks the Working Interest Owners to elect a Successor Operator as stipulated in the Unit Agreement. The Successor will assume operation of the Unit after TEPI submits its resignation and the Successor receives state and federal approval. OXY, acting as majority owner, will send ballots to all Working Interest Owners to elect a Successor Operator.

TEPI will submit its resignation to the Working Interest Owners as soon as the agreement with OXY is complete. TEPI will not tender its resignation as Operator of the Unit if the agreement with OXY is not finalized. Call Jim H. Ohlms at [915] 688-2916 with any questions or comments.

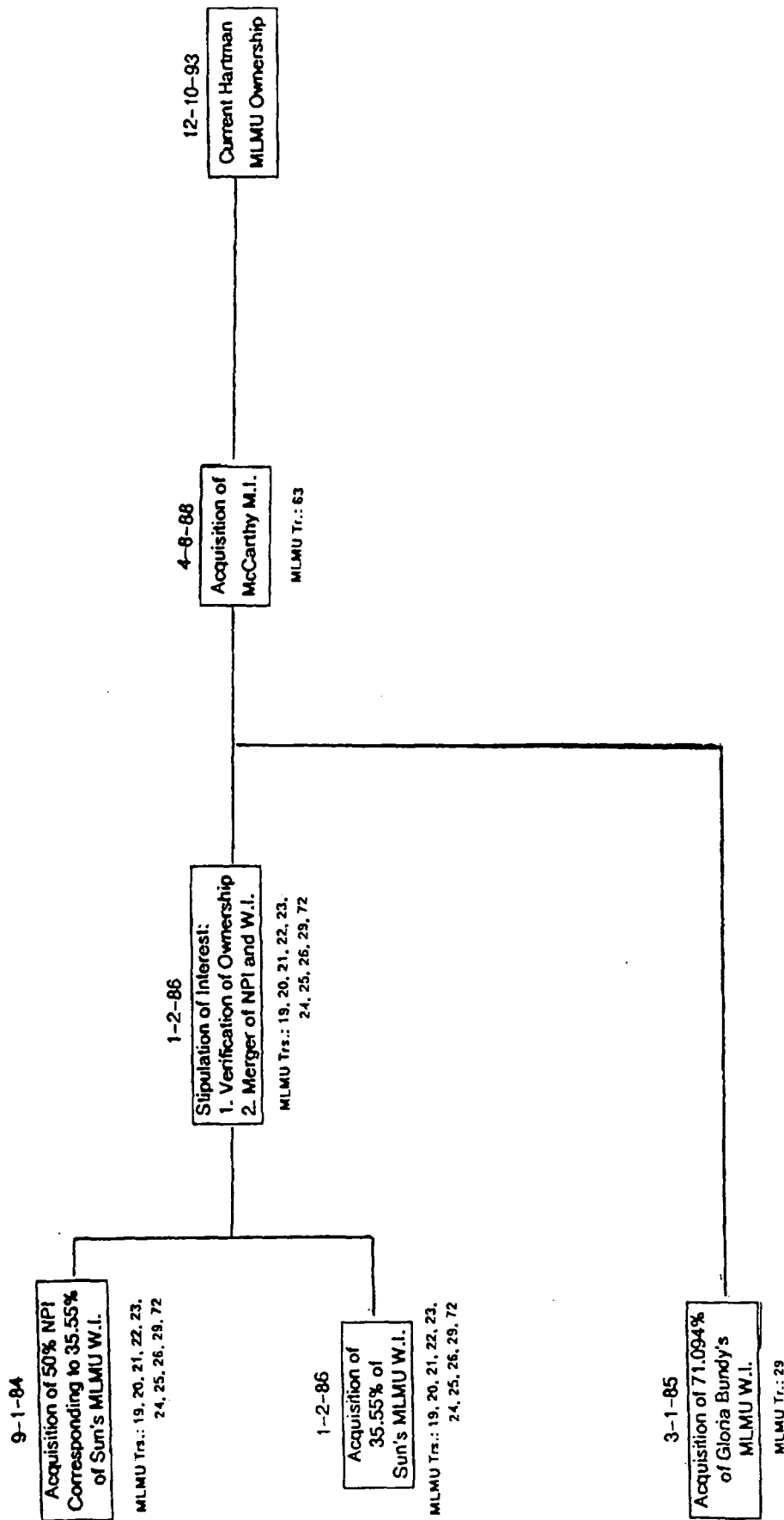
Very truly yours,

R. J. Rowalt
Assistant Division Manager

JHO/srt

DEC 3 1993

Accumulation of Current
Hartman MLMU Ownership



A SUMMARY BY TRACT
OF DOYLE HARTMAN, OIL OPERATOR'S
MYERS LANGLEIE MATTIX UNIT OWNERSHIP

MLMU TRACT NO.	HARTMAN MLMU OWNERSHIP FRACTION	
	WI	NRI
19(1)	0.00443515	0.00327092
20	0.00055563	0.00037505
21	0.01095317	0.00739339
22	0.00711833	0.00524977
23	0.00110025	0.00082519
24	0.00108304	0.00081228
25	0.00163009	0.00122257
26	0.01208580	0.01057507
29(2)	0.00313807	0.00258891
<u>72</u>	<u>0.00659121</u>	<u>0.00540685</u>
TOTAL	0.04869074	0.0377200

(1)(2) For additional details pertaining to Hartman's interest corresponding to MLMU Tracts 19 and 29, please refer to Texaco's internal memo dated April 5, 1991 from F. M. Krautsch, Midland, Texas to R. R. O'Dwyer, Denver, Colorado

RIGHTS TO BE ASSIGNED TO OXY CORRESPONDS
TO ALL THE HARTMAN INTEREST AS TO THE UNITIZED INTERVAL IN
THE MLMU AND PENROSE SKELLY "B"



Texnet

DATE: April 5, 1991
TO: Mr. F. M. Krautsch (JBW)
Midland, Texas
FROM: R. R. O'Dwyer
Denver, Colorado
SUBJECT: 230830 - Myers Langlie Mattix Unit (TPI)
Lea County, New Mexico
Doyle Hartman Working Interest

Doyle Hartman acquired 35.546875% of Sun's working interest in this unit. The following is a breakdown of this acquisition by tract.

<u>Tract</u>	<u>TPF</u>	<u>Sun WI in Tract</u>	<u>Hartman Unit WI</u>
19	2.49538	50.0	.4435148
20	.15631	100.0	.0555633
21	3.08133	100.0	1.0953165
22	2.00252	100.0	.7118333
23	.30952	100.0	.1100247
24	.30468	100.0	.1083042
25	.91715	50.0	.1630091
26	3.39996	100.0	1.2085795
29	1.02337	30.0	.1091328
72	1.85423	100.0	.6591208
			<u>4.6643990</u>

Sun originally had a 58.33334% working interest in Tract 19. 8.3% was conveyed to Headington Minerals, Inc. and 50% was conveyed to Hartman, et al.

Hartman also owns an additional 20% working interest in Tract 29 acquired from Gloria Bundy (former Herbert J. Schmitz interest) resulting in an additional .204674% unit working interest.

Hartman's total working interest in the unit is 4.8690730% (4.6643990% from Sun and .204674% from Bundy).

Copies of Exhibits "B", "C" and "D" to the Unit Agreement have been enclosed for your use if needed. If you have any questions please call R. W. Lanning at Texnet 621-4244.

RR O'Dwyer / ew

RWL

SUMMARY BY TRACT OF
DOYLE HARTMAN, OIL OPERATOR'S
PENROSE SKELLY "B" UNIT OWNERSHIP

<u>SKELLY PENROSE "B" TRACT No.</u>	<u>TRACT W.I. (%)</u>	<u>TRACT UNIT PARTICIPATION (%)</u>	<u>UNIT WI (%)</u>
17	22.59864	2.75874	.623438
18	<u>29.81910</u>	<u>0.55805</u>	<u>.166405</u>
TOTAL	-----	-----	.789843

NOTE: DOYLE HARTMAN, OIL OPERATOR OWNS A 50% NET PROFITS INTEREST
CORRESPONDING TO A .789743% UNIT WORKING INTEREST IN THE PENROSE
SKELLY "B" UNIT.

MYERS LANGLEIE MATTIX UNIT
LEA COUNTY, NEW MEXICO
TRACT OWNERSHIP-OIL ONLY
Effective 1-1-86 to 5-1-89

er # ld/ ew	Owner Name/Address	Type of Interest	TR. 19 S/2 SW/4 Sec. 29 T23S R37E	TR. 20 Lot 2 Sec. 30 T23S R37E	TR. 21 Lot 1 Sec. 30 T23S R37E	TR. 22 N/2 SW/4 Sec. 29 T23S R37E	TR. 23 NW/4 Sec. 34 T23S R37E	TR. 24 N/2 SW/4 Sec. 34 T23S R37E	TR. 25 S/2 SW/4 Sec. 34 T23S R37E	TR. 26 SW/4 Sec. 5 SE/4 Sec. 6 T24S R37E	TR. 29 NW/4 Sec. 8 T24S R37E	TR. 72 NE/4 Sec. 8 T24S R37E
704 978	Doyle Hartman P.O. Box 10426 Midland, TX 79702 414-68-3626	MWI	0.13107910	0.23994141	0.23994141	0.26215820	0.26660156	0.26660156	0.13330078	0.31103515	*0.25297852	0.29159549
806 1782	James A. Davidson P.O. Box 494 Midland, Texas 79702 464-20-0956	MWI	0.04609375	0.08437500	0.08437500	0.09218750	0.09375000	0.09375000	0.04687500	0.10937500	0.03093750	0.10253907
850 3927	Larry A. Hermyr HC-57 Box 4106 Sydney, MT 59270 501-42-3137	MWI	0.00288086	0.00527343	0.00527343	0.00576172	0.00585938	0.00585938	0.00292968	0.00683594	0.00193359	0.00640869
8870 2429	James E. Burr P.O. Box 50233 Midland, TX 79710 465-90-2453	MWI	0.00144043	0.00263672	0.00263672	0.00288086	0.00292969	0.00292969	0.00146485	0.00341797	0.00096680	0.00320435
9322 5940	Jack Fletcher 2100 Wadley, Unit 65 Midland, TX 79705 467-34-3333	MWI	0.00144043	0.00263672	0.00263672	0.00288086	0.00292969	0.00292969	0.00146485	0.00341797	0.00096680	0.00320435
6830 7884	Ruth Sutton 2826 Moss Midland, TX 79701 449-52-6595	MWI	0.00144043	0.00263672	0.00263672	0.00288086	0.00292968	0.00292968	0.00146484	0.00341797	0.00096679	0.00320435
			0.18437500	0.33750000	0.33750000	0.36875000	0.37500000	0.37500000	0.18750000	0.43750000	0.28875000	0.41015630

*Includes Sun interest (.35546875 x .30 x .825 = .08797852) and Bundy interest (1.00000000 x .20 x .825 = .16500000).
Note: Effective 4-8-88 Hartman acquired a .00118 RI in Tract 63 of Unit, above figures reflect MWI only.

MYERS LANGLEIE MATTIX UNIT
LEA COUNTY, NEW MEXICO
TRACT OWNERSHIP-OIL ONLY
Effective 5-1-89

Owner # Old/ New	Owner Name/Address	Type of Interest	TR. 19 S/2 SW/4 Sec. 29 T23S R37E	TR. 20 Lot 2 Sec. 30 T23S R37E	TR. 21 Lot 1 Sec. 30 T23S R37E	TR. 22 W/2 SW/4 Sec. 29 T23S R37E	TR. 23 NW/4 Sec. 34 T23S R37E	TR. 24 W/2 SW/4 Sec. 34 T23S R37E	TR. 25 S/2 SW/4 Sec. 34 T23S R37E	TR. 26 SW/4 Sec. 5 SE/4 Sec. 6 T24S R37E	TR. 29 NW/4 Sec. 8 T24S R37E	TR. 72 NE/4 Sec. 8 T24S R37E
47784 07978	Doyle Hartman P.O. Box 10426 Midland, TX 79702 414-68-3626	MW/	0.13107910	0.23994141	0.23994141	0.26215820	0.26660156	0.26660156	0.13330078	0.31103515	*0.25297852	0.29159549
22806 04782	James A. Davidson P.O. Box 494 Midland, Texas 79702 464-20-0956	MW/	0.00000000	0.00000000	0.00000000	0.00000000	0.09375000	0.09375000	0.04687500	0.00000000	0.00000000	0.00000000
76050 13927	Larry A. Kermyr HC-57 Box 4106 Sydney, MT 59270 501-42-3137	MW/	0.00288086	0.00527343	0.00527343	0.00576172	0.00585938	0.00585938	0.00292968	0.00683594	0.00193359	0.00640869
08670 02429	James E. Burr P.O. Box 50233 Midland, TX 79710 465-90-2453	MW/	0.00000000	0.00000000	0.00000000	0.00000000	0.00292969	0.00292969	0.00146485	0.00000000	0.00000000	0.00000000
29322 05940	Jack Fletcher 2100 Wadley, Unit 65 Midland, TX 79705 467-34-3333	MW/	0.00000000	0.00000000	0.00000000	0.00000000	0.00292969	0.00292969	0.00146485	0.00000000	0.00000000	0.00000000
86630 17884	Ruth Sutton 2826 Moss Midland, TX 79701 449-52-6595	MW/	0.00000000	0.00000000	0.00000000	0.00000000	0.00292968	0.00292968	0.00146484	0.00000000	0.00000000	0.00000000
29734	Meridian Oil Production Inc. 801 Cherry Street Suite 700 Ft. Worth, TX 76102	MW/	0.05041504	0.09228516	0.09228516	0.10083008	0.00000000	0.00000000	0.00000000	0.11962891	0.93383789	0.11215212
			0.18437500	0.33750000	0.33750000	0.36875000	0.37500000	0.37500000	0.18750000	0.43750000	0.28875000	0.41015630

*Includes Sun interest (.35546875 x .30 x .825 = .08797852) and Bundy interest (1.00000000 x .20 x .825 = .16500000).
Note: Effective 4-8-88 Hartman acquired a .00118 RI in Tract 63 of Unit, above figures reflect MW/ only.

Myers Langlie Mattix Unit Ownership
Oil Only
Lea County, New Mexico

Tract	Description	Owner	Tract Factor	GWI	MWI	Unit Gross	Unit Net	To HOPI 5-1-89 GWI	To HOPI 5-1-89 MWI
19	S/2 SW/4, Sec 29, T23S, R37E	Doyle Hartman James A. Davidson Larry A. Nermyr James E. Burr Jack Fletcher Ruth Sutton	0.02495380 0.02495380 0.02495380 0.02495380 0.02495380 0.02495380	0.17773437 0.06250000 0.00390625 0.00195313 0.00195313 0.00195312	0.13107910 0.04609375 0.00288086 0.00144043 0.00144043 0.00144043	0.00443515 0.00155961 0.00009748 0.00004874 0.00004874 0.00004873	0.00327092 0.00115021 0.00007190 0.00003594 0.00003594 0.00003594	0.00000000 0.00155961 0.00000000 0.00004874 0.00004874 0.00004873	0.00000000 0.00115021 0.00000000 0.00003594 0.00003594 0.00003594
20	Lot 2, Sec 30 T23S, R37E	Doyle Hartman James A. Davidson Larry A. Nermyr James E. Burr Jack Fletcher Ruth Sutton	0.00156310 0.00156310 0.00156310 0.00156310 0.00156310 0.00156310	0.35546875 0.12500000 0.00781250 0.00390625 0.00390625 0.00390625	0.23994141 0.08437500 0.00527343 0.00263672 0.00263672 0.00263672	0.00055563 0.00019538 0.00001221 0.00000611 0.00000611 0.00000611	0.00037505 0.00013189 0.00000824 0.00000412 0.00000412 0.00000412	0.00000000 0.00019538 0.00000000 0.00000611 0.00000611 0.00000611	0.00000000 0.00013189 0.00000000 0.00000412 0.00000412 0.00000412
21	Lot 1, Sec 30 T23S, R37E	Doyle Hartman James A. Davidson Larry A. Nermyr James E. Burr Jack Fletcher Ruth Sutton	0.03081330 0.03081330 0.03081330 0.03081330 0.03081330 0.03081330	0.35546875 0.12500000 0.00781250 0.00390625 0.00390625 0.00390625	0.23994141 0.08437500 0.00527343 0.00263672 0.00263672 0.00263672	0.01095317 0.00365166 0.00024074 0.00012036 0.00012036 0.00012036	0.00739339 0.00259987 0.00016249 0.00008125 0.00008125 0.00008124	0.00000000 0.00385166 0.00000000 0.00012036 0.00012036 0.00012036	0.00000000 0.00259987 0.00000000 0.00008125 0.00008125 0.00008124
22	N/2 SW/4 Sec 29, T23S, R37E	Doyle Hartman James A. Davidson Larry A. Nermyr James E. Burr Jack Fletcher Ruth Sutton	0.02002520 0.02002520 0.02002520 0.02002520 0.02002520 0.02002520	0.35546875 0.12500000 0.00781250 0.00390625 0.00390625 0.00390625	0.26215820 0.09218750 0.00576172 0.00268086 0.00268086 0.00268086	0.00711833 0.00250315 0.00015645 0.00007823 0.00007822 0.00007822	0.00524977 0.00184607 0.00015338 0.00005769 0.00005769 0.00005769	0.00000000 0.00250315 0.00000000 0.00007823 0.00007822 0.00007822	0.00000000 0.00184607 0.00000000 0.00005769 0.00005769 0.00005769
				0.50000000	0.33750000	0.01540665	0.01039949	0.00421274	0.00284361
				0.50000000	0.36875000	0.01001260	0.00738429	0.00273782	0.00201914

Myers Langlie Mattix Unit Ownership
Oil Only
Lea County, New Mexico

Tract	Description	Owner	Tract Factor	GVJ	NWJ	Unit Gross	Unit Net	To HOPJ 5-1-89 GVJ	To HOPJ 5-1-89 NWJ
23	NW/4, Sec 34 T23S, R37E	Doyle Hartman	0.00309520	0.35546875	0.26660156	0.00110025	0.00082519	0.00000000	0.00000000
		James A. Davidson	0.00309520	0.12500000	0.09375000	0.00038690	0.00029018	0.00000000	0.00000000
		Larry A. Hermyr	0.00309520	0.00781250	0.00585938	0.00002418	0.00001814	0.00000000	0.00000000
		James E. Burr	0.00309520	0.00390625	0.00292969	0.00001209	0.00000907	0.00000000	0.00000000
		Jack Fletcher	0.00309520	0.00390625	0.00292969	0.00001209	0.00000906	0.00000000	0.00000000
		Ruth Sutton	0.00309520	0.00390625	0.00292968	0.00001209	0.00000906	0.00000000	0.00000000
				0.50000000	0.37500000	0.00154760	0.00116070	0.00000000	0.00000000
24	N/2 SW/4, Sec 34, T23S, R37E	Doyle Hartman	0.00304680	0.35546875	0.26660156	0.00108304	0.00081228	0.00000000	0.00000000
		James A. Davidson	0.00304680	0.12500000	0.09375000	0.00038085	0.00028564	0.00000000	0.00000000
		Larry A. Hermyr	0.00304680	0.00781250	0.00585938	0.00002381	0.00001785	0.00000000	0.00000000
		James E. Burr	0.00304680	0.00390625	0.00292969	0.00001190	0.00000893	0.00000000	0.00000000
		Jack Fletcher	0.00304680	0.00390625	0.00292969	0.00001190	0.00000893	0.00000000	0.00000000
		Ruth Sutton	0.00304680	0.00390625	0.00292968	0.00001190	0.00000892	0.00000000	0.00000000
				0.50000000	0.37500000	0.00152340	0.00114255	0.00000000	0.00000000
25	S/2 SW/4, Sec. 34, T23S, R37E	Doyle Hartman	0.00917150	0.17773437	0.13330078	0.00163009	0.00122257	0.00000000	0.00000000
		James A. Davidson	0.00917150	0.06250000	0.04687500	0.00057322	0.00042992	0.00000000	0.00000000
		Larry A. Hermyr	0.00917150	0.00390625	0.00292968	0.00003583	0.00002687	0.00000000	0.00000000
		James E. Burr	0.00917150	0.00195313	0.00146485	0.00001791	0.00001343	0.00000000	0.00000000
		Jack Fletcher	0.00917150	0.00195313	0.00146485	0.00001791	0.00001343	0.00000000	0.00000000
		Ruth Sutton	0.00917150	0.00195312	0.00146484	0.00001791	0.00001343	0.00000000	0.00000000
				0.25000000	0.18750000	0.00229287	0.00171965	0.00000000	0.00000000
26	SW/4, Sec 5 SE/4, Sec 6 T24S, R37E	Doyle Hartman	0.03399960	0.35546875	0.31103515	0.01208580	0.01057507	0.00000000	0.00000000
		James A. Davidson	0.03399960	0.12500000	0.10937500	0.00424995	0.00371871	0.00424995	0.00371871
		Larry A. Hermyr	0.03399960	0.00781250	0.00683594	0.00026562	0.00023242	0.00000000	0.00000000
		James E. Burr	0.03399960	0.00390625	0.00341797	0.00013281	0.00011621	0.00013281	0.00011621
		Jack Fletcher	0.03399960	0.00390625	0.00341797	0.00013281	0.00011621	0.00013281	0.00011621
		Ruth Sutton	0.03399960	0.00390625	0.00341797	0.00013281	0.00011621	0.00013281	0.00011621
				0.50000000	0.43750000	0.01699980	0.01467483	0.00464838	0.00406734

Myers Langille Mattix Unit Ownership
Oil Only
Lea County, New Mexico

Tract	Description	Owner	Tract Factor	GW	HVI	Unit Gross	Unit Net	To HOP 5-1-89 GVI	To HOP 5-1-89 HVI
*29	NW/4, Sec 8 T24S, R37E to 3700'	Doyle Hartman	0.01023370	0.10664063	0.08797852	0.00109133	0.00090035	0.00000000	0.00000000
		James A. Davidson	0.01023370	0.03750000	0.03093750	0.00038376	0.00031661	0.00038376	0.00031661
		Larry A. Hermyr	0.01023370	0.00234375	0.00193359	0.00002399	0.00001979	0.00000000	0.00000000
		James E. Burr	0.01023370	0.00117188	0.00096680	0.00001199	0.00000989	0.00001199	0.00000989
		Jack Fletcher	0.01023370	0.00117187	0.00096680	0.00001199	0.00000989	0.00001199	0.00000989
		Ruth Sutton	0.01023370	0.00117187	0.00096679	0.00001199	0.00000989	0.00001199	0.00000989
			0.15000000	0.12375000	0.00153505	0.00126642	0.00041973	0.00034628	
**29	NW/4, Sec 8 T24S, R37E to 3700'	Doyle Hartman	0.01023370	0.20000000	0.16500000	0.00204674	0.00168856	0.00000000	0.00000000
				0.20000000	0.16500000	0.00204674	0.00168856	0.00000000	0.00000000
72	NE/4, Sec 8 T24S, R37E above 4000'	Doyle Hartman	0.01854230	0.35546075	0.29159549	0.00659121	0.00540605	0.00000000	0.00000000
		James A. Davidson	0.01854230	0.12500000	0.10253907	0.00231779	0.00190131	0.00231779	0.00190131
		Larry A. Hermyr	0.01854230	0.00781250	0.00840869	0.00014406	0.00011803	0.00000000	0.00000000
		James E. Burr	0.01854230	0.00390625	0.00320435	0.00007243	0.00005942	0.00007243	0.00005942
		Jack Fletcher	0.01854230	0.00390625	0.00320435	0.00007243	0.00005942	0.00007243	0.00005942
		Ruth Sutton	0.01854230	0.00390625	0.00320435	0.00007243	0.00005941	0.00007243	0.00005941
			0.50000000	0.41015630	0.00927115	0.00760524	0.00253508	0.00207956	

* Sun-Interest

** Bundy Interest

NOTE: Effective 4-8-88 Hartman acquired a .00118 RI in Tract 63 of Unit, above figures reflect HVI only.

BOOK 434 PAGE 730

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land above 3,800 feet owned by Assignor is .303223.

TRACT 9 - CLIFT LEASE

PENROSE "B"

All interest in and to the following described oil and gas leases:

TRACT 17
TRACT 18

- (a) Oil and gas lease, dated July 6, 1936, from J. J. Van Zandt, et ux, to Repollo Oil Company, recorded in Book 31, Page 106.
- (b) Oil and gas lease, dated July 22, 1936, from C. B. Woolworth to Repollo Oil Company, recorded in Book 31, Page 157.
- (c) Oil and gas lease, dated July 24, 1936, from Peerless Oil and Gas Company to Repollo Oil Company, recorded in Book 31, Page 162.
- (d) Oil and gas lease, dated July 28, 1936, from Clinton Harrison to Repollo Oil Company, recorded in Book 31, Page 167.
- (e) Oil and gas lease, dated July 28, 1936, from William D. Harrison, et ux, to Repollo Oil Company, recorded in Book 31, Page 165.
- (f) Oil and gas lease, dated November 23, 1936, from Ralph W. Leftwich, et al, to Repollo Oil Company, recorded in Book 31, Page 519.
- (g) Oil and gas lease, dated July 1, 1946, from Amerada Petroleum Corporation to Uscon Drilling Company, recorded in Book 61, Page 636.
- (h) Oil and gas lease, dated October 28, 1947, from Amerada Petroleum Corporation to Uscon Drilling Company, recorded in Book 65, Page 399.

insofar as said leases cover the following described land:

South Half (S/2) of Section 8, Township 23 South, Range 37 East, Lea County, New Mexico,

and insofar and only insofar as said leases as to the SW/4 SE/4 and NE/4 SE/4 of said Section 8, cover all interest in the oil, gas and other minerals down to the depth of 3,700 feet and an undivided 3/4ths interest in the oil, gas and other minerals from 3,700 feet to the depth of 4,000 feet, subject to overriding royalty interests totaling 37/1024ths of all oil, gas and other minerals produced; and as to the NW/4 SE/4 and SE/4 SE/4 and SW/4 of said Section 8, cover an undivided 3/4ths interest in the oil, gas and other minerals down to the depth of 4,000 feet, subject to an overriding royalty interest of 3/128ths of 7/8ths of all the oil, gas and other minerals produced; subject to the following:

- (1) That certain agreement dated January 3, 1946, between Repollo Oil Company and R. Olsen, as modified by agreement dated May 27, 1946, and agreement dated July 16, 1946, and agreement dated November 21, 1947, all by and between the same parties.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land above 3,700 feet owned by Assignor is as follows:

.838867 as to the SW/4 SE/4 and NE/4 SE/4 of said Section 8.
.6357421 as to the NW/4 SE/4 and SE/4 SE/4 and SW/4 of said Section 8.

TRACT 10 - CONE LEASE

All interest in and to the following described leases:

Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, as parties of the first part, and Stanolind Oil and Gas Company, as party of the second part, wherein there is reserved to Stanolind Oil and Gas Company an oil payment of \$500,000.00 payable from an undivided 1/16th of the production.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land owned by Assignor is .7375, but subject to 5% net profits reservation.

TRACT 43 - COURTLAND MEYERS LEASE

MLMU

All operating rights under the

TRACT 26

Southwest Quarter (SW/4) of Section 5 and the Southeast Quarter (SE/4) of Section 6, Township 24 South, Range 37 East, Lea County, New Mexico,

said operating rights being created under and by virtue of that certain Operating Agreement dated February 24, 1927, between Courtland Meyers and Paul McCune, insofar as said Operating Agreement relates to the following described lease:

Oil and Gas Lease dated July 1, 1957, issued in exchange for a "b" lease, issued by the Secretary of the Interior of the United States to Anne Hughes Meyers and Firm Royalties, Inc., said lease bearing Serial No. New Mexico 037667, formerly a part of Serial No. Las Cruces 032450(b).

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land owned by Assignor is .875.

TRACT 44 - MORRIS LEASE

An undivided one-half (1/2) interest in and to the following described oil and gas lease:

Oil and Gas Lease dated July 29, 1937, being a "b" lease bearing Serial No. Las Cruces 032510(b) issued to R. Olsen Oil Company and Anderson-Prichard Oil Corporation,

insofar as said lease covers the following described land:

Southwest Quarter (SW/4) of Section 27, Township 26 South, Range 37 East, Lea County, New Mexico,

subject to the following:

- (1) Contract dated July 16, 1936, between Stanolind Oil and Gas Company, as grantor, and Uscon Oil Company and Anderson-Prichard Oil Corporation, as grantees, which provides, among other things, for the payment to Stanolind Oil and Gas Company of \$500,000.00 payable in installments equal to the gross proceeds of the sale, disposal or utilization of 1/16th of the oil, casinghead gas and other hydrocarbon substances produced from the above described land and other lands, as amended by contract dated November 16, 1938 between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, as parties of the first part, and Stanolind Oil and Gas Company, as party of the second part.
- (2) An overriding royalty interest of 1/64th of the total production of oil, gas and other minerals in favor of A. K. Barnes.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land owned by Assignor is .3984375.

BOOK 434 PAGE 788

- c) Gas Purchase Agreement dated August 13, 1951, between El Paso Natural Gas Company, as Buyer, and Olsen-Blount Drilling Co., as Seller,
- d) Casinghead Gas Contract dated February 19, 1952, between Olsen-Blount Drilling Co., as Seller, and El Paso Natural Gas Company, as Buyer.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above-described land owned by assignor is .77343750.

TRACT 7 - HODGE LEASE

(1) Oil and gas lease dated September 14, 1948, by and between Jennie L. Hodges and husband, O. M. Hodges, as Lessors, and Cities Service Oil Company, as Lessee, said lease being recorded in Book 73, Page 428 of the records of Lea County, New Mexico, this interest being subject, however, to the terms and obligations set out in that certain Assignment and Conveyance of Oil and Gas Lease dated October 27, 1950, and recorded in Book 91, Page 199 of the Lea County records, wherein there was reserved unto Cities Service Oil Company an overriding royalty of one-sixteenth of seven-eighths (1/16 of 7/8) when the wells average 25 barrels of oil or less per well per day, three-thirty-seconds of seven-eighths (3/32 of 7/8) when the wells average more than 25 barrels but not more than 40 barrels per well per day, one-eighth of seven-eighths (1/8 of 7/8) when the wells average more than 40 barrels of oil per well per day, and one-eighth of seven-eighths (1/8 of 7/8) of all gas produced, and wherein the interest assigned was limited to a depth of 4000 feet below the surface;

(2) Oil and gas lease dated October 23, 1950, by and between The Atlantic Refining Company, a corporation, Lessor, and R. Olsen, Lessee, said lease being recorded in Book 89, Page 340 of the records of Lea County, New Mexico, lessor reserving a royalty of twenty-three one hundred twenty-eighths (23/128) when the average production per well per day is not over 25 barrels, fifty-three two hundred fifty-sixths (53/256) when the average production per well per day is over 25 barrels but not over 40 barrels, fifteen-sixty-fourths (15/64) when the average production per well per day is over 40 barrels, and fifteen-sixty-fourths (15/64) of all gas, instead of the regular 1/8 royalty, said oil and gas lease being limited to a depth of 4000 feet below the surface;

said oil and gas leases together covering the following described land, down to a depth of 4000 feet below the surface:

Northeast Quarter (NE/4) of Section 8, Township 24 South, Range 37 East, Lea County, New Mexico;

the leasehold estates created by above oil and gas leases being further subject to the following agreements, to wit:

- a) Letter Agreement dated March 10, 1954, between Olsen-Blount Oil Co. and El Paso Natural Gas Company,
- b) Gas Purchase Agreement dated October 6, 1951, as amended, between Olsen-Blount Oil Co., as Seller, and El Paso Natural Gas Company, as Purchaser,
- c) Casinghead Gas Contract dated September 13, 1951, as amended, between Olsen-Blount Oil Co., as Seller, and El Paso Natural Gas Company, as Buyer,
- d) Letter Agreement dated December 15, 1954, between El Paso Natural Gas Company and R. Olsen,
- e) Letter Agreement dated October 5, 1954, between R. Olsen and El Paso Natural Gas Company,
- f) Casinghead Gas Contract dated March 19, 1951, between R. Olsen, as Seller, and El Paso Natural Gas Company, as Buyer, as amended.

The fractional share of the gross oil, gas and other hydrocarbons produced from said land above 4000 feet owned by assignor is .765625.

NLMU

TRACT 72

BOOK 434 PAGE 811

- n) Agreement dated October 4, 1957, by and between El Paso Natural Gas Company and R. Olsen,
- o) Bill of Sale dated August 14, 1958 from Jal Oil Company, Inc. and R. Olsen to El Paso Natural Gas Company,
- p) Letter Agreement dated August 4, 1958 between El Paso Natural Gas Company and Jal Oil Company, Inc. and R. Olsen,
- q) Operating Agreement dated November 19, 1958 between El Paso Natural Gas Company, as operator, and Western Petroleum Company, Jal Oil Company, Inc., et al, as non-operators, covering the NW/4 Section 9 and SE/4 SW/4 Section 4-25S-37E,
- r) Communitization Agreement dated November 20, 1958 between El Paso Natural Gas Company, Western Petroleum Company, et al, creating a gas unit covering the NW/4 Section 9-25S-37E and SE/4 SW/4 Section 4-25S-37E;

together with all rights and/or obligations of that certain Agreement dated July 15, 1955, between Anderson-Prichard Oil Corporation and R. Olsen as to the undrilled, unearned acreage described as the

Northeast Quarter of the Southwest Quarter (NE/4 SW/4)
and the Southeast Quarter of the Southwest Quarter
(SE/4 SW/4) of Section 4-25S-37E, Lea County, New Mexico.

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the above described land above 4000 feet, not communitized, owned by Assignor is .53625.

TRACT 24 - JACK LEASE

An undivided one-fifth (1/5) interest in and to the rights of Permittee under and by virtue of that certain Permit dated July 14, 1927, issued by the Secretary of the Interior of the United States to E. E. Jack, said Permit bearing Las Cruces Serial No. 032326(b) insofar as said Permit covers the

Northwest Quarter (NW/4) of Section 8, Township 24 South, Range 37 East, Lea County, New Mexico, to a depth of 3700 feet below the surface of the soil;

being the same undivided one-fifth (1/5) interest in and to the operating rights under the above described land which were assigned to R. Olsen under and by virtue of that certain Partial Assignment dated December 15, 1954, by and between Howard Hogan and wife, Helen Hogan, Assignors, and R. Olsen, as Assignee, relating to that certain

Oil and gas mining lease dated December 1, 1957, issued by the United States of America to Abner M. Jack, et al, said lease bearing Las Cruces Serial No. 032326(b);

subject to the aforementioned instruments and the following reservations and/or agreements, to-wit:

- a) Drilling and Operating Agreement dated November 1, 1927, by and between E. E. Jack, Owner of Permit, and Marland Oil Company of Colorado, and the proportionate part of the 2½% overriding royalty reserved therein,
- b) Contract for Development dated December 10, 1949, by and between Continental Oil Company, Standard Oil Company of Texas, The Atlantic Refining Company, and Stanolind Oil and Gas Company, First Parties, and J. T. Paddleford, Second Party, and the proportionate part of the 2½% overriding royalty reserved therein,

MLMU

TRACT 29

- c) Gas Purchase Agreement dated September 5, 1951, as amended, by and between El Paso Natural Gas Company, as Buyer, and Howard Hogan, Herbert J. Schmitz, Harold S. Russell, Charles T. Scott and P. D. Lortscher, as Sellers,
- d) Casinghead Gas Contract dated October 11, 1951, by and between Howard Hogan, Harold S. Russell, Charles T. Scott, Herbert J. Schmitz and P. D. Lortscher, as Sellers, and El Paso Natural Gas Company, as Buyer, as amended,
- e) Operating Agreement dated January 16, 1951, between Howard Hogan, as Operator, and Charles T. Scott, Harold S. Russell, Herbert J. Schmitz, and P. D. Lortscher, as Non-Operators, as modified by Modification of Operating Agreement dated December 15, 1954, between R. Olsen, as Operator, and the Non-Operators herein named,
- f) Agreement dated October 4, 1957, by and between El Paso Natural Gas Company and R. Olsen.

The fractional share of the gross oil, dry gas, casinghead gas and other liquid hydrocarbons produced from the above described land above 3700 feet owned by Assignor is .165.

TRACT 25 - COVINGTON FEDERAL

Oil and Gas Lease dated December 1, 1951, issued by the United States of America to Gustave Ring, said lease bearing New Mexico Serial No. 06470, and covering the following described land:

Lots 3 and 4, and the Northeast Quarter of the Southwest Quarter (NE/4 SW/4) of Section 31, Township 25 South, Range 37 East, Lea County, New Mexico;

subject to the following reservations and/or agreements, to-wit:

- a) Operating Agreement dated December 1, 1951, between Gustave Ring and Geo. S. Cohen,
- b) Assignment of Oil and Gas Lease dated February 17, 1956, from Jerry Covington and wife to the Olson Oils, Inc., and an overriding royalty interest reserved therein payable to Jerry Covington of 1/16 of 7/8 below the depth of 3150 feet below the surface of the soil,
- c) Casinghead Gas Contract dated May 15, 1952, as amended, between Gustave Ring and Geo. S. Cohen, as Sellers, and El Paso Natural Gas Company, as Buyer,
- d) Gas Purchase Agreement dated July 12, 1954, as amended, between Max George Schulze, as Seller, and El Paso Natural Gas Company, as Buyer.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land above 3150 feet owned by Assignor is .875.

TRACT 26 - SAND HILLS UNIT

(1) Oil and gas lease dated July 1, 1950, issued by the United States of America to Bertrand O. Baetz, said lease bearing Las Cruces Serial No. 061142, insofar and only insofar as said oil and gas lease covers the following:

An undivided one-sixteenth (1/16) interest in and to the West Half (W/2) of Section 29, an undivided one-thirty-second (1/32) interest in and to the West Half (W/2) of Section 21 and an undivided one-sixty-fourth (1/64) interest in and to the South Half of the Northwest Quarter (S/2 NW/4) and South-East Quarter of the Northeast Quarter (SE/4 NE/4) and South Half (S/2) of Section 17, all in Township 26 South, Range 36 East, Lea County, New Mexico.

(Jal-O Properties)

BOOK 434 PAGE 718

35845

ASSIGNMENT AND CONVEYANCE

DATED 9-3-84
EFFECTIVE 9-1-84

This Assignment and Conveyance dated September 13, 1984, by and between The Prudential Insurance Company of America, a New Jersey Corporation, Prudential Plaza, Newark, New Jersey 07101 (hereinafter called "Prudential"), and Doyle Hartman, 500 North Main, Post Office Box 10426, Midland, Texas 79702 (hereinafter called "Hartman")

WITNESSETH:

WHEREAS, by that certain instrument entitled "Conveyance of Oil and Gas Properties and Agreement with respect thereto" dated January 20, 1961, (herein called the "Olsen-Texas Pacific Conveyance") from R. Olsen, Olsen Oils, Inc., a Delaware Corporation, and Jal Oil Company, Inc., a New Mexico Corporation, as Assignors, to Texas Pacific Coal and Oil Company, a Texas Corporation (hereinafter called "Texas Pacific"), as Assignee, said Assignors conveyed to Texas Pacific, among other things, the interests in the oil, gas and mineral leases, mineral, royalty, and overriding royalty interests described in the exhibits attached to said instrument (hereinafter referred to as the "subject interests"), a copy of such exhibits being attached hereto as Exhibit "C", and made a part hereof by reference, excepting therefrom and reserving to said Assignors four separate production payments (hereinafter and in said Olsen-Texas Pacific Conveyance called the "Paramount Production Payment", the "Secondary Production Payment", the "Tertiary Production Payment", and the "Quaternary Production Payment"; and

WHEREAS, by that certain instrument entitled "Conveyance of Paramount Production Payment" dated January 20, 1961, R. Olsen, Olsen Oils, Inc., and Jal Oil Company, Inc. assigned to Prudential the Paramount Production Payment created under the Olsen-Texas Pacific Conveyance; and

WHEREAS, the recording data with respect to said Olsen-Texas Pacific Conveyance and Paramount Production Payment Conveyance is set forth on Exhibit "A", attached hereto, and made a part hereof, and reference is hereby made to the Olsen-Texas Pacific Conveyance and the Conveyance of the Paramount Production Payment, as they appear of record, for a more complete description of said production payment, and the right, title, interest, estate, remedies, powers and privileges constituting and appertaining thereto and for all other purposes relating hereto; and

WHEREAS, by virtue of that certain instrument of conveyance dated November 1, 1963, as amended (hereinafter referred to as the "Texas Pacific-Seagram Conveyance"), by and between Texas Pacific and Joseph Seagram and Sons, Inc. consisting of Part I, being a conveyance from Texas Pacific to Seagram of the subject interests, wherein there was reserved and retained by Texas Pacific a production payment (therein referred to as the "Texas Pacific Production Payment"), and Part II, being a conveyance from Texas Pacific to Glanville Minerals Corporation of such Texas Pacific Production Payment, subject to the other production payments created in the Olsen-Texas Pacific Conveyance referred to above, all as more particularly set forth and described in the Texas Pacific-Seagrams Conveyance; and

WHEREAS, by that certain instrument entitled "Conveyance of Paramount Production Payment and Reservation of Reserved Production Payment and Conveyance of Net Profits Overriding Royalty" dated April 1, 1966 (hereinafter referred to as the "Prudential-Seagram Conveyance") by and between Prudential and Seagram, and wherein Prudential conveyed the Paramount Production Payment to Seagram, and Seagram conveyed to Prudential a Net Profits Overriding Royalty Interest covering the subject interest, all as more particularly set forth and described in said Prudential-Seagrams Conveyance; and

WHEREAS, the recording data with respect to the Texas Pacific-Seagram Conveyance, and the Prudential-Seagram Conveyance is set forth on Exhibit "B" attached hereto, and made a part hereof by reference; and

COVERS MLMU TRACTS

19, 20, 21, 22, 23, 24
25, 26, 29, AND 72

AND COVERS
NROSE SKELLY "B"
TRACTS 17 AND 18

WHEREAS, Prudential desires to transfer, and Hartman desires to acquire the Net Profits Overriding Royalty Interest created in the Prudential-Seagram Conveyance, subject to the terms, covenants, exceptions, and conditions herein contained;

NOW THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and valuable consideration to it in hand paid by Hartman, the receipt and sufficiency of which are hereby acknowledged, Prudential, by these presents does hereby bargain, sell, transfer, convey and assign to Hartman, his heirs, personal representatives, successors and assigns, said Net Profits Overriding Royalty Interest, including, without limitation, all of the right, title and interest of any kind vested in Prudential in the Net Profits Overriding Royalty Interest, by, or which Prudential now has, or may become entitled to under, or by virtue of the above described Agreements, together with all oil, gas and other minerals which are produced, which have accrued, or shall accrue to said Net Profits Overriding Royalty Interest, subsequent to the effective date hereof, and the proceeds thereof. It is further the intent of Prudential and Hartman that Prudential is conveying herein any and all interests it may have in the Net Profits Overriding Royalty Interest insofar as the same covers the leases and oil and gas interests described on Exhibit "C" attached hereto, whether or not all of the lands covered by said leases and oil and gas interests are specifically described on Exhibit "C". PROVIDED, HOWEVER, THERE IS EXPRESSLY EXCEPTED AND EXCLUDED from this Assignment and Conveyance Tract No. 54 shown on Page 39 of Exhibit "C" designated as the "Winningham Lease", and Tract No. 5 shown on Page 51 of Exhibit "C" designated as the "Walton Lease", insofar as it covers the NW/4 Section 10, Block 26, PSL Survey, Winkler County, Texas, and Prudential specifically excepts and reserves all right, title and interest it may own therein.

TO HAVE AND TO HOLD said Net Profits Overriding Royalty Interest covering the subject interests, together with said rights, titles, powers, interests and other matters, unto Hartman, his heirs, personal representatives, successors and assigns, forever, subject only to the terms, conditions, reservations, exceptions and exclusions which are set forth herein.

Other Provisions

A. Subject to the further terms and provisions hereof, it is hereby expressly agreed and understood that it is the intent of the parties that Prudential herein conveys, and Hartman herein acquires and accepts, without limitation, all powers, privileges, expressed and/or implied warranties, causes of action, choses in action, rights and privileges attributable to actions of State and Federal administrative agencies and other rights which have now accrued, or may at some time in the future accrue to Prudential, or any of its predecessors in title, by virtue of all of the above described conveyances and agreements. It is further agreed that Hartman may litigate or cause to be litigated any cause of action now accrued, or at some time in the future accruing to Hartman which arises out of, results from, or relates to facts, circumstances, or transactions which have occurred prior to, or occur subsequent to the effective date hereof, irrespective of whether the parties have knowledge of such prior facts, circumstances, or transactions as of the effective date. Provided, however, that to the extent Prudential is, or may be a party to any proceeding or suit arising out of, resulting from, or relating to its ownership of the interests conveyed hereby, Prudential shall have the right to participate therein with counsel of its own selection, provided, however, neither party may settle such claim or proceeding except upon the mutual agreement of the parties that such settlement shall not jeopardize or compromise the rights of the non-settling party.

B. Prudential and Hartman specifically hereby covenant and agree that the terms of this instrument of conveyance shall be subject to all of the terms, covenants and conditions of the Prudential-Seagrams Conveyance, insofar as it covers and affects the rights and relationships of Prudential and Hartman herein, and the terms and conditions of such Conveyance are incorporated herein by reference.

BOOK 434 PAGE 720

C. Prudential covenants and warrants that it has the legal right and authority to grant, bargain, sell, convey, assign, transfer, set over and deliver said Net Profits Overriding Royalty Interest, and all of the rights, titles, interests, estates, remedies, powers and privileges appurtenant or incident thereto. This conveyance is executed without warranty of any kind, except that Prudential hereby binds itself and its successors and assigns to warrant and forever defend said Net Profits Overriding Royalty Interest and all of the rights, titles, interests, estates, remedies, powers and privileges appurtenant or incident thereto onto its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof by, through or under Prudential, but not otherwise, subject to the provisions hereof. PROVIDED, however, Hartman shall be fully subrogated to the rights of Prudential under any covenants or warranties of title made by Prudential's predecessors in title, to the extent transferrable. PROVIDED, further, however, this limited or special warranty is in all respects subject to (1) those tracts specifically excepted above from this Assignment and Conveyance; (2) any actions taken with respect to the subject interests by the owner(s) thereof in the ordinary course of business with the acquiescence and/or consent of Prudential, which occurred more than six (6) months prior to the effective date hereof; (3) those agreements, contracts, instruments, overriding royalties, production payments, and other matters specifically set out in Exhibit "C" as burdening the subject interests, and any amendments thereto (provided, however, that any referenced such agreements or other instruments shall not be deemed to constitute recognition by the parties that any such agreement or other instrument is valid, except to the extent that the agreement or other instrument is presently in force or effect), and (4) any valid and subsisting instrument of record affecting the subject interests.

D. References in certain of the descriptions contained in Exhibit "C" to the fractional gross production to which any party is entitled to receive, net revenue interest (or words of similar import), the fractional expenses to which any party is to pay for, a working interest (or words of similar import), are not to be construed as a representation or warranty of any kind or character, and shall not enlarge or diminish in any manner the interest conveyed hereby.

E. Prudential agrees to hold Hartman harmless from, and to indemnify him for, any amounts which he may be required to refund to any third party resulting from the collection of any wellhead price for natural gas, or crude oil produced from the subject interests, prior to the effective date of this conveyance, which is in violation of any Federal or State natural gas wellhead or crude oil pricing statutes or regulations now in effect, or which may have been effective in the past.

F. Prudential and Hartman agree to execute and deliver all additional instruments as may be necessary or appropriate to fully effectuate the terms and conditions hereof, including but not limited to such other and additional instruments as may be necessary to correct or more fully describe and identify the properties and interests herein intended to be conveyed, or such instruments as may be required by the appropriate governmental agencies having jurisdiction over such State and Federal lands as are covered by the subject interests.

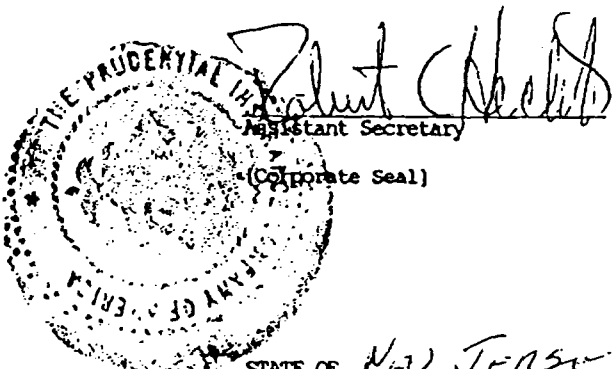
G. Any and all notices, requests, demands, reports or other instruments at any time required or permitted to be given or furnished under the terms of this agreement shall be deemed sufficiently given or furnished or served if in writing, and delivered to such party or any officer thereof or deposited in the United States mail in a sealed envelope, registered or certified, with sufficient postage prepaid, addressed to such party at its address stated above, or such other address as the party to be addressed shall have designated by written notice.

H. The terms, covenants and conditions contained herein shall be deemed to be covenants running with the lands covered by the subject interest, and all such provisions herein shall inure to the benefit of and be binding upon the respective successors and assigns of Prudential and Hartman, and all references herein to Prudential or Hartman shall include their respective heirs, personal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed on the date first above written but effective at the respective locations of the subject interests as of 12:01 a.m. September 1, 1984, in several counterparts (one of which with all the property descriptions included in Exhibit "C" is on file at the office of Prudential, one of which with all of said property descriptions is on file at the office of Hartman and one of which with all of said property descriptions is to be recorded in Lea County, New Mexico), each of which counterparts is an original and all of which are identical, except that, to facilitate recordation or filing in counties other than Lea County, New Mexico, there are omitted from certain counterparts those property descriptions in Exhibit "C" which contain specific descriptions of property located in recording or filing jurisdictions other than the jurisdiction in which the particular counterpart is to be recorded. Each of the counterparts hereof so executed shall for all purposes be deemed to be an original, and all of such counterparts shall together constitute but one and the same instrument.

BOOK 434 PAGE 721

ATTEST:

THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

Robert J. McNamee
Assistant Secretary
(Corporate Seal)

By Matthew J. Chanin
Vice President

Doyle Hartman
DOYLE HARTMAN

STATE OF NEW JERSEY §
COUNTY OF ESSEX §

BE IT REMEMBERED THAT, I, Robert J. McNamee, a Notary Public duly qualified, commissioned, sworn and acting in and for the State and County aforesaid and residing in such State and County, and being authorized in such State and County to take acknowledgements, hereby certify that on SEPT 13 1984:

There personally appeared before me each of the following persons, each being the designated officer of the corporation specified opposite his name and each known to me to be such officer, each such corporation being a party to the foregoing instrument:

Matthew J. Chanin, Vice President, and
Robert J. McNamee, Assistant Secretary of
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey Corporation;

NEW MEXICO The foregoing instrument was acknowledged before me this date by each such person, the designated officer of the corporation specified opposite his name, on behalf of such corporation.

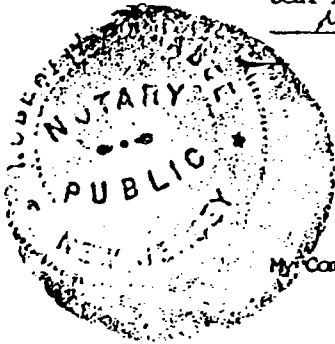
OKLAHOMA Before me personally appeared each such person, to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as the designated officer of the corporation specified opposite his name, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

TEXAS Before me this day personally appeared each such person, personally known to me to be the person whose name is subscribed to the foregoing instrument as the designated officer of the corporation specified opposite his name, and personally known to me to be such officer of such

BOOK 434 PAGE 722

corporation, and acknowledged to me that he executed such instrument in the capacity therein stated for the purposes and consideration therein expressed, for and on behalf of and as the act and deed of such corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official Seal in the City of NEW HAT, 2351 County, NEW JERSEY on the day and year first above written.



[Signature]
Notary Public, State of NEW JERSEY
My Commission Expires July 25, 1989
print name

My Commission Expires:

STATE OF Texas
COUNTY OF midland

S
S
S

BE IT REMEMBERED THAT, I, Michelle Hemmure, a Notary Public duly qualified, commissioned, sworn and acting in and for the State and County aforesaid and residing in such State and County, and being authorized in such State and County to take acknowledgements, hereby certify that on September 14, 1984:

There personally appeared before me the following person, and known to me to be such person, such person being a party to the foregoing instrument:

Doyle Hartman

NEW MEXICO The foregoing instrument was acknowledged before me this date by Doyle Hartman, on his own behalf.

OKLAHOMA Before me personally appeared Doyle Hartman, to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument, and acknowledged to me that he executed the same as his free and voluntary act and deed, for the uses and purposes therein set forth.

TEXAS Before me this day personally appeared Doyle Hartman, personally known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed such instrument in the capacity therein stated for the purposes and consideration therein expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and official Seal in the City of midland, midland County, State of Texas on the day and year first above written.

Michelle Hemmure
Notary Public, State of

print name

My Commission Expires:

MICHELLE HEMMURE, Notary Public
My Commission Expires October 25, 1985

Exhibit A

BOOK 434 PAGE 723

Attached to Assignment and Conveyance
dated September 13, 1984
by and between The Prudential
Insurance Company of America and
Doyle Hartman

Recording Schedule for Conveyance of Oil and Gas
Properties and Agreement with Respect Thereto
dated 1/20/61 from R. Olsen et al to Texas
Pacific Coal & Oil Company

State County/Parish	Volume	Page
New Mexico		
Lea.....	191.....	491
Texas		
Liberty.....	523.....	207
Clay.....	221.....	489
Ector.....	378.....	342
Winkler.....	172.....	282
Cochran.....	78.....	281
Oklahoma		
Okfuskee.....	419.....	465
Oklahoma.....	2576.....	110
Kay.....	261.....	257

Recording Schedule for Conveyance of
Paramount Production Payment
dated 1/20/61 from R. Olsen et al
to the Prudential Insurance Company of America

State County/Parish	Volume	Page
New Mexico		
Lea.....	169.....	274
Texas		
Liberty.....	523.....	199
Clay.....	222.....	22
Ector.....	378.....	309
Winkler.....	172.....	399
.....	172.....	451
Cochran.....	79.....	1
Oklahoma		
Okfuskee.....	.....	.....
Oklahoma.....	2576.....	240
Kay.....	.....	.....

Exhibit B

BOOK 434 PAGE 724

Attached to Assignment and Conveyance
dated September 13, 1984
by and between The Prudential
Insurance Company of America and
Doyle Hartman

Recording Schedule for Conveyance dated
11/1/63 from Texas Pacific Coal
and Oil Company to Joseph E. Seagram
& Sons, Inc.

<u>State</u> <u>County/Parish</u>	<u>Volume</u>	<u>Page</u>
New Mexico		
Lea.....	207.....	70

Recording Schedule for Conveyance of
Paramount Production Payment and
Reservation of Reserved Production
Payment and Conveyance of Net
Profits Overriding Royalty dated
4/1/66 by and between The Prudential
Insurance Company of America and Joseph
E. Seagram & Sons, Inc.

<u>State</u> <u>County/Parish</u>	<u>Volume</u>	<u>Page</u>
New Mexico		
Lea.....	260.....	778
Texas		
Liberty.....	.....	.....
Clay.....	.....	.....
Ector.....	520.....	17
Winkler.....	.....	.....
Cochran.....	107.....	436
Oklahoma		
Okfuskee.....	.....	.....
Oklahoma.....	.....	.....
Kay.....	.....	.....

BOOK 434 PAGE 725

Exhibit C

Attached to Assignment and Conveyance dated
September 13, 1984 by and
between The Prudential Insurance Company
of America and Doyle Hartman

The word "Assignor" as used in this Exhibit C means the owner of the working interest or operating rights under the oil and gas leases and operating agreements. Unless explicitly stated otherwise the recording references used herein are to the Public Records of the County and State where the tract described lies. All limitations of depth herein referred to are measured from the surface of the tract described. The fractional share of production allocated to each scheduled tract is the net fraction of the total oil, gas and other minerals to be produced from such tract which was owned by the Assignor immediately prior to execution of the Assignment to which this Exhibit is attached. In arriving at such net fraction in every instance involving a sliding scale royalty due the United States of America, the interest has been calculated on the basis of the minimum royalty provided by the lease.

* * * * *

A-2

NEW MEXICOTRACT 1 - BATES LEASE

All interest in and to the following described oil and gas leases:

- (a) Oil and gas lease, dated May 10, 1946, from Charles T. Bates, et al, to R. Olsen, recorded in Book 61, Page 290.
- (b) Oil and gas lease, dated August 2, 1946, from W. M. Beauchamp, as special guardian of James Ray Bates, a minor, to R. Olsen, recorded in Book 61, Page 485.
- (c) Oil and gas lease, dated June 9, 1947, from Catherine L. Dumracse, a widow, to Uscan Drilling Company, recorded in Book 65, Page 34,

insofar as said leases cover the following described land:

Southwest Quarter of the Southeast Quarter (SW/4 SE/4) of
Section 18, Township 24 South, Range 37 East, Lea County,
New Mexico,

subject to the following:

- (1) Over-riding royalty interest aggregating 53/672ths of 7/8ths
of the oil, gas and other minerals produced.

BOOK 434 PAGE 727

- (2) Communitization Agreement, dated October 7, 1957, recorded in Book 133 at Page 155 of the Miscellaneous Records, by and between R. Olsen Oil Company and the Southern California Petroleum Corporation, whereby the above described land was made a part of a unit consisting of the SE/4 of said Section 18, for the production of gas only.

The fractional share of the gross gas produced from the above described land owned by Assignor is .7536621 and, as unitized, is .18841552.

TRACT 4 - BLINEBRY "A" LEASE

All interest in and to oil and gas exchange lease dated April 1, 1959, issued by the United States of America to Olsen Oils, Inc., said lease bearing Serial No. Las Cruces 060825(a), insofar as said lease covers the following described land:

The North Half of the Southwest Quarter (N/2 SW/4) of Section 29, and the North Half (N/2) of Section 30, Township 23 South, Range 37 East, Lea County, New Mexico,

MLMU

TRACT 20, 21, 22

subject to the following:

- (1) Operating Agreement dated March 1, 1927, between Eva E. Blinebry and husband, A. H. Blinebry, as permittees, and Texas Production Co., as operator.
- (2) Agreement, dated October 31, 1938, between The Texas Company and R. Olsen, providing, among other things, for an overriding royalty interest in favor of The Texas Company of 1/8th of the oil when the daily average of production is more than 60 barrels during any calendar month; 3/32nds of the oil when the daily average of production is more than 40 barrels but not more than 60 barrels during any calendar month; 1/16th of the oil when the daily average of production is 40 barrels or less during any calendar month, and 1/8th of all gas produced, with respect to the N/2 SW/4 of said Section 29.
- (3) Agreement, dated December 11, 1939, between The Texas Company and R. Olsen, as amended by Agreement dated August 29, 1940, and by Modification Agreement dated February 3, 1941, and Agreement dated May 26, 1941, providing, among other things, for an overriding royalty interest in favor of The Texas Company of 1/8th of the oil and casinghead gas produced, and 1/16th of the dry gas produced, with respect to the N/2 of said Section 30.
- (4) Agreement, dated August 14, 1940, between El Paso Natural Gas Company and R. Olsen, as modified by Agreement dated February 1, 1943, between Uscan Drilling Company and El Paso Natural Gas Company, which provides, among other things, that El Paso Natural Gas Company may purchase and thereafter own and operate, wells capable of producing dry gas only, said Agreements covering the N/2 of said Section 30.
- (5) Pooling Agreement, dated May 17, 1954, between R. Olsen Oil Company and Anderson-Prichard Oil Corporation, with respect to gas as to the entire SW/4 of said Section 29.
- (6) Permittee's overriding royalty of 7½% of production to Eva E. Blinebry and A. H. Blinebry, her husband, and assigns.

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the above described land owned by Assignor is .675. The fractional share of the gross gas produced from the N/2 SW/4 of said Section 29, as pooled, owned by Assignor is .50625.

BOOK 434 PAGE 728

TRACT 5 - BLINEBRY "B" LEASE

An undivided one-half (1/2) interest in and to

- (a) Oil and gas exchange lease, dated January 1, 1960, issued by the United States of America to Olsen Oils, Inc. and Western Natural Gas Company, said lease bearing Serial No. Las Cruces 065722, insofar as said lease covers

The South Half of the Southwest Quarter (S/2 SW/4) of Section 34, Township 23 South, Range 37 East, Lea County, New Mexico,

MLMU

TRACT 25

and all interest in and to

- (a) Oil and gas exchange lease dated January 1, 1960, issued by the United States of America to Olsen Oils, Inc., said lease bearing Serial No. Las Cruces 060825(b), insofar as said lease covers

The North Half of the Southwest Quarter (N/2 SW/4) and the Northwest Quarter (NW/4) of Section 34, Township 23 South, Range 37 East, Lea County, New Mexico,

MLMU

TRACT 23

TRACT 24

subject to the following:

- (1) Operating Agreement dated March 1, 1927, between Eva E. Blinebry and husband, A. H. Blinebry, as permittees, and Texas Production Co., as operator.
- (2) Agreement, dated December 11, 1939, between The Texas Company and R. Olsen, as amended by Agreement dated August 29, 1940, and by Modification Agreement dated February 3, 1941, and Agreement dated May 26, 1941, providing, among other things, for an overriding royalty interest in favor of The Texas Company of 1/8th on oil and casinghead gas and 1/8th on dry gas.
- (3) Agreement dated December 7, 1940, between El Paso Natural Gas Company and R. Olsen, as modified by Agreement dated February 1, 1943, between Uscon Drilling Company and El Paso Natural Gas Company, which provides, among other things, that El Paso Natural Gas Company may purchase, and thereafter own and operate, wells capable of producing dry gas only.

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the S/2 SW/4 of said Section 34, owned by Assignor is .375, and the fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the N/2 SW/4 and NW/4 of said Section 34 is .75.

TRACT 6 - EVA BLINEBRY LEASE

An undivided one-half (1/2) interest in and to oil and gas exchange lease dated April 1, 1959, issued by the United States of America to Olsen Oils, Inc. and Anderson-Prichard Oil Corporation, said lease bearing Serial No. Las Cruces 060824, insofar as said oil and gas lease covers the following described land:

The South Half of the Southwest Quarter (S/2 SW/4) of Section 29, Township 23 South, Range 37 East, Lea County, New Mexico,

MLMU

TRACT 19

subject to the following:

- (1) Operating Agreement dated March 1, 1927, between Eva E. Blinebry and husband, A. H. Blinebry, as permittees, and Texas Production Co., as operator.
- (2) Agreement dated October 31, 1938, between The Texas Company and R. Olsen, providing, among other things, for an overriding

BOOK 434 PAGE 729

royalty interest in favor of The Texas Company of 1/8th of the oil when a daily average of production is more than 60 barrels during any calendar month; 3/32nds of the oil when the daily average production is more than 40 barrels but not more than 60 barrels during any calendar month; 1/16th of the oil when the daily average of production is 40 barrels or less during any calendar month and 1/8th of all gas produced.

- (3) 7½% permittee's overriding royalty to Eva E. Blinebry and A. R. Blinebry, her husband and assigns.
- (4) Pooling Agreement, dated May 17, 1954, between R. Olsen Oil Company and Anderson-Prichard Oil Corporation, with respect as to gas as to the entire SW/4 of said Section 29.

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the above described land owned by Assignor is .3375.

TRACT 7 - BOYD LEASE

All interest in and to oil and gas lease, dated May 30, 1926, from Mary J. Boyd, et al, to Chas. T. Bates, recorded in Book 4, Page 265, insofar as said lease covers the following described land:

The East 160 acres of the North Half (N/2) of Section 23, Township 22 South, Range 37 East, Lea County, New Mexico,

down to the depth of 6,600 feet, subject to the following:

- (1) An overriding royalty interest of 1/8th of 7/8ths of the oil, gas and other minerals produced.
- (2) Agreement dated November 1, 1945, by and between Repollo Oil Company and R. Olsen.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land owned by Assignor is .765625.

TRACT 8 - CALLEY LEASE

All interest in and to the following described oil and gas leases:

- (a) Oil and gas lease dated August 31, 1948, from Peerless Oil and Gas Company to R. Olsen Oil Company, recorded in Book 72, Page 502.
- (b) Oil and gas lease dated June 29, 1948, from L. J. Calley, et ux, to R. Olsen Oil Company, recorded in Book 70, Page 129,

insofar as said leases cover the following described land:

East Half of the Northeast Quarter (E/2 NE/4) of Section 7, Township 25 South, Range 37 East, Lea County, New Mexico,

and insofar and only insofar as said leases cover an undivided 3/8ths interest in the oil, gas and other minerals to a depth of 50 feet below total depth of the first well drilled or to 3800 feet, whichever is the lesser depth, and being subject to excess royalty and overriding royalty interest totaling 51/2048ths of all oil, gas and other minerals produced; and covering an undivided 5/16ths interest in the oil, gas and other minerals from the above mentioned depth to a depth of 6,000 feet, and being subject to an overriding royalty interest totaling 35/2048ths of all the oil, gas and other minerals produced.

STIPULATION OF INTEREST

EFFECTIVE 2-2-86

THIS STIPULATION OF INTEREST (this "Stipulation") dated JANUARY 2, 1986, effective as of the Effective Time (as hereinafter defined), is by and between:

DOYLE HARTMAN and wife,
MARGARET M. HARTMAN
Post Office Box 10426
Midland, Texas 79702

JAMES A. DAVIDSON, a single man
Post Office Box 494
Midland, Texas 79702

JAMES E. BURK and wife
LAVETA F. BURK
2502 Emerson Drive
Midland, Texas 79705

JACK FLETCHER and wife
DELPHIA FLETCHER
Post Office Box 10887
Midland, Texas 79702

RUTH SUTTON, a single woman
2826 Moss
Midland, Texas 79705

LARRY A. NERMYR, a single man
2438 Whitmire Blvd.
Apartment 9-E
Midland, Texas 79705

JOHN H. HENDRIX CORPORATION
525 Midland Tower Building
Midland, Texas 79701

MICHAEL L. KLEIN, Individually and
as Attorney-in-Fact for
JEANNE KLEIN, his wife
5701 Woodway
Suite 312
Houston, Texas 77057

RONNIE H. WESTBROOK and wife,
KAREN A. WESTBROOK
2908 Haynes
Midland, Texas 79705

hereinafter referred to collectively as the "Parties";

W I T N E S S E T H:

WHEREAS, pursuant to that certain Instrument of Conveyance dated January 2, 1986, recorded as set forth on Exhibit "A" attached hereto and made a part hereof (hereinafter referred to as the "Sun-Hartman Conveyance") Sun Exploration and Production Company, on its own behalf and as Managing General Partner of Sun Operating Limited Partnership conveyed to Doyle Hartman, James A. Davidson, Michael L. Klein and John H. Hendrix Corporation all of its interest in the oil and gas leases and mineral, royalty and overriding royalty interests therein described (the "Subject Interests"); and

WHEREAS, John H. Hendrix Corporation and Michael L. Klein have transferred to Ronnie H. Westbrook a portion of their interest in the Subject Interests, and Doyle Hartman has

**COVERS MLMU TRACTS
19, 20, 21, 22, 23, 24,
25, 26, 29, AND 72**

**AND COVERS
PENROSE SKELLY "B"
TRACTS 17 AND 18**

(SEP 9 1986)

transferred to James E. Burr, Jack Fletcher, Ruth Sutton and Larry A. Nermyr portions of his interest in the Subject Interests; and

WHEREAS, the parties hereto desire to stipulate the ownership as between themselves of the Subject Interests so that the same may be reflected of record;

WHEREAS, the true current ownership of the Subject Interests is as set forth in Exhibit "B" attached hereto and made a part hereof, and the parties desire that the true current ownership of the Subject Interests be reflected of record; and

NOW, THEREFORE, in consideration of the premises, the Parties do hereby stipulate, declare and agree that the Subject Interests are owned as set forth on said Exhibit "B". In order to effectuate this stipulation, each of the Parties hereby conveys, transfers, and assigns to each of the other parties hereto, their respective heirs, personal representatives, successors, and assigns, such interests in the Subject Interests, as will vest in each of the Parties those interests shown on Exhibit "B".

TO HAVE AND TO HOLD said interests in and to the Subject Interests unto the Parties, their respective heirs, personal representatives, successors and assigns, forever, subject to the terms and conditions hereof.

This Assignment is made and accepted subject to the following provisions:

A. The respective interests in and to the Subject Interests to which each of the Parties is entitled are reflected on Exhibit "B" on a lease-by-lease basis, indicating the applicable percentage interest to which each of the Parties is entitled in and to the Subject Interests insofar as it pertains to certain oil and gas leases or operating rights therein, the lands covered by said leases and the depths underlying said lands, and the production therefrom or attributable thereto. Each of the Parties, respectively, shall own and be entitled to all rights and causes of action arising out of ownership of the Subject Interests in accordance with their respective interests in such leases, lands and depths which are reflected on Exhibit "B". The parties recognize that certain of the Subject Interests as described on Exhibit "B" may previously have expired or been released, or previously been conveyed in whole or in part. Further, certain of the Subject Interests may be subject to preferential right to purchase or consent to transfer provisions as show on Exhibit "B". This stipulation shall be effective as to any of such interests subsequently conveyed to Doyle Hartman et al by Sun Exploration and Production Company and Sun Operating Limited Partnership, in accordance with the stipulated ownership for such interests as shown on said Exhibit "B".

B. This Stipulation includes like interests in and to all of the rights, titles and interests of any kind appurtenant to the Subject Interests that were transferred pursuant to the Sun-Hartman Conveyance or that the Parties thereto now are or may become entitled to under or by virtue of the Sun-Hartman Conveyance or any instrument referred to therein, and all oil, gas and other minerals produced, saved and sold which are attributable to the Subject Interests and the proceeds thereof, and like interests in and to all properties, rights, powers, and choses in action which have accrued, or which may at some time in the future accrue to the Parties or any of their predecessors in title, under or by virtue of the Sun-Hartman Conveyance or any instrument referred to therein.

C. This Assignment shall be subject to all the terms and conditions of the Sun-Hartman Conveyance.

D. Each of the Parties covenant and warrant that they have the legal right and authority to convey, assign, transfer,

set over and deliver each to the other the appropriate interests in and to said Subject Interests set forth on Exhibit "B" and all of the rights, titles, interests, estates, remedies, powers and privileges appurtenant or incident thereto. This Stipulation is executed without warranty of title, express or implied, except that each of the Parties hereby bind themselves, and their heirs and personal representatives, to warrant and forever defend said Subject Interests and the rights, titles, interests, estates, remedies, powers and privileges appurtenant or incident thereto unto the other Parties, their heirs, personal representatives, successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or under themselves, but not otherwise.

E. References in certain of the descriptions contained in Exhibit "B" to the fractional gross production to which any party is entitled to receive, net revenue interest (or words of similar import), the fractional expenses to which any party is to pay for, a working interest (or words of similar import), are not to be construed as a representation or warranty of any kind or character, and shall not enlarge or diminish in any manner the interests conveyed hereby.

F. The Parties agree to execute and deliver all additional instruments as may be necessary or appropriate to effectuate fully the terms and conditions hereof, including but not limited to such other and additional instruments as may be necessary to correct or more fully describe and identify the properties and interests herein intended to be conveyed, or such instruments as may be required by the appropriate governmental agencies having jurisdiction over such State and Federal lands as may be affected by the Subject Interests.

G. Any and all notices, requests, demands, reports or other instruments at any time required or permitted to be given or furnished under the terms of this agreement or the Sun-Hartman Conveyance, shall be deemed sufficiently given or furnished or served if in writing, and delivered to such party or any officer thereof or deposited in the United States mail in a sealed envelope, registered or certified, with sufficient postage prepaid, addressed to such party at its address stated above, or such other address as the party to be addressed shall have designated by written notice.

H. The terms, covenants and conditions contained herein shall be deemed to be covenants running with the lands covered by the Subject Interests, and all such provisions herein shall inure to the benefit of and be binding upon the respective heirs, personal representatives, successors and assigns of the Parties.

I. This Stipulation of Interest affects certain Oil and Gas leases issued by the State of New Mexico, and as to such leases, shall be construed as a "Contract for Development" pursuant to §19-10-13 NMSA [1978] and not as an assignment of record title of such leases.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed on the 2nd day of January, 1986, and effective at the respective locations of the Subject Interests as of 12:01 a.m., January 2, 1986 (the "Effective Time"), in several counterparts (one of which with all the property descriptions included in Exhibit "B" is to be recorded in Lea County, New Mexico), each of which counterparts is an original and all of which are identical, except that, to facilitate recordation or filing in counties other than Lea County, New Mexico, there are omitted property descriptions in Exhibit "B" which contain specific descriptions of property located in recording or filing jurisdictions other than the jurisdiction in which the particular counterpart is to be recorded. Each of the counterparts hereof so executed shall for all purposes be deemed to be an original, and all of such counterparts shall together constitute but one and the same instrument.

Doyle Hartman

Doyle Hartman

Margaret M. Hartman
Margaret M. Hartman, his wifeJames A. Davidson

James A. Davidson, a single man

James E. Burr

James E. Burr

Laveta F. Burr

Laveta F. Burr, his wife

Jack Fletcher

Jack Fletcher

Delphia Fletcher

Delphia Fletcher, his wife

Ruth Sutton

Ruth Sutton, a single woman

Larry A. Nermyr

Larry A. Nermyr, a single man

Attest:

Kenneth H. Anderson
by: Kenneth H. Anderson

John H. Hendrix Corporation

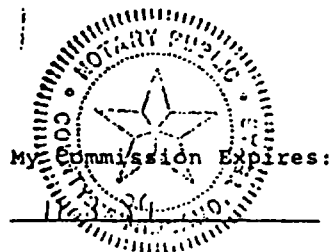
Michael L. Klein
by: PresidentMichael L. Klein
Michael L. Klein

Jeanne Klein

by: Michael L. Klein
Michael L. Klein, her husband
and Attorney-in-FactRonnie H. Westbrook
Ronnie H. WestbrookKaren A. Westbrook
Karen A. Westbrook, his wife

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me
this 8th day of January, 1986, by Doyle Hartman.
Witness my hand and official seal.

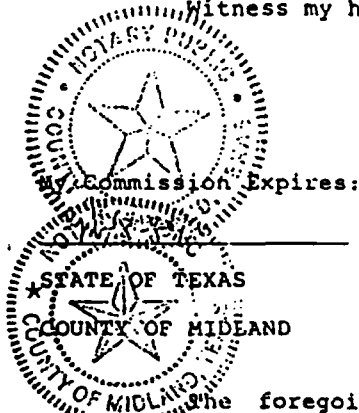


Michelle Hembree
NOTARY PUBLIC IN AND FOR
THE STATE OF T E X A S
Michelle Hembree

THE STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me
this 8th day of January, 1986, by Margaret
M. Hartman.

Witness my hand and official seal.



Michelle Hembree
NOTARY PUBLIC IN AND FOR
THE STATE OF T E X A S
Michelle Hembree

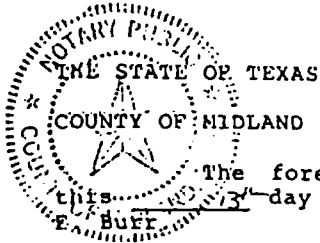
*STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me
this 13th day of January, 1986 by James E. Burr.

Witness my hand and official seal.

Michelle Hembree
NOTARY PUBLIC IN AND FOR
THE STATE OF T E X A S
Michelle Hembree

My Commission Expires:
11-8-89



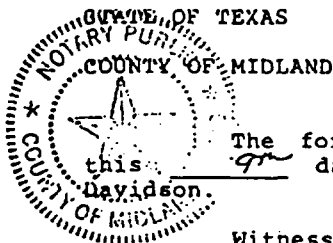
The foregoing instrument was acknowledged before me, this 13 day of January, 1986, by LaVeta

Witness my hand and official seal.

Michelle Hembree
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS
Michelle Hembree

My Commission Expires:

11-8-89



The foregoing instrument was acknowledged before me, this 9 day of January, 1986, by James A. Davidson.

Witness my hand and official seal.

Michelle Hembree
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS
Michelle Hembree

My Commission Expires:

11-8-89

THE STATE OF TEXAS §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me, this 14 day of January, 1986, by Jack Fletcher.

Witness my hand and official seal.

Michelle Hembree
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS
Michelle Hembree

My Commission Expires:

11-8-89

BOOK 467 PAGE 614

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me
this 14th day of January, 1986 by Delphia
Fletcher.

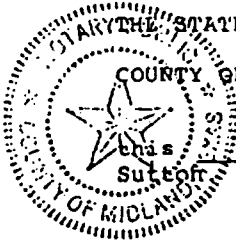


My Commission Expires:

11-8-89

Witness my hand and official seal.

Michelle Hembree
NOTARY PUBLIC IN AND FOR
THE STATE OF T E X A S
Michelle Hembree



STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

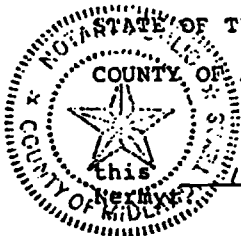
The foregoing instrument was acknowledged before me
this 13th day of January, 1986, by Ruth
Sutton

Witness my hand and official seal.

Michelle Hembree
NOTARY PUBLIC IN AND FOR
THE STATE OF T E X A S
Michelle Hembree

My Commission Expires:

11-8-89



STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me
this 13th day of January, 1986, by Larry A.
Nern

Witness my hand and official seal.

Michelle Hembree
NOTARY PUBLIC IN AND FOR
THE STATE OF T E X A S

Michelle Hembree

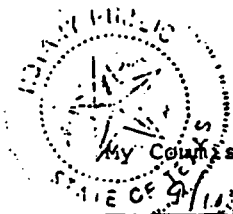
My Commission Expires:

11-8-89

THE STATE OF TEXAS §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this 13th day of January, 1986, by John H. Hendrix, President of John H. Hendrix Corporation, in the capacity therein stated.

Witness my hand and official seal.



Anita J. Henderson
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS
ANITA J. HENDERSON

My Commission Expires:

STATE OF TEXAS §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this 2nd day of January, 1986 by Michael L. Klein.

Witness my hand and official seal.



SUSAN HOBBS
Notary Public, State of Texas
My Commission Expires July 30, 1988

Susan Hobbs
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

My Commission Expires:

7/30/88

THE STATE OF TEXAS §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this 2nd day of January, 1986, by Michael L. Klein as Attorney-in-Fact for Jeanne Klein.

Witness my hand and official seal.



SUSAN HOBBS
Notary Public, State of Texas
My Commission Expires July 30, 1988

Susan Hobbs
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS

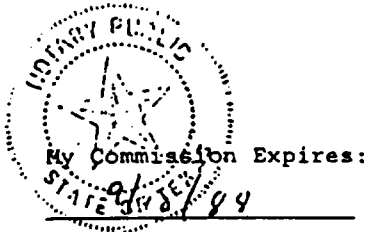
My Commission Expires:

7/30/88

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me
this 13th day of January, 1986, by Ronnie H.
Westbrook.

Witness my hand and official seal.

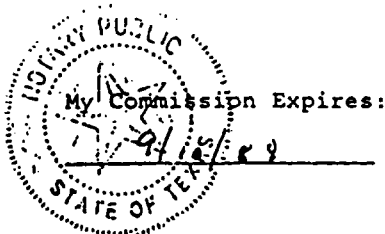


Anita J. Henderson
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS
ANITA J. HENDERSON

THE STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me
this 13th day of January, 1986, by Karen A.
Westbrook.

Witness my hand and official seal.



Anita J. Henderson
NOTARY PUBLIC IN AND FOR
THE STATE OF TEXAS
ANITA J. HENDERSON

Exhibit "A"

Attached to Stipulation of Interest
 Dated January 2, 1986
 By and Between Doyle Hartman and wife,
 Margaret M. Hartman, James A. Davidson et al

Recording Schedule for Instrument of Conveyance
 dated January 2, 1986 from Sun Exploration
 and Production Company, Inc. on its own
 Behalf and as Managing General
 Partner of Sun Operating Limited Partnership
 to Doyle Hartman, James A. Davidson,
 Michael L. Klein and
 John M. Hendrix Corporation

<u>State</u> <u>County/Parish</u>	<u>Volume</u>	<u>Page</u>
New Mexico		
Lea.....	394	606
Texas		
Liberty.....	1109	176
Clay.....	372	629
Ector.....	945	424
Winkler.....	354	899
Cochran.....	165	249
Oklahoma		
Okfuskee.....	720	879
Oklahoma.....	5443	0176
Kay.....	552	37

Exhibit "B"
to Stipulation of Interest
Effective January 2, 1986 from
Doyle Hartman to John H. Hendrix Corporation, et al.

The attached schedules set forth the ownership of the Subject Interests on a lease-by-lease basis, indicating the respective percentage interest to which the Parties are entitled in and to the Subject Interests insofar as it pertains to certain oil and gas leases or operating rights therein, the lands covered by said leases and the depths underlying said lands, and the production therefrom or attributable thereto. In each instance where the attached schedules indicate that ownership as to a particular oil and gas lease or lands covered thereby or depths thereunder is in:

- (a) the Hendrix Group, the specified percentage interest is allocated among and attributable to the following:

John H. Hendrix Corporation	49%
Michael L. Klein	49%
Ronnie H. Westbrook	2%

- (b) The Hartman Group; the specified percentage is allocated among and attributable to the following:

Doyle Hartman	71.093750%
James A. Davidson	25.000000%
Larry A. Nermyr	1.562500%
James E. Burr	0.781250%
Jack Fletcher	0.781250%
Ruth Sutton	0.781250%

* * * * *

Notes with regard to the attached schedules:

1. By way of example, the Subject Interest, insofar as it pertains to the oil and gas leases and lands described under the heading "Tract 1 - Bates Lease" on Schedule A-2, is owned in the following percentages:

Doyle Hartman	71.093750%
James A. Davidson	25.000000%
Larry A. Nermyr	1.562500%
James E. Burr	0.781250%
Jack Fletcher	0.781250%
Ruth Sutton	0.781250%

and the Subject Interest, insofar as it pertains to the oil and gas leases and lands described under the heading "Tract 5 - Blinberry 'B' Lease" on Schedule A-2, is owned in the following percentages:

John H. Hendrix Corporation	24.500000%
Michael L. Klein	24.500000%
Ronnie H. Westbrook	1.000000%
Doyle Hartman	35.546875%
James A. Davidson	12.500000%
Larry A. Nermyr	0.781250%
James E. Burr	0.390625%
Jack Fletcher	0.390625%
Ruth Sutton	0.390625%

2. The attached schedules correlate to the property descriptions contained in the Sun-Hartman Conveyance. Included in the attached schedules are (i) references to certain instruments, overriding royalties and other burdens to which the oil and gas leases are indicated to be subject, and (ii) statements as to the fractional share of gross production owned by "Assignor," being the owner of the leasehold interest or operating rights under the oil and gas leases or

operating agreements. These references and statements are incorporated verbatim from the Sun-Hartman Conveyance and are included herein for convenience only. The recitation that certain oil and gas leases are subject to certain instruments, overriding royalties or other burdens constitute a recognition of the validity or applicability thereof nor constitute a ratification thereof; the statements as to the fractional share of gross production shall not enlarge or diminish the interests described herein or constitute any representation or warranty by any party hereto.

3. Each of the oil and gas leases described on the attached schedules shall be deemed to include all extensions, renewals and amendments thereof. The ownership of the Subject Interest as to a particular oil and gas lease or lands covered thereby or depths thereunder shall be deemed to include all interests attributable to said lease, lands or depths by virtue of the pooling, unitization or communitization thereof with other leases, lands or depths.
4. Where no limitations as to area are indicated with regard to the tabulation of percentage of interest under the caption "Ownership," the applicable percentage or percentages shall apply with regard to all lands described above the tabulation; and where no depth limitations are indicated with regard to the tabulation of percentage of interests under the caption "Ownership," the applicable percentages or percentage shall apply as to all depths.
5. Unless stated otherwise the recording references used herein are to the Public Records of the County and State where the tract described lies.
6. Some of the land descriptions contained herein may be abbreviated as to Township, Range, Section, etc., but correspond directly to the complete acreage descriptions of the tract which immediately precede the abbreviated descriptions.
7. The formations referred to in the attached schedules are further identified as follows:
 - a. With respect to the following:
 - (i) Schedule A-2, Tract 29 - JAL 1 and 2 Lease;
 - (ii) Schedule A-2, Tract 36 - Langlie #17 Lease;
 - (iii) Schedule B-2, Tract 23 - Wells Lease;

the top of the Seven Rivers Formation is more specifically defined as the stratigraphic equivalent of the depth of 3,095 feet as shown on the Frontier Perforators, Incorporated, Gamma Ray-Neutron log run on September 1, 1975, in the Skelly Oil Company's Sherrel No. 7 well, located 1,980 feet from the south and east lines of Section 31, T24S, R37E, Lea County, New Mexico.

- b. With respect to Schedule A-2, Tract 35 - Langlie #1 Lease, the depth of 100 feet above the base of the Seven Rivers Formation has been heretofore found to occur in Gulf Oil Corporation J. A. Stuart No. 9 well (located 330 feet FNL and FEL in Section 10, T25S, R37E, Lea County, New Mexico) at an indicated depth of 3,104 feet, as recorded on the Schlumberger Gamma Ray-Sonic log taken January 1, 1964, said log being measured from a Kelly bushing elevation of 3,137 feet above sea level.

- c. With respect to the following:
 - (i) Schedule A-2, Tract 48 - Selby Lease;
 - (ii) Schedule B-2, Tract 1 - Christmas Lease;

the top of the Queen Formation is as shown at the depth of 3,821 feet on the Gamma-Ray-Sonic log run in the Continental

Oil Company West Arrowhead Deep Unit Well No. 1, located 1,980 feet from the North line and 1,980 feet from the West line of Section 17, Township 22 South, Range 36 East, N.M.P.M.

d. With respect to the following:

- (i) Schedule A-2, Tract 4 - Blinebry "A";
- (ii) Schedule A-2, Tract 6 - Eva Blinebry "A";
- (iii) Schedule A-2, Tract 43 - Courtland Meyers Lease;
- (iv) Schedule B-2, Tract 7 - Hodge Lease;
- (v) Schedule B-2, Tract 24 - Jack Lease;

the depth of 100 feet above the base of the Seven Rivers Formation has been found to occur in Texas Pacific Oil Company's Blinebry "B" No. 3 well (located 2,310 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 3,168 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 3,300 feet above seal level.

e. With respect to Tract 50 - State "B", the Eumont Gas Pool is defined in State of New Mexico Conservation Commission Order No. R-1670 as extending from the top of the Yates formation to the base of the Queen formation, thereby including all of the Yates, Seven Rivers and Queen formations.

All interest in an oil and gas exchange lease dated April 1, 1939, issued by the United States of America to Olsen Oil, Inc., said lease bearing Serial No. Las Cruces 060825(s), insofar as said lease covers the following described land:

The North Half of the Southwest Quarter (N/2 SW/4) of Section 29, and the North Half (N/2) of Section 30, Township 23 South, Range 37 East, Lea County, New Mexico,

MLMU

subject to the following:

- (1) Operating Agreement dated March 1, 1927, between Eva E. Blinebry and husband, A. R. Blinebry, as permittees, and Texas Production Co., as operator.
- (2) Agreement, dated October 31, 1938, between The Texas Company and R. Olsen, providing, among other things, for an overriding royalty interest in favor of The Texas Company of 1/8th of the oil when the daily average of production is more than 60 barrels during any calendar month; 3/32nds of the oil when the daily average of production is more than 40 barrels but not more than 60 barrels during any calendar month; 1/16th of the oil when the daily average of production is 40 barrels or less during any calendar month, and 1/8th of all gas produced, with respect to the N/2 SW/4 of said Section 29.
- (3) Agreement, dated December 11, 1939, between The Texas Company and R. Olsen, as amended by Agreement dated August 29, 1940, and by Modification Agreement dated February 3, 1941, and Agreement dated May 26, 1941, providing, among other things, for an overriding royalty interest in favor of The Texas Company of 1/8th of the oil and casinghead gas produced, and 1/16th of the dry gas produced, with respect to the N/2 of said Section 30.
- (4) Agreement, dated August 14, 1940, between El Paso Natural Gas Company and R. Olsen, as modified by Agreement dated February 1, 1943, between Uscon Drilling Company and El Paso Natural Gas Company, which provides, among other things, that El Paso Natural Gas Company may purchase and thereafter own and operate, wells capable of producing dry gas only, said Agreements covering the N/2 of said Section 30.
- (5) Pooling Agreement, dated May 17, 1954, between R. Olsen Oil Company and Anderson-Prichard Oil Corporation, with respect to gas as to the entire SW/4 of said Section 29.
- (6) Permittee's overriding royalty of 7 1/2% of production to Eva E. Blinebry and A. R. Blinebry, her husband, and assigns.

TRACT 20
TRACT 21
TRACT 22

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the above described land owned by Assignor is .675. The fractional share of the gross gas produced from the N/2 SW/4 of said Section 29, as pooled, owned by Assignor is .50625.

* * *

OWNERSHIP:

1. As to those depths from the top of the Tansill Formation to a point 100 feet above the base of the Seven Rivers Formation:

Hartman Group	100%
---------------	------
2. As to all other depths except those specified in 1 above:

Hartman Group	50%
Hendrix Group	50%

BCCX 467 PAGE 625

TRACT 3 - BLINEBRY "B" LEASE

An undivided one-half (1/2) interest in and to

- (a) Oil and gas exchange lease, dated January 1, 1960, issued by the United States of America to Olsen Oils, Inc. and Western Natural Gas Company, said lease bearing Serial No. Las Cruces 065722, insofar as said lease covers

The South Half of the Southwest Quarter (S/2 SW/4) of Section 34, Township 23 South, Range 37 East, Lea County, New Mexico,

MLMU
TRACT 25

and all interest in and to

- (a) Oil and gas exchange lease dated January 1, 1960, issued by the United States of America to Olsen Oils, Inc., said lease bearing Serial No. Las Cruces 060825(b), insofar as said lease covers

The North Half of the Southwest Quarter (N/2 SW/4) and the Northwest Quarter (NW/4) of Section 34, Township 23 South, Range 37 East, Lea County, New Mexico,

MLMU
TRACT 23
TRACT 24

subject to the following:

- (1) Operating Agreement dated March 1, 1927, between Eva E. Blinebry and husband, A. H. Blinebry, as permittees, and Texas Production Co., as operator.
- (2) Agreement, dated December 11, 1939, between The Texas Company and R. Olsen; as amended by Agreement dated August 29, 1940, and by Modification Agreement dated February 3, 1941, and Agreement dated May 26, 1941, providing, among other things, for an overriding royalty interest in favor of The Texas Company of 1/8th on oil and casinghead gas and 1/8th on dry gas.
- (3) Agreement dated December 7, 1940, between El Paso Natural Gas Company and R. Olsen, as modified by Agreement dated February 1, 1943, between Uscon Drilling Company and El Paso Natural Gas Company, which provides, among other things, that El Paso Natural Gas Company may purchase, and thereafter own and operate, wells capable of producing dry gas only.

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the S/2 SW/4 of said Section 34, owned by Assignor is .375, and the fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the N/2 SW/4 and NW/4 of said Section 34 is .75.

* * *

OWNERSHIP:

Hartman Group	50%
Hendrix Group	50%

TRACT 6 - EVA BLINEBRY LEASE

An undivided one-half (1/2) interest in and to oil and gas exchange lease dated April 1, 1959, issued by the United States of America to Olsen Oils, Inc. as Anderson-Prichard Oil Corporation, said lease bearing Serial No. Las Cruces 060824 insofar as said oil and gas lease covers the following described land:

The South Half of the Southwest Quarter (S/2 SW/4) of Section 29, Township 23 South, Range 37 East, Lea County, New Mexico,

MLMU

TRACT 19

subject to the following:

(1) Operating Agreement dated March 1, 1927, between Eva E. Blinebry and husband, A. H. Blinebry, as permittees, and Texas Production Co., as operator.

(2) Agreement dated October 31, 1938, between The Texas Company and E. Olsen, providing, among other things, for an overriding

royalty interest in favor of The Texas Company of 1/8th of the oil when a daily average of production is more than 60 barrels during any calendar month; 3/32nds of the oil when the daily average production is more than 40 barrels but not more than 60 barrels during any calendar month; 1/16th of the oil when the daily average of production is 40 barrels or less during any calendar month and 1/8th of all gas produced.

(3) 7/8 permittee's overriding royalty to Eva E. Blinebry and A. H. Blinebry, her husband and assigns.

(4) Pooling Agreement, dated May 17, 1954, between E. Olsen Oil Company and Anderson-Prichard Oil Corporation, with respect as to gas as to the entire SW/4 of said Section 29.

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbon produced from the above described land owned by Assignor is .3375.

* * *

OWNERSHIP:

1. As to those depths from the top of the Tansill Formation to a point 100 feet above the base of the Seven Rivers Formation:

Hartman Group 100%

2. As to all other depths except those specified in 1 above:

Hartman Group 50%
Bendrix Group 50%

All interest in and to the following described oil and gas leases:

- (a) Oil and gas lease, dated July 6, 1936, from J. J. Van Zandt, at ux, to Repollo Oil Company, recorded in Book 31, Page 106.
- (b) Oil and gas lease, dated July 22, 1936, from C. B. Woolworth to Repollo Oil Company, recorded in Book 31, Page 157.
- (c) Oil and gas lease, dated July 24, 1936, from Peerless Oil and Gas Company to Repollo Oil Company, recorded in Book 31, Page 162.
- (d) Oil and gas lease, dated July 28, 1936, from Clinton Harrison to Repollo Oil Company, recorded in Book 31, Page 167.
- (e) Oil and gas lease, dated July 28, 1936, from William D. Harrison, et ux, to Repollo Oil Company, recorded in Book 31, Page 165.
- (f) Oil and gas lease, dated November 23, 1936, from Ralph W. Leftwich, et al, to Repollo Oil Company, recorded in Book 31, Page 519.
- (g) Oil and gas lease, dated July 1, 1946, from Amerada Petroleum Corporation to Uscon Drilling Company, recorded in Book 61, Page 636.
- (h) Oil and gas lease, dated October 28, 1947, from Amerada Petroleum Corporation to Uscon Drilling Company, recorded in Book 65, Page 395.

insofar as said leases cover the following described land:

South Half (S/2) of Section 8, Township 23 South, Range 37 East, Lea County, New Mexico,

and insofar and only insofar as said leases as to the SW/4 SE/4 and NE/4 SE/4 of said Section 8, cover all interest in the oil, gas and other minerals down to the depth of 3,700 feet and an undivided 3/4ths interest in the oil, gas and other minerals from 3,700 feet to the depth of 4,000 feet, subject to overriding royalty interests totaling 37/1024ths of all oil, gas and other minerals produced; and as to the NW/4 SE/4 and SE/4 SE/4 and SW/4 of said Section 8, cover an undivided 3/4ths interest in the oil, gas and other minerals down to the depth of 4,000 feet, subject to an overriding royalty interest of 3/128ths of 7/8ths of all the oil, gas and other minerals produced; subject to the following:

- (1) That certain agreement dated January 3, 1946, between Repollo Oil Company and R. Olsen, as modified by agreement dated May 27, 1946, and agreement dated July 16, 1946, and agreement dated November 21, 1947, all by and between the same parties.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land above 3,700 feet owned by Assignor is as follows:

.838867 as to the SW/4 SE/4 and NE/4 SE/4 of said Section 8.
.6357421 as to the NW/4 SE/4 and SE/4 SE/4 and SW/4 of said Section 8.

* * *

OWNERSHIP:

- 1. As to NW/4 SW/4, E/2 SW/4, SE/4 of Section 8, T23S, R37E:

Hartman Group	50%
Hendrix Group	50%

- 2. As to SW/4 SW/4 of Section 8, T23S, R37E:

Hartman Group	100%
---------------	------

TRACT 43 - COURTLAND MEYERS LEASE

MLMU

All operating rights under the

TRACT 26

Southwest Quarter (SW/4) of Section 5 and the Southeast
Quarter (SE/4) of Section 6, Township 24 South, Range
37 East, Lea County, New Mexico,

said operating rights being created under and by virtue of that certain Operating
Agreement dated February 24, 1927, between Courtland Meyers and Paul McCune, in-
sofar as said Operating Agreement relates to the following described lease:

Oil and Gas Lease dated July 1, 1957, issued in exchange
for a "b" lease, issued by the Secretary of the Interior
of the United States to Anne Hughes Meyers and Firm
Royalties, Inc., said lease bearing Serial No. New Mexico
037667, formerly a part of Serial No. Las Cruces 032450(b).

The fractional share of the gross oil, gas and other hydrocarbons produced from
the above described land owned by Assignor is .875.

* * *

OWNERSHIP:

1. As to those depths from the top of the Tansill Formation
to the top of the Seven Rivers Formation, but shall also
include Jalmat dry gas rights from the top of the Seven
Rivers Formation to 100' above the top of the Queen
Formation:

Hartman Group	100%
---------------	------

2. As to all other depths except those specified in 1 above:

Hartman Group	50%
Hendrix Group	50%

(1) Oil and gas lease dated September 14, 1948, by and between Jeanie L. Hodges and husband, O. M. Hodges, as Lessors, and Citica Service Oil Company, as Lessee, said lease being recorded in Book 73, Page 428 of the records of Lea County, New Mexico, this interest being subject, however, to the terms and obligations set out in that certain Assignment and Conveyance of Oil and Gas Lease dated October 27, 1950, and recorded in Book 91, Page 199 of the Lea County records, wherein there was reserved unto Citica Service Oil Company an overriding royalty of one-sixteenth of seven-eighths ($1/16$ of $7/8$) when the wells average 25 barrels of oil or less per well per day, three-thirty-seconds of seven-eighths ($3/32$ of $7/8$) when the wells average more than 25 barrels but not more than 40 barrels per well per day, one-eighth of seven-eighths ($1/8$ of $7/8$) when the wells average more than 40 barrels of oil per well per day, and one-eighth of seven-eighths ($1/8$ of $7/8$) of all gas produced, and wherein the interest assigned was limited to a depth of 4000 feet below the surface;

(2) Oil and gas lease dated October 23, 1950, by and between The Atlantic Refining Company, a corporation, Lessor, and R. Olsen, Lessee, said lease being recorded in Book 89, Page 340 of the records of Lea County, New Mexico, lessor reserving a royalty of twenty-three one hundred twenty-eighths ($23/128$) when the average production per well per day is not over 25 barrels, fifty-three two hundred fifty-sixths ($53/256$) when the average production per well per day is over 25 barrels but not over 40 barrels, fifteen-sixty-fourths ($15/64$) when the average production per well per day is over 40 barrels, and fifteen-sixty-fourths ($15/64$) of all gas, instead of the regular $1/8$ royalty, said oil and gas lease being limited to a depth of 4000 feet below the surface;

said oil and gas leases together covering the following described land, down to a depth of 4000 feet below the surface;

Northeast Quarter (NE/4) of Section 8, Township 24
South, Range 37 East, Lea County, New Mexico;

the leasehold estates created by above oil and gas leases being further subject to the following agreements, to wit:

- a) Letter Agreement dated March 10, 1954, between Olsen-Blount Oil Co. and El Paso Natural Gas Company,
- b) Gas Purchase Agreement dated October 6, 1951, as amended, between Olsen-Blount Oil Co., as Seller, and El Paso Natural Gas Company, as Purchaser,
- c) Casinghead Gas Contract dated September 13, 1951, as amended, between Olsen-Blount Oil Co., as Seller, and El Paso Natural Gas Company, as Buyer,
- d) Letter Agreement dated December 15, 1954, between El Paso Natural Gas Company and R. Olsen,
- e) Letter Agreement dated October 5, 1954, between R. Olsen and El Paso Natural Gas Company,
- f) Casinghead Gas Contract dated March 19, 1951, between R. Olsen, as Seller, and El Paso Natural Gas Company, as Buyer, as amended.

The fractional share of the gross oil, gas and other hydrocarbons produced from said land above 4000 feet owned by assignor is .765625.

* * *

OWNERSHIP:

1. As to those depths from the top of the Tansill Formation to a point 100 feet above the base of the Seven Rivers Formation:

Hartman Group 100%

2. As to all other depths except those specified in 1 above:

Hartman Group 50%

An undivided one-fifth (1/5) interest in and to the rights of Permittee under and by virtue of that certain Permit dated July 14, 1927, issued by the Secretary of the Interior of the United States to E. E. Jack, said Permit bearing Las Cruces Serial No. 032326(b) insofar as said Permit covers the

Northwest Quarter (NW/4) of Section 8, Township 24 South, Range 37 East, Lea County, New Mexico, to a depth of 3700 feet below the surface of the soil;

MLMU

TRACT 29

being the same undivided one-fifth (1/5) interest in and to the operating rights under the above described land which were assigned to R. Olsen under and by virtue of that certain Partial Assignment dated December 15, 1954, by and between Howard Hogan and wife, Helen Hogan, Assignors, and R. Olsen, as Assignee, relating to that certain

Oil and gas mining lease dated December 1, 1957, issued by the United States of America to Abner M. Jack, et al, said lease bearing Las Cruces Serial No. 032326(b);

subject to the aforementioned instruments and the following reservations and/or agreements, to-wit:

- a) Drilling and Operating Agreement dated November 1, 1927, by and between E. E. Jack, Owner of Permit, and Harland Oil Company of Colorado, and the proportionate part of the 2½% overriding royalty reserved therein,
- b) Contract for Development dated December 10, 1949, by and between Continental Oil Company, Standard Oil Company of Texas, The Atlantic Refining Company, and Stanolind Oil and Gas Company, First Parties, and J. T. Paddleford, Second Party, and the proportionate part of the 2½% overriding royalty reserved therein,
- c) Gas Purchase Agreement dated September 5, 1951, as amended, by and between El Paso Natural Gas Company, as Buyer, and Howard Hogan, Herbert J. Schmitz, Harold S. Russell, Charles T. Scott and F. D. Lortscher, as Sellers,
- d) Casinghead Gas Contract dated October 11, 1951, by and between Howard Hogan, Harold S. Russell, Charles T. Scott, Herbert J. Schmitz and F. D. Lortscher, as Sellers, and El Paso Natural Gas Company, as Buyer, as amended,
- e) Operating Agreement dated January 16, 1951, between Howard Hogan, as Operator, and Charles T. Scott, Harold S. Russell, Herbert J. Schmitz, and F. D. Lortscher, as Non-Operators, as modified by Modification of Operating Agreement dated December 15, 1954, between R. Olsen, as Operator, and the Non-Operators herein named,
- f) Agreement dated October 4, 1957, by and between El Paso Natural Gas Company and R. Olsen.

The fractional share of the gross oil, dry gas, casinghead gas and other liquid hydrocarbons produced from the above described land above 3700 feet owned by Assignor is .165.

OWNERSHIP:

1. As to those depths from the top of the Tansill Formation to a point 100 feet above the base of the Seven Rivers Formation:

Hartman Group 100%

2. As to all other depths except those specified in 1 above:

Hartman Group 50%

64067

300X 304 606

CONVEYANCE AND AGREEMENT...

EFFECTIVE 2-2-86

THIS CONVEYANCE from SUN OPERATING LIMITED PARTNERSHIP by SUN EXPLORATION AND PRODUCTION COMPANY, its Managing General Partner, and SUN EXPLORATION AND PRODUCTION COMPANY (herein collectively called "Sun"), to DOYLE HARTMAN, JAMES A. DAVIDSON, MICHAEL L. KLEIN and JOHN H. HENDRIX CORPORATION, a Texas corporation, (herein called "Hartman", whether one or more) and AGREEMENT by and between Sun and Hartman in connection therewith, which is delivered and effective at 7:00 A.M. local time at the location of the Subject Interests (as hereinafter defined), respectively, on January 2, 1986 (the "Effective Date");

COVERS MLMU TRACTS

19, 20, 21, 22, 23, 24,

25, 26, 29, AND 72

W I T N E S S E I S:

Sun for the amount of Ten Dollars (\$10.00) and other good and valuable consideration, receipt of which is hereby acknowledged, and subject to the terms and provisions hereof, by these presents does hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER and DELIVER unto Hartman all of Sun's right, title and interest in and to the following:

A. The oil, gas and other mineral leases, interests, rights and properties which are specifically described in Schedule A (hereinafter called "Subject Interests") attached hereto and made A PART HEREOF FOR ALL PURPOSES INCLUDING ALL EXTENSIONS AND RENEWALS THEREOF: SUBJECT (to the extent and only to the extent that the same are valid and subsisting) to all restrictions, exceptions, reservations, conditions, limitations, interests, burdens, contracts, agreements, instruments and other matters (including, but not limited to, oil and gas sales, purchase, exchange and processing contracts, operating agreements and pooling, unitization or communitization agreements, declarations and orders and other contracts, agreements and instruments), which relate to any of such properties, including, without limitation, all such matters, if any, as set forth in the specific descriptions of such properties in Schedule A; provided, however, that the parties hereto recognize that certain interests in such properties may have expired or been released, and that Sun, and its predecessors in interest, have, from time to time, conveyed all or portions of their interests in certain

2LGL/HARTMAN CONVEYANCE - (1)

- 1000

of the specific oil, gas and other mineral interests, rights and properties described in Schedule A hereto as the same is reflected of record in the counties where such properties are located, and it is recognized that to the extent that Sun or its predecessors in interest have heretofore conveyed all or a portion of their interests in said properties that it is not intended by this instrument that those interests be conveyed to Hartman;

B. All right, title and interest of Sun derived from all presently existing and valid oil, gas or mineral unitization, pooling, operating and communitization agreements, declarations and orders, and in and to the properties covered and the units created thereby (including all units formed under orders, regulations, rules or other official acts of any federal, state or other governmental agency having jurisdiction), which relate to any of the properties specifically described in Schedule A. All rights, titles, and interests of Sun derived from all farmouts made to third parties including, but not limited to, overrides and contingent working interests which relate to any of the properties specifically described in Schedule A;

C. All presently existing and valid oil and gas sales, purchase, exchange and processing contracts, casinghead gas contracts, operating agreements, joint venture agreements, tax partnerships, and other contracts, agreements and instruments which relate to any of the properties specifically described in Schedule A;

D. All personal property, improvements, lease and well equipment, permits and licenses (including, but not by way of limitation, any wells, tanks, boilers, buildings, fixtures, machinery, injection facilities, saltwater disposal facilities, compression facilities and other equipment gathering systems, power lines, telephone and telegraph lines, roads and other appurtenances), and all easements, servitudes, rights-of-way, surface leases and other surface rights, including but not limited to those easements, servitudes, rights-of-way, surface leases and other surface rights specifically described in Schedule A, which are now being used in connection with the exploration, development, operation or maintenance of the lands or properties specifically

F. Notwithstanding anything herein to the contrary, it is expressly recognized and agreed by and between Sun and Hartman that this Conveyance is intended to, and does, convey only those interests described in Paragraphs A through E herein in the properties and interests described in Schedule A which are subject to two certain agreements, one being that certain Agreement by and between Texas Pacific Coal and Oil Company and the Woodson Oil Company dated November 8, 1961, and one being that certain Agreement by and between Joseph E. Seagrams & Sons Company and The Prudential Insurance Company dated April 1, 1966, which interests, among others, were obtained by Sun from Texas Pacific Coal and Oil Company, et al, by that certain Conveyance dated August 29, 1980. Recording information for all of the above is reflected in Schedule B attached hereto. It is further recognized that certain of such properties are subject to preferential right to purchase and/or consent to transfer provisions, and that the properties subject to such provisions are not conveyed by this Conveyance. As to such of those properties where the holders of such rights, subsequently waive or release the same, they will be conveyed to Hartman by Conveyance in the same form as this instrument. It is further stipulated and agreed that this Conveyance is intended only to convey such of the aforementioned interests as Sun presently holds and which have not heretofore been conveyed to third parties by Sun or its predecessors in title.

.CCK 394 LME 609

TO HAVE AND TO HOLD said subject interests and appurtenant interests, together with said rights, titles, powers, interests and other matters, unto Hartman, their heirs, personal representatives, successors and assigns, forever, subject only to the terms, conditions, reservations, exceptions and exclusions which are set forth herein, and on Schedule A, and all required third party or lessor consents and preferential purchase rights whether or not the same are reflected of record.

It is further agreed by and between Sun and Hartman as follows:

1. As to the term "minerals" as used herein, and without in any wise limiting or expanding the substances which would otherwise be included in "minerals", as such term is understood and construed as of the date hereof, it is expressly stipulated and understood that such term is intended and shall be construed to include coal, lignite, carbon dioxide, helium, nitrogen and uranium (regardless of the method utilized in mining and producing any of such substances). The term "oil, gas and other mineral interests" as used herein, without in any wise limiting the meaning of such term as the same is understood and construed as of the date hereof, shall be construed to mean and include oil, gas and other mineral interests and rights.

2. It is hereby expressly agreed and understood that it is the intent of Hartman and Sun that Sun herein conveys, and Hartman herein acquires and accepts, without limitation, all powers, privileges, expressed and/or implied warranties, causes of action, choses in action, rights and privileges attributable to actions of state and federal administrative agencies, and other rights which have now accrued, or may at some time in the future accrue to Sun, attributable to the subject interests. It is further agreed that Hartman may litigate or cause to be litigated any cause of action now accrued, or at some time in the future accruing to Hartman which arises out of, results from or relates to facts, circumstances, or transactions which have occurred prior to, or occur subsequent to the effective date hereof, irrespective of whether the parties have knowledge of such prior facts, circumstances or transactions as of the effective date; provided, however, that it is intended by this paragraph that Sun is conveying to Hartman only those causes of action, choses in action, powers, privileges, expressed and/or

acc 394 ac 610

ied warranties, rights and privileges; other rights which Sun actually has, subject to all defenses that may exist to said rights, causes of action, choses in action, etc., and provided further that Hartman agrees, by reason of any litigation, demand, or other attempt to enforce any cause of action or choses in action arising by virtue of Sun's ownership of the interests conveyed herein, to indemnify and hold harmless Sun from any counterclaims, cross-claims, third party claims, and any claims for indemnification or contribution that may arise by reason of the attempt to enforce any claim or claims, except as the same may apply to the negligence, gross negligence or contractual violations on the part of Sun.

3. Sun agrees to hold Hartman harmless from, and to indemnify them for, any amounts which they may be required to refund to any third party resulting from the collection of any wellhead price for the natural gas or crude oil produced from the subject interests, prior to the effective date of this Conveyance, which were in violation of any federal or state natural gas or crude oil wellhead pricing statutes or regulations now in effect, or which may have been effective in the past.

4. To the extent permitted by applicable law in the respective states in which the Subject Interests are located, this Conveyance and Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

5. This Conveyance and Agreement is made without any covenant or representation of title or warranty of title of any kind, statutory, expressed or implied, and without any recourse against Sun in the event of any failure of title to the Subject Interests or any part thereof, not even for the return of the consideration paid therefor, but is made with full substitution and subrogation of Hartman in and to all covenants and warranties by others heretofore given or made with respect to the Subject Interests or any part thereof. EXCEPT THAT Sun represents and warrants that:

a. The Subject Interests are conveyed to Hartman free and clear of the "PPA and NPA Retained Interests" excepted and reserved by Texas Pacific Oil Company, Inc. in that certain Conveyance and Agreement from Texas Pacific Oil Company, Inc. to Sun Oil Company (Delaware) dated August 28, 1980, except Sun shall

2. 394 611
e. expressly indemnify and hold harmless the Hartman group from any claim thereto by Texas Pacific Oil Company, Inc., its successors and assigns.

b. That Sun has not sold or otherwise disposed of any part of the Subject Interests since January 1, 1985.

c. That Sun has not caused to be amended or modified any gas sales contracts, operating agreements or other agreements covering or affecting the Subject Interests, whether such contracts or agreements are specifically described on Schedule A, except those specifically known to Hartman or their agents as of the date of this Assignment.

Sun and Hartman agree that, to the extent required by the applicable law to be operative, the disclaimers of certain warranties contained in this paragraph are "conspicuous" disclaimers for the purposes of any applicable law, rule or order. WITHOUT LIMITATION OF THE GENERALITY OF THE IMMEDIATELY PRECEDING SENTENCE, ASSIGNOR HEREBY (i) EXPRESSLY DISCLAIMS AND NEGATES, ANY REPRESENTATION OR WARRANTY, EXPRESSED IMPLIED, AT COMMON LAW, BY CODE (OR OTHERWISE), BY STATUTE, OR OTHERWISE RELATING TO (A) THE CONDITION OF THE INTERESTS (INCLUDING WITHOUT LIMITATION, ANY IMPLIED OR EXPRESSED WARRANTY OF MERCHANTABILITY, OF FITNESS FOR A PARTICULAR PURPOSE, OF SEAWORTHINESS, OR OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS), (B) ANY INFRINGEMENT BY ASSIGNORS OR ANY OF ITS AFFILIATES OR ANY PATENT OR PROPRIETARY RIGHT OF ANY THIRD PARTY; AND (ii) NEGATES ANY RIGHTS OF ASSIGNEE UNDER STATUTES TO CLAIM DIMINUTION OF CONSIDERATION, WHETHER KNOWN OR UNKNOWN AS OF THE EFFECTIVE TIME, IT BEING THE INTENTION OF ASSIGNOR AND ASSIGNEE THAT THE INTERESTS ARE TO BE CONVEYED "AS IS, WHERE IS" AND IN THEIR PRESENT CONDITION AND STATE OF REPAIR AND THAT ASSIGNEE HAS MADE OR CAUSED TO BE MADE SUCH INSPECTION AS IT DEEMS APPROPRIATE. ASSIGNEE EXPRESSLY WAIVES THE PROVISIONS OF CHAPTER 17, SUBCHAPTER E, SECTIONS 17.41 THROUGH 17.63, INCLUSIVE (OTHER THAN SECTION 17.55A, WHICH IS NOT WAIVED), TEXAS BUSINESS & COMMERCE CODE (THE "ACT"). ASSIGNEE, TO THE FULLEST EXTENT IT LAWFULLY MAY, ALSO HEREBY WAIVES THE PROVISIONS OF ANY STATUTES OR ANY COMMON LAW IN ANY OTHER STATES WHERE THE INTERESTS ARE LOCATED WHICH ARE SIMILAR TO THE ACT IN THEIR PROVISIONS, SCOPE, NATURE OR INTENT.

6. All notices and statements required or permitted to be given hereunder shall be deemed to have been properly delivered if and when deposited in the United States mail or sent by Western Union telegram, charges prepaid, and properly addressed to the party entitled thereto at the addresses given below:

If to Sun	Sun Exploration and Production Company P. O. Box 2880 Dallas, Texas 75221-2880
If to Hartman	Doyle Hartman P. O. Box 10426 Midland, Texas 79702; and John H. Hendrix Corporation 525 Midland Tower Building Midland, Texas 79701

Either party may specify as its proper address any other post office address within the continental limits of the United States by giving to the other party at least fifteen (15) days' written notice thereof, delivered in the same manner as other notices.


The terms, covenants and conditions contained herein shall be deemed to be covenants running with the lands covered by the Subject Interests, and all such provisions herein shall inure to the benefit of and be binding upon the respective heirs, successors and assigns of Sun and Hartman, and all references herein to Sun or Hartman shall include their respective heirs, personal representatives, successors and assigns.

This Conveyance and Agreement is being executed in multiple originals, all of which are identical, except that, to facilitate recordation, certain counterparts hereof contain only that portion, if any of Schedule A which contain specific descriptions of Subject Interests located in the recording jurisdiction where that counterpart is to be recorded are included, and other portions of Schedule A are included by reference only. All of such counterparts together constitute but one and the same instrument. Complete copies of this Conveyance and Agreement containing the entire Schedule A have been retained by Sun and Hartman and have been recorded in Lea County, New Mexico.

IN WITNESS WHEREOF, this Conveyance and Agreement has been executed by Sun and Hartman on the dates of their respective acknowledgements hereof,

13.56 29100627010 HARTMAN OIL 177 DALLAS OFFICE 4009/015
BOOK 304 PAGE 613
but is delivered as effective as to the runs of oil and deliveries
of gas and for all other purposes on the Effective Date.

ATTEST:



Margaret J. Jewell
Secretary

SUN OPERATING LIMITED PARTNERSHIP

BY SUN EXPLORATION AND PRODUCTION
COMPANY, its Managing General Partner

By Thomas W. Lynch
Thomas W. Lynch, Vice President

ATTEST:


Margaret J. Jewell
Secretary

SUN EXPLORATION AND PRODUCTION COMPANY

By Thomas W. Lynch
Thomas W. Lynch, Vice President

Doyle Hartman
Doyle Hartman

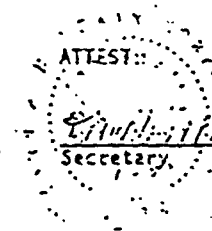
Margaret Hartman
Margaret Hartman

James A. Davidson
James A. Davidson

Michael L. Klein
Michael L. Klein

Jeane Klein
Jeane Klein, by Michael L. Klein as
Attorney-in-Fact for Jeane Klein
JOHN H. MENDRIX CORPORATION

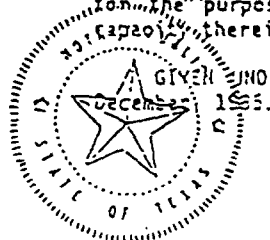
ATTEST:


John H. Mendrix
Secretary

By John H. Mendrix
John H. Mendrix

THE STATE OF TEXAS)
COUNTY OF DALLAS) ss.

BEFORE ME, the undersigned, a Notary Public in and for said
County and State, on this day personally appeared Thomas W. Lynch,
Vice President of Sun Exploration and Production Company, Managing
General Partner of Sun Operating Limited Partnership, a limited
partnership, known to me to be the person and officer whose name is
subscribed to the foregoing instrument and acknowledged to me that
the same was the act of the said Sun Operating Limited Partnership
and that he executed the same as the act of such limited partnership
for the purposes and consideration therein expressed, and in the
instrument therein stated.



GIVEN UNDER MY HAND AND SEAL OF OFFICE This the 31st day of
December, 1985.

John S. Little
Notary Public, State of Texas

JOHN S. LITTLE
Notary Public in & for the State of Texas
My Commission Expires 7/11/89

2LGI/HARTMAN CONVEYANCE - (8)

STATE OF TEXAS)(
COUNTY OF DALLAS)(
) ss.

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Thomas W. Lynch, Vice President of Sun Exploration and Production Company, a Delaware Corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Sun Exploration and Production Company, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.



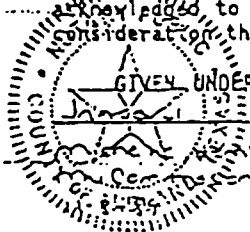
GIVEN UNDER MY HAND AND SEAL OF OFFICE This the 31st day of December, 1985.

Notary Public, State of Texas

JAN S. LITTLE
Notary Public in & for the State of Texas
My Commission Expires 7/11/89

THE STATE OF TEXAS)(
) ss.
COUNTY OF midland)(
)

BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared Doyle Hartman and Margaret Hartman, his wife, known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

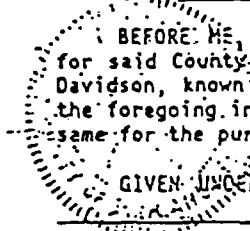


GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 24th day of January, 1986.

Notary Public, State of Texas

THE STATE OF TEXAS)(
) ss.
COUNTY OF midland)(
)

BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared James A. Davidson, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.



GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 2nd day of January, 1986.

Michelle K. Hernandez
Notary Public, State of Texas
1-3-89

THE STATE OF TEXAS)(
) ss.
COUNTY OF _____)(
)

BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared Michael L. Klein and Jeanne Klein, his wife, known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged to me that they executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, 1985.

Notary Public, State of Texas

12/05/95 13.55 2510027010 HARTMAN OIL 17, DALLAS OFFICE 2011-013

THE STATE OF TEXAS)
)
COUNTY OF Midland)
)
 ss.

ACK 394 IN: 615

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared John H. Hendrix, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said John H. Hendrix Corporation, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of November, 1986.

Franklin J. [Signature]
Notary Public, State of Texas

THE STATE OF TEXAS)
)
COUNTY OF MIDLAND)
)
 ss.

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Michael L. Klein, Individually and as Attorney-in-Fact for Jeanne Klein, his wife, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed...

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 2nd day of November, 1986.

Charlotte M. Larson
Notary Public, State of Texas

SCHEDULE A

BOOK 394 PAGE 616

Attached to and made a part of Conveyance and Agreement
between Sun and Doyle Hartman et al, dated January 2,
1986. (Jal-Olsen Properties)

* Properties identified by this symbol have previously
been conveyed in whole or in part by Sun or its prede-
cessors in title to a third party, or have been sur-
rendered or abandoned as to all or a portion thereof.

** Properties identified by this symbol are subject to
obligation to obtain a consent to assign or to a
preferential right to purchase, and are not assigned
or conveyed by the Conveyance and Agreement to which
this schedule is attached.

* * * * *

A-2

NEW MEXICOTRACT 1 - BATES LEASE

~~All interest in and to the following described oil and gas leases:~~

- (a) Oil and gas lease, dated May 10, 1946, from Charles T. Bates, et al, to R. Olsen, recorded in Book 61, Page 290.
- (b) Oil and gas lease, dated August 2, 1946, from W. M. Beauchamp, as special guardian of James Ray Bates, a minor, to R. Olsen, recorded in Book 61, Page 455.
- (c) Oil and gas lease, dated June 9, 1947, from Catherine L. Dumaese, widow, to Uscon Drilling Company, recorded in Book 65, Page 34,

Insofar as said leases cover the following described land:

Southwest Quarter of the Southeast Quarter (SW/4 SE/4) of
Section 18, Township 24 South, Range 37 East, Lea County,
New Mexico,

subject to the following:

- (1) ~~Overriding royalty interest aggregating 53/627ths of 7/8ths~~
of the oil, gas and other minerals produced.

10/1/86
Jal-Olsen

EXHIBIT A-2

BOOK 394 PAGE 618

- (2) Communication Agreement, dated October 7, 1937, recorded in Book 133 at Page 155 of the Miscellaneous Records, by and between R. Olsen Oil Company and the Southern California Petroleum Corporation, whereby the above described land was made a part of a unit consisting of the SE/4 of said Section 18, for the production of gas only.

The fractional share of the gross gas produced from the above described land owned by Assignor is .7536621 and, as unitized, is .16641552.

* TRACT 4 - BLINEBRY "A" LEASE

All interest in and to oil and gas exchange lease dated April 1, 1959, issued by the United States of America to Olsen Oils, Inc., said lease bearing Serial No. Las Cruces 060825(a), insofar as said lease covers the following described land:

The North Half of the Southwest Quarter (N/2 SW/4) of Section 29, and the North Half (N/2) of Section 30, Township 23 South, Range 37 East, Lea County, New Mexico,

MLMU
TRACT 20
TRACT 21
TRACT 22

subject to the following:

- (1) Operating Agreement dated March 1, 1927, between Eva E. Blinebry and husband, A. E. Blinebry, as permittees, and Texas Production Co., as operator.
- (2) Agreement, dated October 31, 1938, between The Texas Company and R. Olsen, providing, among other things, for an overriding royalty interest in favor of The Texas Company of 1/8th of the oil when the daily average of production is more than 60 barrels during any calendar month; 3/32nds of the oil when the daily average of production is more than 40 barrels but not more than 60 barrels during any calendar month; 1/16th of the oil when the daily average of production is 40 barrels or less during any calendar month, and 1/8th of all gas produced, with respect to the N/2 SW/4 of said Section 29.
- (3) Agreement, dated December 11, 1939, between The Texas Company and R. Olsen, as amended by Agreement dated August 29, 1940, and by Modification Agreement dated February 3, 1941, and Agreement dated May 26, 1941, providing, among other things, for an overriding royalty interest in favor of The Texas Company of 1/8th of the oil and casinghead gas produced, and 1/16th of the dry gas produced, with respect to the N/2 of said Section 30.
- (4) Agreement, dated August 14, 1940, between El Paso Natural Gas Company and R. Olsen, as modified by Agreement dated February 1, 1943, between Uscon Drilling Company and El Paso Natural Gas Company, which provides, among other things, that El Paso Natural Gas Company may purchase and thereafter own and operate, wells capable of producing dry gas only, said Agreements covering the N/2 of said Section 30.
- (5) Pooling Agreement, dated May 17, 1954, between R. Olsen Oil Company and Andersen-Richard Oil Corporation, with respect to gas as to the entire SW/4 of said Section 29.
- (6) Permittee's overriding royalty of 7 1/2% of production to Eva E. Blinebry and A. E. Blinebry, her husband, and assigns.

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the above described land owned by Assignor is .675. The fractional share of the gross gas produced from the N/2 SW/4 of said Section 29, as pooled, owned by Assignor is .50625.

TRACT 5 - BLINEBRY "B" LEASE

BOOK 394 PAGE 619

An undivided one-half (1/2) interest in and to

- (a) Oil and gas exchange lease, dated January 1, 1960, issued by the United States of America to Olsen Oils, Inc. and Western Natural Gas Company, said lease bearing Serial No. Las Cruces 065722, insofar as said lease covers

The South Half of the Southwest Quarter (S/2 SW/4) of Section 34, Township 23 South, Range 37 East, Lea County, New Mexico,

MLMU

TRACT 25

and all interest in and to

- (a) Oil and gas exchange lease dated January 1, 1960, issued by the United States of America to Olsen Oils, Inc., said lease bearing Serial No. Las Cruces 060625(b), insofar as said lease covers

MLMU

TRACT 23

TRACT 24

The North Half of the Southwest Quarter (N/2 SW/4) and the Northwest Quarter (NW/4) of Section 34, Township 23 South, Range 37 East, Lea County, New Mexico,

subject to the following:

- (1) Operating Agreement dated March 1, 1927, between Eva E. Blinebry and husband, J. H. Blinebry, as permittees, and Texas Production Co., as operator.
- (2) Agreement, dated December 11, 1939, between The Texas Company and R. Olsen, as amended by Agreement dated August 29, 1940, and by Modification Agreement dated February 3, 1941, and Agreement dated May 26, 1941, providing, among other things, for an overriding royalty interest in favor of The Texas Company of 1/8th on oil and casinghead gas and 1/8th on dry gas.
- (3) Agreement dated December 7, 1940, between El Paso Natural Gas Company and R. Olsen, as modified by Agreement dated February 1, 1943, between Uscon Drilling Company and El Paso Natural Gas Company, which provides, among other things, that El Paso Natural Gas Company may purchase, and thereafter own and operate, wells capable of producing dry gas only.

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the S/2 SW/4 of said Section 34, owned by Assignor is .375, and the fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the N/2 SW/4 and NW/4 of said Section 34 is .75.

*TRACT 6 - EVA BLINEBRY LEASE

An undivided one-half (1/2) interest in and to oil and gas exchange lease dated April 1, 1959, issued by the United States of America to Olsen Oils, Inc. Anderson-Prichard Oil Corporation, said lease bearing Serial No. Las Cruces 06 insofar as said oil and gas lease covers the following described land:

The South Half of the Southwest Quarter (S/2 SW/4) of Section 29, Township 23 South, Range 37 East, Lea County, New Mexico,

MLMU

TRACT 19

subject to the following:

- (1) Operating Agreement dated March 1, 1927, between Eva E. Blinebry and husband, J. H. Blinebry, as permittees, and Texas Production Co., as operator.
- (2) Agreement dated October 31, 1938, between The Texas Company and R. Olsen, providing, among other things, for an overriding

royalty interest in favor of The Texas Company of 1/8th of the oil when a daily average of production is more than 60 barrels during any calendar month; 3/32nds of the oil when the daily average production is more than 40 barrels but not more than 60 barrels during any calendar month; 1/16th of the oil when the daily average of production is 40 barrels or less during any calendar month and 1/8th of all gas produced.

ILMU

TRACT 19

- (3) 7 1/2% permittee's overriding royalty to Eva E. Blinebry and A. R. Blinebry, her husband and assigns.
- (4) Pooling Agreement, dated May 17, 1954, between R. Olsen Oil Company and Anderson-Prichard Oil Corporation, with respect as to gas as to the entire SW/4 of said Section 29.

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the above described land owned by Assignor is .3375.

* TRACT 7 - BOYD LEASE

All interest in and to oil and gas lease, dated May 30, 1926, from Mary J. Boyd, et al, to Chas. T. Bates, recorded in Book 4, Page 265, insofar as said lease covers the following described land:

The East 160 acres of the North Half (N/2) of Section 23, Township 24 South, Range 37 East, Lea County, New Mexico,

down to the depth of 6,600 feet, subject to the following:

- (1) An overriding royalty interest of 1/8th of 7/8ths of the oil, gas and other minerals produced.
- (2) Agreement dated November 1, 1945, by and between Repollo Oil Company and R. Olsen.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land owned by Assignor is .765625.

* TRACT 8 - CALLEY LEASE

All interest in and to the following described oil and gas leases:

- (a) Oil and gas lease dated August 31, 1948, from Peerless Oil and Gas Company to R. Olsen Oil Company, recorded in Book 72, Page 502.
- (b) Oil and gas lease dated June 29, 1948, from L. J. Calley, et ux, to R. Olsen Oil Company, recorded in Book 70, Page 129,

insofar as said leases cover the following described land:

East Half of the Northeast Quarter (E/2 NE/4) of Section 7, Township 25 South, Range 37 East, Lea County, New Mexico,

and insofar and only insofar as said leases cover an undivided 3/8ths interest in the oil, gas and other minerals to a depth of 50 feet below total depth of the first well drilled or to 3800 feet, whichever is the lesser depth, and being subject to excess royalty and overriding royalty interest totaling 51/2048ths of all oil, gas and other minerals produced; and covering an undivided 5/16ths interest in the oil, gas and other minerals from the above mentioned depth to a depth of 6,000 feet, and being subject to an overriding royalty interest totaling 35/2048ths of all the oil, gas and other minerals produced.

12/03/50 14.00 09100027010 HARTMAN OIL 177 EAGERS OFFICE 0002 002
BOOK 194 PAGE 621

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land above 3,800 feet owned by Assignor is .303223.

* TRACT 9 - CLIFT LEASE

All interest in and to the following described oil and gas leases:

- (a) Oil and gas lease, dated July 6, 1936, from J. J. Van Zandt, et ux, to Repollo Oil Company, recorded in Book 31, Page 106.
- (b) Oil and gas lease, dated July 22, 1936, from C. B. Woolworth to Repollo Oil Company, recorded in Book 31, Page 157.
- (c) Oil and gas lease, dated July 24, 1936, from Peerless Oil and Gas Company to Repollo Oil Company, recorded in Book 31, Page 162.
- (d) Oil and gas lease, dated July 28, 1936, from Clinton Harrison to Repollo Oil Company, recorded in Book 31, Page 167.
- (e) Oil and gas lease, dated July 28, 1936, from William D. Harrison, et ux, to Repollo Oil Company, recorded in Book 31, Page 165.
- (f) Oil and gas lease, dated November 23, 1936, from Ralph W. Leftwich, et al, to Repollo Oil Company, recorded in Book 31, Page 519.
- (g) Oil and gas lease, dated July 1, 1946, from Amerada Petroleum Corporation to Uscon Drilling Company, recorded in Book 61, Page 636.
- (h) Oil and gas lease, dated October 28, 1947, from Amerada Petroleum Corporation to Uscon Drilling Company, recorded in Book 65, Page 395,

Insofar as said leases cover the following described land:

South Half (S/2) of Section 8, Township 23-South, Range 37 East, Lea County, New Mexico,

and insofar and only insofar as said leases as to the SW/4 SE/4 and NE/4 SE/4 of said Section 8, cover all interest in the oil, gas and other minerals down to the depth of 3,700 feet and an undivided 3/4ths interest in the oil, gas and other minerals from 3,700 feet to the depth of 4,000 feet, subject to overriding royalty interests totaling 37/1024ths of all oil, gas and other minerals produced; and as to the NW/4 SE/4 and SE/4 SE/4 and SW/4 of said Section 8, cover an undivided 3/4ths interest in the oil, gas and other minerals down to the depth of 4,000 feet, subject to an overriding royalty interest of 3/128ths of 7/8ths of all the oil, gas and other minerals produced; subject to the following:

- (1) That certain agreement dated January 3, 1946, between Repollo Oil Company and R. Olsen, as modified by agreement dated May 27, 1946, and agreement dated July 16, 1946, and agreement dated November 21, 1947, all by and between the same parties.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land above 3,700 feet owned by Assignor is as follows:

.832867 as to the SW/4 SE/4 and NE/4 SE/4 of said Section 8.
.6357421 as to the NW/4 SE/4 and SE/4 SE/4 and SW/4 of said Section 8.

** TRACT 10 - CONE LEASE

All interest in and to the following described leases:

Tracts 17 & 18
Pinnard

Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, as parties of the first part and Stanolind Oil and Gas Company, as party of the second part, wherein there is reserved to Stanolind Oil and Gas Company an oil payment of \$500,000.00 payable from an undivided 1/16th of the production.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land owned by Assignor is .7375, but subject to 5% net profits reservation.

MLMU

TRACT 43 - COURTLAND MEYERS LEASE

TRACT 26

All operating rights under the

Southwest Quarter (SW/4) of Section 5 and the Southeast Quarter (SE/4) of Section 6, Township 24 South, Range 37 East, Lea County, New Mexico,

said operating rights being created under and by virtue of that certain Operating Agreement dated February 24, 1927, between Courtland Meyers and Paul McCune, insofar as said Operating Agreement relates to the following described lease:

Oil and Gas Lease dated July 1, 1957, issued in exchange for a "b" lease, issued by the Secretary of the Interior of the United States to Anne Hughes Meyers and Firm Royalties, Inc., said lease bearing Serial No. New Mexico 037667, formerly a part of Serial No. Las Cruces-032450(b).

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land owned by Assignor is .875.

* TRACT 44 - MORRIS LEASE

An undivided one-half (1/2) interest in and to the following described oil and gas lease:

Oil and Gas Lease dated July 29, 1937, being a "b" lease bearing Serial No. Las Cruces 032510(b) issued to R. Olsen Oil Company and Anderson-Prichard Oil Corporation,

insofar as said lease covers the following described land:

Southwest Quarter (SW/4) of Section 27 Township 26 South, Range 37 East, Lea County, New Mexico,

subject to the following:

- (1) Contract dated July 16, 1936, between Stanolind Oil and Gas Company, as grantor, and Usan Oil Company and Anderson-Prichard Oil Corporation, as grantees, which provides, among other things, for the payment to Stanolind Oil and Gas Company of \$500,000.00 payable in installments equal to the gross proceeds of the sale, disposal or utilization of 1/16th of the oil, casinghead gas and other hydrocarbon substances produced from the above described land and other lands, as amended by contract dated November 16, 1938 between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, as parties of the first part, and Stanolind Oil and Gas Company, as party of the second part.
- (2) An overriding royalty interest of 1/64th of the total production of oil, gas and other minerals in favor of A. K. Barnes.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land owned by Assignor is .3984375.

- c) Gas Purchase Agreement dated August 13, 1951, between El Paso Natural Gas Company, as Buyer, and Olsen-Blount Drilling Co., as Seller,
- d) Casinghead Gas Contract dated February 19, 1952, between Olsen-Blount Drilling Co., as Seller, and El Paso Natural Gas Company, as Buyer.

The fractional share of the gross oil, gas and other hydrocarbons produced from the above-described land owned by assignor is .77343750.

TRACT 7 - HODGE LEASE

MLMU

TRACT 72

(1) Oil and gas lease dated September 14, 1948, by and between Jennie L. Hodges and husband, O. M. Hodges, as Lessors, and Cities Service Oil Company, as Lessee, said lease being recorded in Book 73, Page 428 of the records of Lea County, New Mexico, this interest being subject, however, to the terms and obligations set out in that certain Assignment and Conveyance of Oil and Gas Lease dated October 27, 1950, and recorded in Book 91, Page 199 of the Lea County records, wherein there was reserved unto Cities Service Oil Company an overriding royalty of one-sixteenth-of-seven-eighths ($1/16$ of $7/8$) when the wells average 25 barrels of oil or less per well per day, three-thirty-seconds of seven-eighths ($3/32$ of $7/8$) when the wells average more than 25 barrels but not more than 40 barrels per well per day, one-eighth of seven-eighths ($1/8$ of $7/8$) when the wells average more than 40 barrels of oil per well per day, and one-eighth of seven-eighths ($1/8$ of $7/8$) of all gas produced, and wherein the interest assigned was limited to a depth of 4000 feet below the surface;

(2) Oil and gas lease dated October 23, 1950, by and between The Atlantic Refining Company, a corporation, Lessor, and R. Olsen, Lessee, said lease being recorded in Book 89, Page 340 of the records of Lea County, New Mexico, lessor reserving a royalty of twenty-three one hundred twenty-eighths ($23/128$) when the average production per well per day is not over 25 barrels, fifty-three two hundred fifty-sixths ($53/256$) when the average production per well per day is over 25 barrels but not over 40 barrels, fifteen-sixty-fourths ($15/64$) when the average production per well per day is over 40 barrels, and fifteen-sixty-fourths ($15/64$) of all gas, instead of the regular $1/8$ royalty, said oil and gas lease being limited to a depth of 4000 feet below the surface;

said oil and gas leases together covering the following described land, down to a depth of 4000 feet below the surface:

Northeast Quarter (NE/4) of Section 8, Township 24 N. Township 24 South, Range 37 East, Lea County, New Mexico;

the leasehold estates created by above oil and gas leases being further subject to the following agreements, to wit:

- a) Letter Agreement dated March 10, 1954, between Olsen-Blount Oil Co and El Paso Natural Gas Company,
- b) Gas Purchase Agreement dated October 6, 1951, as amended, between Olsen-Blount Oil Co., as Seller, and El Paso Natural Gas Company, as Purchaser,
- c) Casinghead Gas Contract dated September 13, 1951, as amended, between Olsen-Blount Oil Co., as Seller, and El Paso Natural Gas Company, as Buyer,
- d) Letter Agreement dated December 15, 1954, between El Paso Natural Gas Company and R. Olsen,
- e) Letter Agreement dated October 5, 1954, between R. Olsen and El Paso Natural Gas Company,
- f) Casinghead Gas Contract dated March 19, 1951, between R. Olsen, as Seller, and El Paso Natural Gas Company, as Buyer, as amended.

The fractional share of the gross oil, gas and other hydrocarbons produced from said land above 4000 feet owned by assignor is .765625.

- n) ~~Agreement dated October 4, 1957, by and between El Paso Natural Gas Company and R. Olsen,~~
- o) Bill of Sale dated August 14, 1958 from Jal Oil Company, Inc. and R. Olsen to El Paso Natural Gas Company,
- p) Letter Agreement dated August 4, 1958 between El Paso Natural Gas Company and Jal Oil Company, Inc. and R. Olsen,
- q) Operating Agreement dated November 19, 1958 between El Paso Natural Gas Company, as operator, and Western Petroleum Company, Jal Oil Company, Inc., et al, as non-operators, covering the NW/4 Section 9 and SE/4 SW/4 Section 4-25S-37E,
- r) Communitization Agreement dated November 20, 1958 between El Paso Natural Gas Company, Western Petroleum Company, et al, creating a gas unit covering the NW/4 Section 9-25S-37E and SE/4 SW/4 Section 4-25S-37E;

together with all rights and/or obligations of that certain Agreement dated July 15, 1955, between Anderson-Prichard Oil Corporation and R. Olsen as to the undrilled, unearned acreage described as the

Northeast Quarter of the Southwest Quarter (NE/4 SW/4)
and the Southeast Quarter of the Southwest Quarter
(SE/4 SW/4) of Section 4-25S-37E, Lea County, New Mexico.

The fractional share of the gross oil, casinghead gas and other liquid hydrocarbons produced from the above described land above 4000 feet, not communitized, owned by Assignor is .53625.

* TRACT 24 - JACK LEASE

An undivided one-fifth (1/5) interest in and to the rights of Permittee under and by virtue of that certain Permit dated July 14, 1927, issued by the Secretary of the Interior of the United States to E. E. Jack, said Permit bearing Las Cruces Serial No. 032326(b) insofar as said Permit covers the

Northwest Quarter (NW/4) of Section 8, Township 24 South,
Range 37 East, Lea County, New Mexico, to a depth of 3700
feet below the surface of the soil;

MLMU

TRACT 29

being the same undivided one-fifth (1/5) interest in and to the operating rights under the above described land which were assigned to R. Olsen under and by virtue of that certain Partial Assignment dated December 15, 1954, by and between Howard Hogan and wife, Helen Hogan, Assignors, and R. Olsen, as Assignee, relating to the certain

Oil and gas mining lease dated December 1, 1957, issued by the United States of America to Abner M. Jack, et al, said lease bearing Las Cruces Serial No. 032326(b);

subject to the aforementioned instruments and the following reservations and/or covenants, to-wit:

- a) Drilling and Operating Agreement dated November 1, 1927, by and between E. E. Jack, Owner of Permit, and Harland Oil Company of Colorado, and the proportionate part of the 2 1/2% overriding royalty reserved therein,
- b) Contract for Development dated December 10, 1949, by and between Continental Oil Company, Standard Oil Company of Texas, The Atlantic Refining Company, and Stanolind Oil and Gas Company, First Parties, and J. T. Paddockford, Second Party, and the proportionate part of the 2 1/2% overriding royalty reserved therein,

- c) Gas Purchase Agreement dated September 5, 1951, as amended, by and between El Paso Natural Gas Company, as Buyer, and Howard Hogan, Herbert J. Schmitz, Harold S. Russell, Charles T. Scott and P. D. Lortscher, as Sellers,
- d) Casinghead Gas Contract dated October 11, 1951, by and between Howard Hogan, Harold S. Russell, Charles T. Scott, Herbert J. Schmitz and P. D. Lortscher, as Sellers, and El Paso Natural Gas Company, as Buyer, as amended,
- e) Operating Agreement dated January 16, 1951, between Howard Hogan, as Operator, and Charles T. Scott; Harold S. Russell, Herbert J. Schmitz, and P. D. Lortscher, as Non-Operators, as modified by Modification of Operating Agreement dated December 15, 1954, between R. Olsen, as Operator, and the Non-Operators herein named,
- f) Agreement dated October 4, 1957, by and between El Paso Natural Gas Company and R. Olsen.

MLMU

TRACT 29

The fractional share of the gross oil, dry gas, casinghead gas and other liquid hydrocarbons produced from the above described land above 3700 feet owned by Assignor is .165.

* TRACT 25 - COVINGTON FEDERAL

~~Oil and Gas Lease dated December 1, 1951, issued by the United States of America to Gustave Ring, said lease bearing New Mexico Serial No. 06470, and covering the following described land:~~

~~Lots 3 and 4, and the Northeast Quarter of the Southwest Quarter (NE/4 SW/4) of Section 31, Township 25 South, Range 37 East, Lea County, New Mexico;~~

~~subject to the following reservations and/or agreements, to-wit:~~

- ~~a) Operating Agreement dated December 1, 1951, between Gustave Ring and Geo. S. Cohen,~~
- ~~b) Assignment of Oil and Gas Lease dated February 17, 1956, from Jerry Covington and wife to the Olsen Oils, Inc., and an overriding royalty interest reserved therein payable to Jerry Covington of 1/16 of 7/8 below the depth of 3150 feet below the surface of the soil,~~
- ~~c) Casinghead Gas Contract dated May 15, 1952, as amended, between Gustave Ring and Geo. S. Cohen, as Sellers, and El Paso Natural Gas Company, as Buyer,~~
- ~~d) Gas Purchase Agreement dated July 12, 1954, as amended, between Max George Schulze, as Seller, and El Paso Natural Gas Company, as Buyer.~~

~~The fractional share of the gross oil, gas and other hydrocarbons produced from the above described land above 3150 feet owned by Assignor is .875.~~

* TRACT 25 - SAND HILLS UNIT

~~(1) Oil and gas lease dated July 1, 1950, issued by the United States of America to Bertrand O. Baetz, said lease bearing Las Cruces Serial No. 061142, insofar and only insofar as said oil and gas lease covers the following:~~

~~An undivided one-sixteenth (1/16) interest in and to the West Half (W/2) of Section 29, an undivided one-thirty-second (1/32) interest in and to the West Half (W/2) of Section 21 and an undivided one-sixty-fourth (1/64) interest in and to the South Half of the Northwest Quarter (S/2 NW/4) and South-East Quarter of the Northeast Quarter (SE/4 NE/4) and South-Half (S/2) of Section 17, all in Township 26 South, Range 36 East, Lea County, New Mexico.~~

Myers Langlie Mattix &
Stuart Langlie Mattix

DEED
BOOK 443 PAGE 22

25927

10007

DATED 4-8-88

TRUSTEE'S MINERAL DEED

THIS INDENTURE, made this 8th day of April, 1988, between JAMES R. ADELMAN, Trustee for JOHN V. McCARTHY and NORMA (CHISM) McCARTHY, d/b/a M & M OIL COMPANY, in Bankruptcy 86-00416 in the United States Bankruptcy Court for the Eastern District of Oklahoma, Party of the First Part, and Doyle Hartman, of P. O. Box 10426, Midland, Texas 79702, Party of the Second Part,

WITNESSETH, that said Party of the First Part, in consideration of Notice being given on the 2nd day of February, 1988 and the 8th day of March, 1988, and no objections being made, in the United States Bankruptcy Court for the Eastern District of Oklahoma in JOHN V. McCARTHY and NORMA (CHISM) McCARTHY, d/b/a M & M OIL COMPANY, in Bankruptcy 86-00416 does hereby grant, bargain, sell and convey unto the said Party of the Second Part, its successors and assigns forever, all the Trustee's right, title and interest of said Debtors, both at law and in equity, of, in and to the following described oil, gas and other minerals in and under and that may be produced from the following described lands situated in the County of Lea, State of New Mexico, to-wit:

SECTION 10: S/2 SW/4 NW/4 SW/4
T24S, R37E (120 ACRES)
SECTION 10: NW/4 NE/4 & E/2 NW/4, T25S, R37E
SECTION 11: NW/4 NW/4, T25S, R37E

MLMU TRACT 63

together with the right of ingress and egress at all times for the purpose of mining, drilling, exploring, operating and developing said lands for oil, gas, and other minerals, and storing, handling, transporting and marketing the same therefrom, if possessed by said Debtors.

This sale is being made subject to any rights now existing to any lessee or assigns under any valid and subsisting oil and gas lease of record heretofore executed; it being understood and agreed that said Party of the Second Part shall have, receive, and enjoy the herein granted undivided interest in and to all bonuses, rents, royalties and other benefits which may accrue under the terms of said lease insofar as it covers the interest being conveyed, whatever it may be, without warranty, from and after the date hereof, precisely as if the Party of the Second Part herein had been at the date of the making of said lease the owner of a similar undivided interest in and to the lands described and the Party of the Second Part one of the lessors therein.

To have and to hold the above described property and easement with all and singular the rights, privileges, and appurtenances thereunto or in any wise belonging to the said Party of the Second Part's successors and assigns forever.

IN WITNESS WHEREOF, the said Party of the First Part hereunto set his hand the day and year above written.

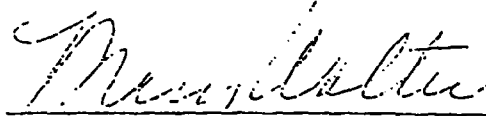
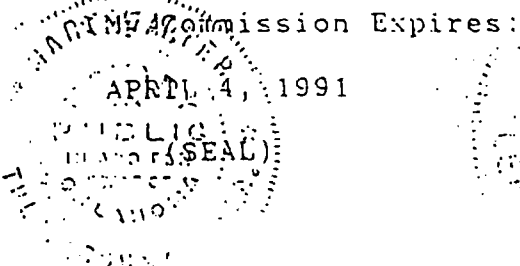


James R. Adelman, Trustee for
JOHN V. McCARTHY and NORMA
(CHISM) McCARTHY, d/b/a M & M
OIL COMPANY, in Bankruptcy 86-00416
in the United States Bankruptcy
Court for the Eastern District of
Oklahoma

STATE OF OKLAHOMA)
) SS.
COUNTY OF TULSA)

Before me, the undersigned, a Notary Public, in and for said County and State, on this 8th day of April, 1988, personally appeared James R. Adelman, Trustee for JOHN V. McCARTHY and NORMA (CHISM) McCARTHY, d/b/a M & M Oil Company, in Bankruptcy 86-00416 in the United States Bankruptcy Court for the Eastern District of Oklahoma, to me known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed and as Trustee for JOHN V. McCARTHY and NORMA (CHISM) McCARTHY, d/b/a M & M Oil Company, in Bankruptcy 86-00416 in the United States Bankruptcy Court for the Eastern District of Oklahoma for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year above written.


NOTARY PUBLIC


STATE OF NEW MEXICO
COUNTY OF LEA
FILED

APR 19 1988

at 11:36 o'clock P.M.
and recorded in Book 443

**Doyle Hartman, Oil Operator
Myers Langlic Mattix Unit Ownership
Lea County, New Mexico**

MILMU Tract No.	Federal Lease No.	Type Interest/Source	Acquisition Date	W.L. Conveyed By Sun	B/Rths Stripper R.R.C. as of 10/1/92	Tract Level						Unit Level				D/HOO R/Rths N.R.I. Inc. of R.R.C.					
						Hartman Group W.L.	Hartman Group N.R.I.	Stipulation Factor	D/HOO W.L.	D/HOO N.R.I.	D/HOO Inc. of R.R.C.	M/LMU Unit Agreement T.P.F.	D/HOO Unit G.W.L.	D/HOO Unit N.R.I.	D/HOO Unit R.R.C. as of 10/1/92		D/HOO N.R.I. Inc. of R.R.C.				
19	LC 060824	W.L (Sun) R.R.C.	1/2/86	0.500000	0.08800000	0.1843750	0.0220000	0.7109375	0.1777344	0.1310791	0.1467197	0.0249538	0.0044351	0.0032709	0.00033903	0.0036612	0.7375000	0.8255000			
20	LC 060825 (a)	W.L (Sun) R.R.C.	1/2/86	1.000000	0.08800000	0.3375000	0.0440000	0.7109375	0.3554688	0.2399414	0.2712227	0.0015631	0.0005556	0.0003751	0.0000489	0.0004239	0.6750000	0.7630000			
21	LC 060825 (a)	W.L (Sun) R.R.C.	1/2/86	1.000000	0.08800000	0.3375000	0.0440000	0.7109375	0.3554688	0.2399414	0.2712227	0.0308133	0.0109532	0.0073934	0.0009639	0.0083573	0.6750000	0.7630000			
22	LC 060825 (a)	W.L (Sun) R.R.C.	1/2/86	1.000000	0.08800000	0.3687500	0.0440000	0.7109375	0.3554688	0.2621582	0.2934395	0.0200252	0.0071183	0.0052498	0.0006264	0.0038762	0.7375000	0.8255000			
23	LC 060825 (b)	W.L (Sun) R.R.C.	1/2/86	1.000000	0.08800000	0.3750000	0.0440000	0.7109375	0.3554688	0.2660116	0.2978828	0.0030952	0.0011002	0.0008252	0.0000968	0.0009220	0.7500000	0.8380000			
24	LC 060825 (b)	W.L (Sun) R.R.C.	1/2/86	1.000000	0.08800000	0.3750000	0.0440000	0.7109375	0.3554688	0.2660116	0.2978828	0.0030468	0.0010830	0.0008123	0.0000976	0.0009076	0.7500000	0.8380000			
25	LC 063722	W.L (Sun) R.R.C.	1/2/86	0.500000	0.08800000	0.1875000	0.0220000	0.7109375	0.1777344	0.1333008	0.1489414	0.0091715	0.0016301	0.0012226	0.0001434	0.0013660	0.7500000	0.8380000			
26	NN17488	W.L (Sun) R.R.C.	1/2/86	1.000000	0.08800000	0.4375000	0.0440000	0.7109375	0.3554688	0.3110352	0.3423164	0.0339996	0.0120858	0.0105751	0.0010635	0.0116386	0.8750000	0.9630000			
29	NN10321613	W.L (Sun) R.R.C.	1/2/86	0.300000	0.08800000	0.1237500	0.0132000	0.7109375	0.1066406	0.0879785	0.0973629	0.0102337	0.0010913	0.0009003	0.0000960	0.0009964	0.8250000	0.9130000			
29	NN10321613	W.L (Bundy) R.R.C.	3/1/83	0.200000	0.08800000	0.1650000	0.0176000	1.0000000	0.2000000	0.1650000	0.1826000	0.0102337	0.0020467	0.0016886	0.0001801	0.0018687	0.8250000	0.9130000			
29	NN10321613	Total W.L Total R.R.C.		0.3500000	0.08800000	0.2887500	0.0308000	0.8761161	0.3066406	0.2529785	0.2799629	0.0102337	0.0031381	0.0025889	0.0002762	0.0028651	0.8250000	0.9130000			
63	Fee	M/L (N&C only)	4/2/88					1.0000000		0.0011800	0.0011800	0.0210707	0.0000249	0.0000249		0.0000249	0.8203126	0.8731263			
72	Fee	W.L (Sun)	1/2/86	1.000000		0.500000	0.4101563	0.7109375	0.3554688	0.2915955	0.2915955	0.0185423	0.0065912	0.0054069	0.0037048	0.0054069	0.7751960	0.8512835			
Tract B/Rths Stripper R.R.C. is equal to (0.125 - 0.037) or 0.088 of B/Rths as to above referenced Federal leases.																			Total	0.0377449	0.0414496

1) Tract 8/8ths Stripper R.R. Co. is equal to (0.125 - 0.037) or 0.088 of 8/8ths as to above referenced Federal leases;

2) $D(X)$ Unit Level R.R.C. as to each tract = $0.088 \times D(X)$ W.L. x T.P.F.;
i.e., as to Tract 19, $D(X)$ Unit Level R.R.C. = $0.1777344 \times 0.088 \times 0.249$

2100

Exhibit C to Counterclaim

Laws 1963, ch. 139, § 7; 1977, ch. 255, § 72; 1981, ch. 125, § 53.

Cross references. — For telegraph and telephone

42A-2-4 NMSA 1978. For railroads' right of eminent domain, see 42A-2-3 and 42A-2-4 NMSA 1978.

70-6-8. Ownership of injected gas.

All natural gas which has previously been reduced to possession, and which is subsequently injected into underground storage in any strata or formation shall at all times be deemed the property of the injector, his heirs, successors or assigns; and in no event shall such gas be subject to the right of the owner of the surface of said lands or of any mineral interest therein, under which said strata or formation lie, or of any person other than the injector, his heirs, successors and assigns, to produce, take, reduce to possession, waste or otherwise interfere with or exercise any control thereover, provided that the injector, his heirs, successors and assigns shall have no right to gas in any stratum, formation or portion thereof, in which storage rights have not been acquired pursuant to this act [70-6-1 to 70-6-8 NMSA 1978], or otherwise purchased.

History: 1963 Comp., § 65-9-8, enacted by Laws 1963, ch. 139, § 8.

Am. Jur. 2d, A.L.R. and C.J.S. references. —

Rights and liabilities with respect to natural gas reduced to possession and subsequently stored in natural reservoir, 94 A.L.R.2d 543.

ARTICLE 7

Statutory Unitization Act

Sec.

70-7-1. Purpose of act.

70-7-2. Short title.

70-7-3. Additional powers and duties of the oil conservation division.

70-7-4. Definitions.

70-7-5. Requisites of application for unitization.

70-7-6. Matters to be found by the division precedent to issuance of unitization order.

70-7-7. Division orders.

70-7-8. Ratification or approval of plan by owners.

70-7-9. Amendment of plan of unitization.

70-7-10. Previously established units.

70-7-11. Unit operations of less than an entire pool.

Sec.

70-7-12. Operation; expressed or implied covenants.

70-7-13. Income from unitized substances.

70-7-14. Lien for costs.

70-7-15. Liability for expenses.

70-7-16. Division orders.

70-7-17. Property rights.

70-7-18. Existing rights, rights in unleased land and royalties and lease burdens.

70-7-19. Agreements not violative of laws governing monopolies or restraint of trade.

70-7-20. Evidence of unit to be recorded.

70-7-21. Unlawful operation.

70-7-1. Purpose of act.

The legislature finds and determines that it is desirable and necessary under the circumstances and for the purposes hereinafter set out to authorize and provide for the unitized management, operation and further development of the oil and gas properties to which the Statutory Unitization Act [70-7-1 to 70-7-21 NMSA 1978] is applicable, to the end that greater ultimate recovery may be had therefrom, waste prevented, and correlative rights protected of all owners of mineral interests in each unitized area. It is the intention of the legislature that the Statutory Unitization Act apply 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.

History: 1963 Comp., § 65-14-1, enacted by Laws 1975, ch. 293, § 1.

Law reviews. — For article, "On an Institutional

Arrangement for Developing Oil and Gas in the Gulf of Mexico", see 26 Nat. Resources J. 717 (1986).

70-7-2. Short title.

This act [70-7-1 to 70-7-21 NMSA 1978] may be cited as the "Statutory Unitization Act."

History: 1953 Comp., § 65-14-2, enacted by Laws 1975, ch. 293, § 2.

70-7-3. Additional powers and duties of the oil conservation division.

Subject to the limitations of the Statutory Unitization Act [70-7-1 to 70-7-21 NMSA 1978], the oil conservation division of the energy, minerals and natural resources department, hereinafter referred to as the "division", is vested with jurisdiction, power and authority and it shall be its duty to make and enforce such orders and do such things as may be necessary or proper to carry out and effectuate the purposes of the Statutory Unitization Act.

History: 1953 Comp., § 65-14-3, enacted by Laws 1975, ch. 293, § 3; 1977, ch. 255, § 109; 1987, ch. 294, § 87.

The 1987 amendment, effective July 1, 1987,

substituted "energy, minerals and natural resources" for "energy and minerals" and made minor changes in language.

70-7-4. Definitions.

For the purposes of the Statutory Unitization Act [70-7-1 to 70-7-21 NMSA 1978], unless the context otherwise requires:

A. "pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separate from any other zone in the structure, is covered by the word pool as used herein. Pool is synonymous with "common source of supply" and with "common reservoir";

B. "oil and gas" means crude oil, natural gas, casinghead gas, condensate or any combination thereof;

C. "waste," in addition to its meaning in Section 70-2-3 NMSA 1978, shall include both economic and physical waste resulting, or that could reasonably be expected to result, from the development and operation separately of tracts that can best be developed and operated as a unit;

D. "working interest" means an interest in unitized substances by virtue of a lease, operating agreement, fee title or otherwise, excluding royalty owners, owners of overriding royalties, oil and gas payments, carried interests, mortgages and lien claimants but including a carried interest, the owner of which is primarily obligated to pay, either in cash or out of production or otherwise, a portion of the unit expense; however, oil and gas rights that are free of lease or other instrument creating a working interest shall be regarded as a working interest to the extent of seven-eighths thereof and a royalty interest to the extent of the remaining one-eighth thereof;

E. "working interest owner" or "lessee" means a person who owns a working interest;

F. "royalty interest" means a right to or interest in any portion of the unitized substances or proceeds thereof other than a working interest;

G. "royalty owner" means a person who owns a royalty interest;

H. "unit operator" means the working interest owner, designated by working interest owners under the unit operating agreement or the division to conduct unit operations, acting as operator and not as a working interest owner;

I. "basic royalty" means the royalty reserved in the lease but in no event exceeding one-eighth; and

J. "relative value" means the value of each separately owned tract for oil and gas purposes and its contributing value to the unit in relation to like values of other tracts in the unit, taking into account acreage, the quantity of oil and gas recoverable therefrom, location on structure, its probable productivity of oil and gas in the absence of unit operations, the burden of operation to which the tract will or is likely to be subjected, or so many of said factors, or such other pertinent engineering, geological, operating or pricing factors, as may be reasonably susceptible of determination.

History: 1953 Comp., § 65-14-4, enacted by Laws 1975, ch. 293, § 4; 1977, ch. 255, § 110.

70-7-5. Requisites of application for unitization.

Any working interest owner may file an application with the division requesting an order for the unit operation of a pool or any part thereof. The application shall contain:

- A. a description of the proposed unit area and the vertical limits to be included therein with a map or plat thereof attached;
- B. a statement that the reservoir or portion thereof involved in the application has been reasonably defined by development;
- C. a statement of the type of operations contemplated for the unit area;
- D. a copy of a proposed plan of unitization which the applicant considers fair, reasonable and equitable;
- E. a copy of a proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid; and
- F. an allegation of the facts required to be found by the division under Section 70-7-6 NMSA 1978.

History: 1953 Comp., § 65-14-5, enacted by Laws 1975, ch. 293, § 5; 1977, ch. 255, § 111.

Am. Jur. 2d, A.L.R. and C.J.S. references. — 38 Am. Jur. 2d Gas and Oil §§ 164, 172.

Compulsory pooling or unitization statute or ordinance requiring owners or lessees of oil and gas lands to develop their holdings as a single drilling unit and the like, 37 A.L.R.2d 434.

70-7-6. Matters to be found by the division precedent to issuance of unitization order.

A. After an application for unitization has been filed with the division and after notice and hearing, all in the form and manner and in accordance with the procedural requirements of the division, and prior to reaching a decision on the petition, the division shall determine whether or not each of the following conditions exists:

(1) that the unitized management, operation and further development of the oil or gas pool or a portion thereof is reasonably necessary in order to effectively carry on pressure maintenance or secondary or tertiary recovery operations, to substantially increase the ultimate recovery of oil and gas from the pool or the unitized portion thereof;

(2) that one or more of the said unitized methods of operations as applied to such pool or portion thereof is feasible, will prevent waste and will result with reasonable probability in the increased recovery of substantially more oil and gas from the pool or unitized portion thereof than would otherwise be recovered;

(3) that the estimated additional costs, if any, of conducting such operations will not exceed the estimated value of the additional oil and gas so recovered plus a reasonable profit;

(4) that such unitization and adoption of one or more of such unitized methods of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the pool or portion thereof directly affected;

(5) that the operator has made a good faith effort to secure voluntary unitization within the pool or portion thereof directly affected; and

(6) 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.

B. If the division determines that the participation formula contained in the unitization agreement does not allocate unitized hydrocarbons on a fair, reasonable and equitable basis, the division shall determine the relative value, from evidence introduced at the hearing, taking into account the separately owned tracts in the unit area, exclusive of physical equipment, for development of oil and gas by unit operations, and the production allocated to each tract shall be the proportion that the relative value of each tract so determined bears to the relative value of all tracts in the unit area.

C. When the division determines that the preceding conditions exist, it shall make findings to that effect and make an order creating the unit and providing for the unitization and unitized operation of the pool or portion thereof described in the order, all upon such terms and conditions as may be shown by the evidence to be fair, reasonable, equitable and which are necessary or proper to protect and safeguard the respective rights and obligations of the working interest owners and royalty owners.

History: 1963 Comp., § 65-14-6, enacted by Laws 1975, ch. 293, § 6; 1977, ch. 255, § 113.

70-7-7. Division orders.

The order providing for unitization and unit operation of a pool or part of a pool shall be upon terms and conditions that are fair, reasonable and equitable and shall approve or prescribe a plan or unit agreement for unit operation which shall include:

A. a legal description in terms of surface area of the pool or part of the pool to be operated as a unit and the vertical limits to be included, termed "the unit area";

B. a statement of the nature of the operations contemplated;

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

D. 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;

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

F. 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 determined by the division to be just and reasonable and allowing an appropriate charge for interest for such service payable out of the owner's share of production; provided that any nonconsenting working interest owner being so carried shall be deemed to have relinquished to the unit operator all of its operating rights and working interest in and to the unit until his share of the costs are repaid, plus an amount not to exceed two hundred percent of such costs as a nonconsent penalty, with maximum penalty amount in each case to be determined by the division;

G. 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;

H. a provision for a voting procedure for the decision of matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to its unit participation;

I. 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 termination; and

J. such additional provisions as are found to be appropriate for carrying on the unit operations and for the protection of correlative rights and the prevention of waste.

History: 1963 Comp., § 65-14-7, enacted by Laws 1976, ch. 293, § 7; 1977, ch. 255, § 113; 1986, ch. 55, § 1.

The 1986 amendment, effective May 21, 1986, at

the end of Subsection F, added the language following "in and to the unit until" and made minor stylistic changes throughout the section.

70-7-8. Ratification or approval of plan by owners.

A. No order of the division providing for unit operations shall become effective unless and until the plan for unit operations prescribed by the division has been approved in writing by those persons who, under the division's order, will be required initially to pay at least seventy-five percent of the costs of the unit operations, and also by the owners of at least seventy-five percent of the production or proceeds thereof that will be credited to interests which are free of cost such as royalties, overriding royalties and production payments, and the division has made a finding either in the order providing for unit operations or in a supplemental order that the plan for unit operations has been so approved. Notwithstanding any other provisions of this section, if seventy-five percent or more of the unit area is owned, as to working interest, by one working interest owner, such working interest owner must be joined by at least one other working interest owner in ratifying and approving the plan of unit operations, unless such working interest owner is the owner of one hundred percent of the working interest in said unit area; provided, however, if a single owner is one who, under the division's order will be required initially to pay at least twenty-five percent, but not more than fifty percent, of the costs of unit operation, such owner must be joined by at least one other owner of the same type interest in disapproving, or failure to approve, the plan of unit operations to defeat the plan.

B. If one owner is the owner of at least twenty-five percent, but not more than fifty percent, of the production or proceeds thereof that will be credited to interests which are free of costs, such owner must be joined by at least one other owner of the same type interest in disapproving, or failure to approve, the plan of unit operations to defeat the plan.

C. If the persons owning the required percentage of interest in the unit area do not approve the plan for unit operations within a period of six months from the date on which the order providing for unit operations is made, such order shall cease to be of further force and effect and shall be revoked by the division, unless the division shall extend the time for ratification for good cause shown.

D. When the persons owning the required percentage of interest in the unit area have approved the plan for unit operations, the interests of all persons in the unit are unitized whether or not such persons have approved the plan of unitization in writing.

History: 1963 Comp., § 65-14-8, enacted by
Laws 1976, ch. 293, § 8; 1977, ch. 255, § 114.

70-7-9. Amendment of plan of unitization.

An order providing for unit operations may be amended by an order made by the division in the same manner and subject to the same conditions as an original order providing for unit operations, provided:

A. if such an amendment affects only the rights and interests of the working interest owners, the approval of the amendment by the royalty owners shall not be required; and

B. no such amendment shall change the percentage for the allocation of oil and gas as established for any separately owned tract by the original order, except with the consent of all working interest owners and royalty owners in such tract, or change the percentage for the allocation of costs as established for any separately owned tract by the original order, except with the consent of all working interest owners in such tract.

History: 1963 Comp., § 65-14-9, enacted by
Laws 1976, ch. 293, § 9; 1977, ch. 255, § 115.

70-7-10. Previously established units.

The division, by order, may provide for the unit operation of a pool or parts thereof that embrace a unit area established by a previous order of the division. Such order, in providing for the allocation of unit production, shall first treat the unit area previously established as a single tract, and the portion of the unit production allocated thereto shall then be allocated

among the separately owned tracts included in such previously established unit area in the same proportions as those specified in the previous order.

History: 1953 Comp., § 65-14-10, enacted by Laws 1975, ch. 293, § 10; 1977, ch. 255, § 116.

70-7-11. Unit operations of less than an entire pool.

An order may provide for unit operation on less than the whole of a pool where the unit area is of such size and shape as may be reasonably suitable for that purpose, and the conduct thereof will have no adverse effect upon other portions of the pool.

History: 1953 Comp., § 65-14-11, enacted by Laws 1975, ch. 293, § 11.

Am. Jur. 2d, A.L.R. and C.J.S. references. — 38 Am. Jur. 2d Gas and Oil §§ 164, 172.

70-7-12. Operation; expressed or implied covenants.

All operations, including but not limited to, the commencement, drilling or operation of a well upon any portion of the unit area shall be deemed for all purposes the conduct of such operations upon each separately owned tract in the unit area by the several owners thereof. The portions of the unit production allocated to a separately owned tract in a unit area shall, when produced, be deemed, for all purposes, to have been actually produced from such tract by a well drilled thereon. Operations conducted pursuant to an order of the division providing for unit operations shall constitute a fulfillment of all the express or implied obligations for each lease or contract covering lands in the unit area to the extent that compliance with such obligations cannot be had because of the order of the division.

History: 1953 Comp., § 65-14-12, enacted by Laws 1975, ch. 293, § 12; 1977, ch. 255, § 117.

70-7-13. Income from unitized substances.

The portion of the unit production allocated to any tract, and the proceeds from the sale thereof, shall be the property and income of the several persons to whom, or to whose credit, the same are allocated or payable under the order providing for unit operations.

History: 1953 Comp., § 65-14-13, enacted by Laws 1975, ch. 293, § 13.

70-7-14. Lien for costs.

Subject to such reasonable limitations as may be set out in the plan of unitization, the unit shall have a first and prior lien upon the leasehold estate and other oil and gas rights (exclusive of a one-eighth royalty interest or exclusive of the interest provided in the unit operating plan which allocates costs, if it is different than one-eighth) in and to each separately owned tract, the interest of the owners thereof in and to the unit production and all equipment in the possession of the unit, to secure the payment of the amount of the unit expense charged to and assessed against such separately owned tract.

History: 1953 Comp., § 65-14-14, enacted by Laws 1975, ch. 293, § 14.

70-7-15. Liability for expenses.

The obligation or liability of each working interest owner in the several separately owned tracts in the unit for the payment of unit expense at all times shall be several and not joint or collective, and a working interest owner shall not be chargeable with, obligated or liable for, directly or indirectly, more than the amount apportioned, assessed or otherwise charged to his interest in the separately owned tract pursuant to the order of unitization.

History: 1963 Comp., § 65-14-15, enacted by Laws 1975, ch. 293, § 15.

70-7-16. Division orders.

A. No division order or other contract relating to the sale or purchase of production from a separately owned tract shall be terminated by the order providing for unit operations, but shall remain in force and apply to oil and gas allocated to such tract until terminated in accordance with the provisions thereof.

B. For purposes of this section, "division order" shall mean a contract of sale to the purchaser of oil and gas.

History: 1963 Comp., § 65-14-16, enacted by Laws 1975, ch. 293, § 16; 1977, ch. 255, § 118.

70-7-17. Property rights.

Except to the extent that the parties affected so agree, no order providing for unit operations shall be construed to result in a transfer of all or any part of the title of any person to the oil and gas rights in any tract in the unit area. All property, whether real or personal, that may be acquired in the conduct of unit operations hereunder shall be acquired for the account of the working interest owners within the unit area, and shall be the property of such working interest owners in the proportion that the costs of unit operations are charged.

History: 1963 Comp., § 65-14-17, enacted by Laws 1975, ch. 293, § 17.

70-7-18. Existing rights, rights in unleased land and royalties and lease burdens.

Property rights, leases, contracts and other rights or obligations shall be regarded as amended and modified only to the extent necessary to conform to the provisions and requirements of the Statutory Unitization Act [70-7-1 to 70-7-21 NMSA 1978] and to any valid order of the division providing for the unit operation of a pool or a part thereof, but otherwise shall remain in full force and effect. A one-eighth part of the production allocated to each tract under an order providing for the unit operation of a pool or a part thereof shall in all events be and remain free and clear of any cost or expense of developing or operating the unit and of any lien therefor as an encumbered [unencumbered] source from which to pay the royalties or other cost-free obligations due or payable with respect to the production from such tract. If a lease or other contract pertaining to a tract or interest stipulates a royalty, overriding royalty, production payment or other obligation in excess of one-eighth of the production or proceeds therefrom, then the working interest owner subject to such excess payment or other obligation shall bear and pay the same.

History: 1963 Comp., § 65-14-18, enacted by Laws 1975, ch. 293, § 18; 1977, ch. 255, § 119.
Bracketed material. — The bracketed word "un-

encumbered" was inserted by the compiler as the apparently intended term. It was not enacted by the legislature and is not a part of the law.

70-7-19. Agreements not violative of laws governing monopolies or restraint of trade.

No agreement between or among lessees or other owners of oil and gas rights in oil and gas properties entered into pursuant hereto or with a view or for the purpose of bringing about the unitized development or operation of such properties shall be held to violate any of the statutes of this state prohibiting monopolies or acts, arrangements, agreements, contracts, combinations or conspiracies in restraint of trade or commerce.

History: 1963 Comp., § 65-14-19, enacted by
Laws 1975, ch. 293, § 19.

70-7-20. Evidence of unit to be recorded.

A copy of each unit agreement shall be recorded in the office of the county clerk of the county or counties in which the unit is situated.

History: 1963 Comp., § 65-14-20, enacted by
Laws 1975, ch. 293, § 20.

70-7-21. Unlawful operation.

From and after the date designated by the division that a unit plan shall become effective, the operation of any well producing from the pool within the area subject to said unit plan, by persons other than persons acting under the authority of the unit plan, or except in the manner and to the extent provided in such unit plan, shall be unlawful and is hereby prohibited.

History: 1963 Comp., § 65-14-21, enacted by
Laws 1975, ch. 293, § 21; 1977, ch. 255, § 120.

ARTICLE 8

Emergency Petroleum Products Supplies

Sec.

- 70-8-1. Short title.
- 70-8-2. Purpose and findings.
- 70-8-3. Definitions.
- 70-8-4. Consent as a condition of doing business.

Sec.

- 70-8-5. Prohibited acts.
- 70-8-5.1. Exemption.
- 70-8-6. Right of action; injunction; damages.

70-8-1. Short title.

This act [70-8-1 to 70-8-6 NMSA 1978] may be cited as the "Emergency Petroleum Products Supply Act."

History: 1963 Comp., § 65-10-1, enacted by
Laws 1974, ch. 22, § 1.

Meaning of "this act". — The term "this act" means Laws 1974, Chapter 22, which appears as

70-8-1 to 70-8-5 and 70-8-6 NMSA 1978. However, Laws 1979, Chapter 174 added present 70-8-5.1 NMSA 1978 to the Emergency Petroleum Products Supply Act.

70-8-2. Purpose and findings.

The legislature hereby determines that:

A. shortages of petroleum products caused by discontinuance or significant reductions of normal and customary availability in New Mexico of petroleum supplies create severe economic dislocations and hardships, including loss of jobs, closing of factories and businesses, reduction of crop plantings and harvesting, and curtailment of vital public services, including the transportation of food and other essential goods;

B. such hardships and dislocations are a threat to the public health, safety and welfare and can be averted or minimized through the operation of the Emergency Petroleum Products Supply Act [70-8-1 to 70-8-6 NMSA 1978];

C. the purpose of the Emergency Petroleum Products Supply Act is to avert or minimize such threats to the public health, safety and welfare; and

D. the preservation of existing marketing and distribution facilities of petroleum products in the state is necessary to prevent chaos and promote the public health, safety and welfare.

History: 1963 Comp., § 65-10-2, enacted by
Laws 1974, ch. 22, § 2.

LAWS OF
NEW
MEXICO

1977

ILLEGIBLE

ter 289, Section 21) is amended to read:

"65-13-16. CONSTRUCTION OF ACT.--Nothing in the Energy and Minerals Department Act shall be construed to nullify the authority which any other existing state department or agency has with respect to transportation or transmission of energy or with respect to the management, protection and utilization of the state lands and resources under its jurisdiction, or the regulation of utilities, it being the express intent of the legislature that the protection herein afforded this state and to its citizens shall be in addition to those already provided.

The provisions of Section 3 and paragraphs (5), (6) and (7) of Subsection B of Section 6 of the Energy and Minerals Department Act shall not be construed to grant to the secretary any power or jurisdiction not specifically granted to the secretary by law to regulate or control the severance, production, beneficiation, distribution, use, pricing, sale or leasing of fuel, power or natural resources."

Section 109. Section 65-14-3 MMSA 1953 (being Laws 1975, Chapter 293, Section 3) is amended to read:

"65-14-3. ADDITIONAL POWERS AND DUTIES OF THE OIL CONSERVATION DIVISION.--Subject to the limitations of the Statutory Unitization Act the oil conservation division of the energy and minerals department, hereinafter referred to as the "division", is hereby vested with jurisdiction, power and authority and it shall be its duty to make and enforce such orders and do such things as may be necessary or proper to carry out and effectuate the purposes of the Statutory Unitization

Act."

Section 110. Section 65-14-4 MMSA 1953 (being Laws 1975, Chapter 293, Section 4) is amended to read:

"65-14-4. DEFINITIONS.--For the purposes of the Statutory Unitization Act, unless the context otherwise requires:

A. "pool" means an underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separate from any other zone in the structure, is covered by the word pool as used herein. Pool is synonymous with "common source of supply" and with "common reservoir";

B. "oil and gas" means crude oil, natural gas, casinghead gas, condensate or any combination thereof;

C. "waste", in addition to its meaning in Section 65-3-3 MMSA 1953, shall include both economic and physical waste resulting, or that could reasonably be expected to result, from the development and operation separately of tracts that can best be developed and operated as a unit;

D. "working interest" means an interest in unitized substances by virtue of a lease, operating agreement, fee title or otherwise, excluding royalty owners, owners of overriding royalties, oil and gas payments, carried interests, mortgages and lien claimants but including a carried interest, the owner of which is primarily obligated to pay, either in cash or out of production or otherwise, a portion of the unit expense; however, oil and gas rights that are free

of lease or other instrument creating a working interest shall be regarded as a working interest to the extent of seven-eighths thereof and a royalty interest to the extent of the remaining one-eighth thereof;

E. "working interest owner" or "lessee" means a person who owns a working interest;

F. "royalty interest" means a right to or interest in any portion of the unitized substances or proceeds thereof other than a working interest;

G. "royalty owner" means a person who owns a royalty interest;

H. "unit operator" means the working interest owner, designated by working interest owners under the unit operating agreement or the division to conduct unit operations, acting as operator and not as a working interest owner;

I. "basic royalty" means the royalty reserved in the lease but in no event exceeding one-eighth; and

J. "relative value" means the value of each separately owned tract for oil and gas purposes and its contributing value to the unit in relation to like values of other tracts in the unit, taking into account acreage, the quantity of oil and gas recoverable therefrom, location on structure, its probable productivity of oil and gas in the absence of unit operations, the burden of operation to which the tract will or is likely to be subjected, or so many of said factors, or such other pertinent engineering, geological, operating

or pricing factors, as may be reasonably susceptible of determination."

Section 111. Section 65-14-5 NMSA 1953 (being Laws 1975, Chapter 293, Section 5) is amended to read:

"65-14-5. REQUISITES OF APPLICATION FOR UNITIZATION.--Any working interest owner may file an application with the division requesting an order for the unit operation of a pool or any part thereof. The application shall contain:

A. a description of the proposed unit area and the vertical limits to be included therein with a map or plat thereof attached;

B. a statement that the reservoir or portion thereof involved in the application has been reasonably defined by development;

C. a statement of the type of operations contemplated for the unit area;

D. a copy of a proposed plan of unitization which the applicant considers fair, reasonable and equitable;

E. a copy of a proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid; and

F. an allegation of the facts required to be found by the division under Section 65-14-6 NMSA 1953."

Section 112. Section 65-14-6 NMSA 1953 (being Laws 1975, Chapter 293, Section 6) is amended to read:

"65-14-6. MATTERS TO BE FOUND BY THE DIVISION PRECEDENT TO ISSUANCE OF UNITIZATION ORDER.--

A. After an application for unitization has been filed with

the division and after notice and hearing, all in the form and manner and in accordance with the procedural requirements of the division, and prior to reaching a decision on the petition, the division shall determine whether or not each of the following conditions exists:

(1) that the unitized management, operation and further development of the oil or gas pool or a portion thereof is reasonably necessary in order to effectively carry on pressure maintenance or secondary or tertiary recovery operations, to substantially increase the ultimate recovery of oil and gas from the pool or the unitized portion thereof;

(2) that one or more of the said unitized methods of operations as applied to such pool or portion thereof is feasible, will prevent waste and will result with reasonable probability in the increased recovery of substantially more oil and gas from the pool or unitized portion thereof than would otherwise be recovered;

(3) that the estimated additional costs, if any, of conducting such operations will not exceed the estimated value of the additional oil and gas so recovered plus a reasonable profit;

(4) that such unitization and adoption of one or more of such unitized methods of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the pool or portion thereof directly affected;

(5) that the operator has made a good faith effort to secure voluntary unitization within the pool or portion thereof directly affected; and

(6) 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.

B. If the division determines that the participation formula contained in the unitization agreement does not allocate unitized hydrocarbons on a fair, reasonable and equitable basis, the division shall determine the relative value, from evidence introduced at the hearing, taking into account the separately owned tracts in the unit area, exclusive of physical equipment, for development of oil and gas by unit operations, and the production allocated to each tract shall be the proportion that the relative value of each tract so determined bears to the relative value of all tracts in the unit area.

C. When the division determines that the preceding conditions exist it shall make findings to that effect and make an order creating the unit and providing for the unitization and unitized operation of the pool or portion thereof described in the order, all upon such terms and conditions as may be shown by the evidence to be fair, reasonable, equitable and which are necessary or proper to protect and safeguard the respective rights and obligations of the working interest owners and royalty owners."

Section 113. Section 65-14-7 MNSA 1953 (being Laws 1973, Chapter 293, Section 7) is amended to read:

"65-14-7. DIVISION ORDERS.--The order providing for unitization

and unit operation of a pool or part thereof shall be upon terms and conditions that are fair, reasonable and equitable and shall approve or prescribe a plan or unit agreement for unit operation which shall include:

A. a legal description in terms of surface area of the pool or part thereof to be operated as a unit and the vertical limits to be included therein termed "the unit area";

B. a statement of the nature of the operations contemplated;

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

D. 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;

E. 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 the share of the costs of unit operations charged to such owner, or the interest of such owner, may be sold and the proceeds applied to the payment of such costs;

F. 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 determined by the division to be just and reasonable, and allowing an appropriate charge for interest for such service payable out of such owner's share of production, provided that any nonconsenting working interest owner being so carried shall be deemed to have relinquished to the unit operator all of its operating rights and working interest in and to the unit until his share of the costs, service charge and interest are repaid to the unit operator;

G. 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;

H. a provision for a voting procedure for the decision of matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to its unit participation;

I. 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; and

J. such additional provisions that are found to be appropriate for carrying on the unit operations and for the protection of correlative rights and the prevention of waste."

Section 114. Section 65-14-8 NMSA 1953 (being Laws 1975, Chapter 293, Section 8) is amended to read:

"65-14-8. RATIFICATION OR APPROVAL OF PLAN BY OWNERS.--

A. No order of the division providing for unit operations shall become effective unless and until the plan for unit operations prescribed by the division has been approved in writing by those persons who, under the division's order, will be required initially to pay at least seventy-five percent of the costs of the unit operations, and also by the owners of at least seventy-five percent of the production or proceeds thereof that will be credited to interests which are free of cost such as royalties, overriding royalties and production payments, and the division has made a finding either in the order providing for unit operations or in a supplemental order, that the plan for unit operations has been so approved. Notwithstanding any other provisions of this section, if seventy-five percent or more of the unit area is owned, as to working interest, by one working interest owner, such working interest owner must be joined by at least one other working interest owner in ratifying and approving the plan of unit operations, unless such working interest owner is the owner of one hundred percent of the working interest in said unit area; provided, however, if a single owner is one who, under the division's order will be required initially to pay at least twenty-five percent, but not more than fifty percent, of the costs of unit operation, such owner must be joined by at least one other owner of the same type interest in disapproving, or failure to approve, the plan of unit operations to defeat the plan.

B. If one owner is the owner of at least twenty-five per-

cent, but not more than fifty percent, of the production or proceeds thereof that will be credited to interests which are free of costs, such owner must be joined by at least one other owner of the same type interest in disapproving, or failure to approve, the plan of unit operations to defeat the plan.

C. If the persons owning the required percentage of interest in the unit area do not approve the plan for unit operations within a period of six months from the date on which the order providing for unit operations is made, such order shall cease to be of further force and effect and shall be revoked by the division, unless the division shall extend the time for ratification for good cause shown.

D. When the persons owning the required percentage of interest in the unit area have approved the plan for unit operations, the interests of all persons in the unit are unitized whether or not such persons have approved the plan of unitization in writing."

Section 115. Section 65-14-9 NMSA 1953 (being Laws 1975, Chapter 293, Section 9) is amended to read:

"65-14-9. AMENDMENT OF PLAN OF UNITIZATION.--An order providing for unit operations may be amended by an order made by the division in the same manner and subject to the same conditions as an original order providing for unit operations, provided:

A. if such an amendment affects only the rights and interests of the working interest owners, the approval of the amendment by the royalty owners shall not be required; and

B. no such amendment shall change the percentage for the

allocation of oil and gas as established for any separately owned tract by the original order, except with the consent of all working interest owners and royalty owners in such tract, or change the percentage for the allocation of costs as established for any separately owned tract by the original order, except with the consent of all working interest owners in such tract."

Section 116. Section 65-14-10 NMSA 1953 (being Laws 1975, Chapter 293, Section 10) is amended to read:

"65-14-10. PREVIOUSLY ESTABLISHED UNITS.--The division, by order, may provide for the unit operation of a pool or parts thereof that embrace a unit area established by a previous order of the division. Such order, in providing for the allocation of unit production, shall first treat the unit area previously established as a single tract, and the portion of the unit production allocated thereto shall then be allocated among the separately owned tracts included in such previously established unit area in the same proportions as those specified in the previous order."

Section 117. Section 65-14-12 NMSA 1953 (being Laws 1975, Chapter 293, Section 12) is amended to read:

"65-14-12. OPERATION--EXPRESSED OR IMPLIED COVENANTS.--All operations, including but not limited to, the commencement, drilling or operation of a well upon any portion of the unit area shall be deemed for all purposes the conduct of such operations upon each separately owned tract in the unit area by the several owners thereof. The portions of the unit production allocated to a separately owned

tract in a unit area shall, when produced, be deemed, for all purposes, to have been actually produced from such tract by a well drilled thereon. Operations conducted pursuant to an order of the division providing for unit operations shall constitute a fulfillment of all the express or implied obligations for each lease or contract covering lands in the unit area to the extent that compliance with such obligations cannot be had because of the order of the division."

Section 113. Section 65-14-16 NMSA 1953 (being Laws 1975, Chapter 293, Section 16) is amended to read:

"65-14-16. DIVISION ORDERS.--

A. No division order or other contract relating to the sale or purchase of production from a separately owned tract shall be terminated by the order providing for unit operations, but shall remain in force and apply to oil and gas allocated to such tract until terminated in accordance with the provisions thereof.

B. For purposes of this section, "division order" shall mean a contract of sale to the purchaser of oil and gas."

Section 119. Section 65-14-18 NMSA 1953 (being Laws 1975, Chapter 293, Section 18) is amended to read:

"65-14-18. EXISTING RIGHTS, RIGHTS IN UNLEASED LAND, AND ROYALTIES AND LEASE BURDENS.--Property rights, leases, contracts, and other rights or obligations shall be regarded as amended and modified only to the extent necessary to conform to the provisions and requirements of the Statutory Unitization Act and to any valid order of the division providing for the unit operation of a pool or a part thereof, but

otherwise shall remain in full force and effect. A one-eighth part of the production allocated to each tract under an order providing for the unit operation of a pool or a part thereof, shall in all events be and remain free and clear of any cost or expense of developing or operating the unit and of any lien therefor as an encumbered source from which to pay the royalties or other cost-free obligations due or payable with respect to the production from such tract. If a lease or other contract pertaining to a tract or interest stipulates a royalty, overriding royalty, production payment, or other obligation in excess of one-eighth of the production or proceeds therefrom, then the working interest owner subject to such excess payment or other obligation shall bear and pay the same."

Section 120. Section 65-14-21 NMSA 1953 (being Laws 1975, Chapter 293, Section 21) is amended to read:

"65-14-21. UNLAWFUL OPERATION.--From and after the date designated by the division that a unit plan shall become effective, the operation of any well producing from the pool within the area subject to said unit plan, by persons other than persons acting under the authority of the unit plan, or except in the manner and to the extent provided in such unit plan, shall be unlawful and is hereby prohibited."

Section 121. A new Section 68-4-1.1 NMSA 1953 is enacted to read:

"68-4-1.1. PUBLIC SERVICE COMMISSION ADMINISTRATIVELY ATTACHED TO ENERGY AND MINERALS DEPARTMENT.--The public service commission is administratively attached, as defined in the Executive Reorganization Act, to the energy and minerals department."

Section 122. TERMINATION.--The energy and minerals department shall terminate pursuant to the provisions of the Executive Reorganization Act on July 1, 1983.

Section 123. EFFECTIVE DATE.--The effective date of the provisions of this act is March 31, 1978. _____

BLACK'S LAW DICTIONARY®

Definitions of the Terms and Phrases of
American and English Jurisprudence,
Ancient and Modern

By

HENRY CAMPBELL BLACK, M. A.

SIXTH EDITION

BY

THE PUBLISHER'S EDITORIAL STAFF

Coauthors

JOSEPH R. NOLAN

Associate Justice, Massachusetts Supreme Judicial Court
and

JACQUELINE M. NOLAN-HALEY

Associate Clinical Professor,
Fordham University School of Law

Contributing Authors

M. J. CONNOLLY

Associate Professor (Linguistics),
College of Arts & Sciences, Boston College

STEPHEN C. HICKS

Professor of Law, Suffolk University
Law School, Boston, MA

MARTINA N. ALIBRANDI

Certified Public Accountant, Bolton, MA

ST. PAUL, MINN.
WEST PUBLISHING CO.
1990

Ratification. In a broad sense, the confirmation of a previous act done either by the party himself or by another; as, confirmation of a voidable act. The affirmance by a person of a prior act which did not bind him, but which was done or professedly done on his account, whereby the act, as to some or all persons, is given effect as if originally authorized by him. *Askew v. Joachim Memorial Home*, N.D., 234 N.W.2d 226, 237. The adoption by one, as binding upon himself, of an act done in such relations that he may claim it as done for his benefit, although done under such circumstances as would not bind him except for his subsequent assent. It is equivalent to a previous authorization and relates back to time when act ratified was done, except where intervening rights of third persons are concerned.

In contract law, the act of adopting or confirming a previous act which without ratification would not be an enforceable contractual obligation, or confirming an obligation by one without the authority to make or do (or who was incompetent at the time the contract was made). The act of ratification causes the obligation to be binding as if such was valid and enforceable in the first instance.

Approval, as by legislatures or conventions, of a constitutional amendment proposed by two-thirds of both houses of Congress. Approval by the electorate of a proposed State constitutional amendment.

In the law of principal and agent, the adoption and confirmation by one person with knowledge of all material facts, of an act or contract performed or entered into in his behalf by another who at the time assumed without authority to act as his agent. Essence of "ratification" by principal of act of agent is manifestation of mental determination by principal to affirm the act, and this may be manifested by written word or by spoken word or by conduct, or may be inferred from known circumstances and principal's acts in relation thereto.

Express ratifications are those made in express and direct terms of assent. *Implied* ratifications are such as the law presumes from the acts of the principal.

Estoppel and ratification distinguished, *see* Estoppel. *See also* Acknowledgment; Approval; Confirmation.

me ROOM 382 PAGE 642 RATIFICATION AND APPROVAL
OF THE PLAN FOR UNIT OPERATIONS
AS STATED IN THE UNIT AGREEMENT AND
UNIT OPERATING AGREEMENT OF THE
MYERS LANGLIE-MATTIX UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

For consideration and the purposes stated in those certain agreements, entitled as above, both being dated January 1, 1973, and to obtain the benefits of unitized management, operation and further development of the oil and gas properties in the Myers Langlie-Mattix Unit pursuant to New Mexico Oil Conservation Commission Order No. R-6447 entered on August 27, 1980, approving statutory unitization of the Myers Langlie-Mattix Unit, the undersigned (whether one or more) represents that it is a Working Interest Owner within the meaning of that term as used in the captioned Unit Agreement and, as such, does hereby consent to ratify and approve the plan for unit operations contained in the captioned Unit Agreement and Unit Operating Agreement, said Agreements being incorporated herein by reference and said plan for unit operations having been approved by the New Mexico Oil Conservation Commission in Order No. R-6447.

If the undersigned is also a Royalty Owner, within the meaning of that term as used in said Unit Agreement, then for the considerations and purposes hereinabove stated, this ratification and approval shall extend to the undersigned's Royalty Interest as well as to its Working Interest.

The undersigned hereby acknowledges receipt of copies of said New Mexico Oil Conservation Commission Order No. R-6447, Unit Agreement and Unit Operating Agreement and further acknowledges that the plan for unit operations prescribed in said documents has been ratified and approved and unconditionally delivered on the date set out hereinbelow.

This ratification shall extend to and be binding upon the undersigned, his heirs, legal representatives, successors and assigns.

The undersigned, whether one or more, is referred to in the neuter gender.

IN WITNESS WHEREOF, this instrument is executed this 21st
day of October, 1980.

[Signature]
Attorney-in-Fact for Sun Oil Company (Delaware)
for Sun Texas Company,
a Division of Sun Oil Company (Delaware)

ATTEST:

STATE OF Texas } ss.
COUNTY OF Galveston }

SUBSCRIBED AND SWORN TO before me this 21st day of
October, 1980.

[Signature]
Notary Public

My Commission Expires:

Feb 14, 1984

GETTY OIL COMPANY
NOV 19 1980
MIDLAND E&P DISTRICT
PRODUCTION DEPARTMENT

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

JAN 6 1981
at 11:05 AM
and recorded in Book _____
Page _____
Donna Henge, County Clerk
By [Signature] Deputy

194

This is a true and correct copy of the original
filed in the office of the County Clerk
Elliott & Wagon Title Abstract Co., Inc.
By [Signature]



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JOE KING
GOVERNOR
LARRY KEHOE
SECRETARY

January 5, 1981

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Case 6987

Mr. William F. Carr
Campbell and Black, P.A.
P. O. Box 2208
Santa Fe, New Mexico 87501

Re: Myers Langlie-Mattix
Unit, Lea County,
New Mexico

Dear Mr. Carr:

The Oil Conservation Commission is in receipt of the sworn affidavit of Raymond W. Blohm, District Production Manager for the Midland Exploration and Production District of Getty Oil Company, wherein Mr. Blohm swears that Getty Oil Company has received written approval or ratification of the plan for unit operations from more than 75 percent of those who would be required initially to pay the costs of unit operations and from more than 75 percent of the interest owners of production proceeds from the unit that will be credited to interests which are free of costs.

The above percentages of ratification or approval of the plan for unitized operations meet the criteria set forth by Section 70-7-8, NMSA, 1978 Comp., and were also within the time limit prescribed by said Section 70-7-8. It is therefore hereby determined that Commission Order No. R-6447 unitizing all interests in the Myers Langlie-Mattix Unit Area, Lea County, New Mexico, is in full force and effect.

Very truly yours,

JOE D. RAMEY
Division Director and
Secretary, Oil Conservation
Commission

JDR/DSN/fd

WORKING INTEREST - RATIFICATION

163

me
BOOK

382 PAGE 580

RATIFICATION AND APPROVAL
OF THE PLAN FOR UNIT OPERATIONS
AS STATED IN THE UNIT AGREEMENT AND
UNIT OPERATING AGREEMENT OF THE
MYERS LANGLIE-MATTIX UNIT
LEA COUNTY, NEW MEXICO

GETTY OIL COMPANY

OCT - 6 1980

MIDLAND E&P DISTRICT
PRODUCTION DEPARTMENT

KNOW ALL MEN BY THESE PRESENTS, THAT:

For consideration and the purposes stated in those certain agreements, entitled as above, both being dated January 1, 1973, and to obtain the benefits of unitized management, operation and further development of the oil and gas properties in the Myers Langlie-Mattix Unit pursuant to New Mexico Oil Conservation Commission Order No. R-6447 entered on August 27, 1980, approving statutory unitization of the Myers Langlie-Mattix Unit, the undersigned (whether one or more) represents that it is a Working Interest Owner within the meaning of that term as used in the captioned Unit Agreement and, as such, does hereby consent to ratify and approve the plan for unit operations contained in the captioned Unit Agreement and Unit Operating Agreement, said Agreements being incorporated herein by reference and said plan for unit operations having been approved by the New Mexico Oil Conservation Commission in Order No. R-6447.

If the undersigned is also a Royalty Owner, within the meaning of that term as used in said Unit Agreement, then for the considerations and purposes hereinabove stated, this ratification and approval shall extend to the undersigned's Royalty Interest as well as to its Working Interest.

The undersigned hereby acknowledges receipt of copies of said New Mexico Oil Conservation Commission Order No. R-6447, Unit Agreement and Unit Operating Agreement and further acknowledges that the plan for unit operations prescribed in said documents has been ratified and approved and unconditionally delivered on the date set out hereinbelow.

This ratification shall extend to and be binding upon the undersigned, his heirs, legal representatives, successors and assigns.

The undersigned, whether one or more, is referred to in the neuter gender.

IN WITNESS WHEREOF, this instrument is executed this 30th
day of September, 1980.

X Gloria Bundy

ATTEST:

X Gloria Bundy

STATE OF Florida)
COUNTY OF Howard) ss.

SUBSCRIBED AND SWORN TO before me this 30th day of
September, 1980.

Michael W. Wain
Notary Public For Gloria Bundy

My Commission Expires:

NOTARY PUBLIC STATE OF FLORIDA AT LARGE
MY COMMISSION EXPIRES JAN 23 1982
BONDED THRU GENERAL INS. UNDERWRITERS

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

JAN 6 1981

at 11:05 a.m. A.M.
and recorded in Book _____
Page _____
Doane Henge, County Clerk
By [Signature] Deputy

163

This is a true and correct copy of the original
filed in the office of the County Clerk
Ernest H. Hengen Title & Abstract Co., Inc.
By [Signature]

AFFIDAVIT

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

COMES NOW, Raymond W. Blohm, and upon his oath, deposes and states:

1. That he is the Midland District Production Manager for Getty Oil Company.

2. That as District Production Manager, he is responsible for the development and production of the oil and gas properties of Getty Oil Company in Lea County, New Mexico.

3. That on June 19, 1980, Getty Oil Company filed an application with the New Mexico Oil Conservation Division under the New Mexico Statutory Unitization Act (Section 70-7-1 through 70-7-21, N.M.S.A., 1978 Compilation) seeking an order providing for statutory unitization of the Myers Langlie-Mattix Unit in Lea County, New Mexico.

4. That Section 70-7-8, N.M.S.A., 1978 Compilation provides in part as follows: "No order of the Division providing for unit operations shall become effective unless and until the plan for unit operations described by the Division has been approved in writing by those persons who, under the Division's Order, will be required initially to pay at least seventy-five percent of the cost of unit operations, and also by the owners of at least seventy-five percent of the production proceeds thereof that will be credited to interest which are free of

cost . . . and the Division has made a finding either in the order providing for unit operations or in a supplemental order that the plan for unit operation has been so approved."

5. That the application of Getty Oil Company for statutory unitization of the Myers Langlie-Mattix Unit (Oil Conservation Division Case No. 6987) was heard by the full Oil Conservation Commission on August 5, 1980.

6. That on August 27, 1980, the Oil Conservation Commission entered Order No. R-6447 approving the application of Getty Oil Company for statutory unitization of the Myers Langlie-Mattix Unit.

7. That Oil Conservation Division Order R-6447 " . . . approved and adopted and incorporated by reference . . ." the Myers Langlie-Mattix Unit Agreement and Unit Operating Agreement.

8. That said Order No. R-6447 provided "that when . . . 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."

9. That following issuance of Order R-6447, Getty Oil Company solicited the written approval of ratification of all interest owners in the unit area.

10. That as of December 15, 1980, Getty Oil Company has received written approval or ratification of the plan for unit operations from more than 75% of those who would be required

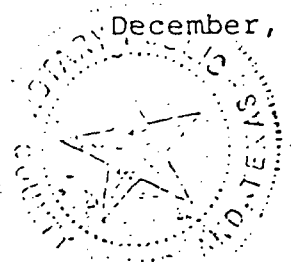
initially to pay the costs of unit operations and from more than 75% of the interest owners of production proceeds from the unit that will be credited to interests which are free of costs.

11. That Getty Oil Company intends to commence unitized operations of the Myers Langlie-Mattix Unit under Oil Conservation Division Order No. R-6447 on January 1, 1981 at 7:00 a.m.

Raymond W. Blohm
Raymond W. Blohm

SUBSCRIBED AND SWORN TO before me this 24th day of

December, 1980, by Raymond W. Blohm.



J. R. AVENT
Notary Public

J. R. AVENT Notary Public
Midland County, Texas

My Commission Expires:

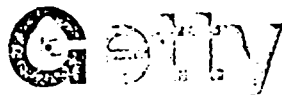
6-30-84

STATE OF NEW MEXICO
COUNTY OF LEA
FILED

JAN 6 1981

at 11:05 o'clock A M
and recorded in Book 382
Page 567
Donna Bengé, County Clerk
By dm Deputy





Getty Oil Company | P.O. Box 1231 Midland Texas 79702 • Telephone (915) 683-6301

Raymond W. Blohm, District Production Manager
Midland Production and Production District

July 14, 1981

File: Myers Langlie-Mattix Unit
Langlie Mattix Field
Lea County, New Mexico

Re: Statutory Unitization

MYERS LANGLIE MATTIX UNIT
ROYALTY INTEREST OWNERS:

Please refer to our letter of September 15, 1980. We have received ratifications from owners of over 99% of the royalty interests and working interests. The New Mexico Oil Conservation Commission Order No. R-6447 is now in force effective January 1, 1981.

The statutory unitization will improve unit operating efficiency and increase ultimate recovery. We appreciate your cooperation in bringing about this action which will benefit every royalty interest owner in the unit.

Sincerely,

Raymond W. Blohm
District Production Manager

FSC
FSC:sah

JH
cc: T. C. Meade - Midland

DOYLE HARTMAN

Oil Operator

3811 TURTLE CREEK BLVD. SUITE 730

DALLAS, TEXAS 75219

(214) 520-1800

(214) 520-0811 FAX

August 24, 1994

VIA FEDERAL EXPRESS

Mr. Charles Pollard

Operations Engineering Supervisor and

Mr. Scott Gengler

Oxy USA, Inc.

#6 Desta Drive, Suite 6002

Midland, TX 79705-5505

Gentlemen:

Reference is made to Oxy's proposed \$7.36 million budget for the Myers Langlie Mattix Unit for fiscal year 1995. Reference is also made to our letter to Oxy of June 9, 1993 wherein we informed Oxy that we were not agreeable to participating in a large redevelopment of the Myers Langlie Mattix Unit and therefore proposed to assign to Oxy Doyle Hartman, Oil Operator's 4.8691% working interest in the Myers Langlie Mattix Unit, in exchange for Oxy assigning to Doyle Hartman, Oil Operator its 160-acre Eumont tract situated in the SW/4 Section 2, T-22-S, R-36-E.

More than one year has transpired since we first informed Oxy of our desire not to participate in substantial new Myers Langlie Mattix Unit development drilling. During the past twelve months, our 4.8691% Myers Langlie Mattix Unit working interest has suffered a net operating loss of \$36,010.89 (7/93 - 6/94), and on a 100% basis, the unit has suffered a net operating loss of \$739,580.74 over the same time period.

Obviously, based on the financial performance of the Myers Langlie Mattix Unit over the past twelve months, it is highly questionable (under the terms of the Unit Agreement for the Myers Langlie Mattix Unit) whether the Myers Langlie Mattix Unit is still a viable secondary recovery unit, especially in consideration of the fact that the oil recovery to date from the Myers Langlie Mattix Unit is nearing the total of primary plus secondary oil reserves initially expected from the Myers Langlie Mattix Unit.

Mr. Charles Pollard
Operations Engineering Supervisor and
Mr. Scott Gengler
August 24, 1994
Page Two

The Myers Langlie Mattix Unit has been in existence for approximately twenty years and was unitized for the purpose of conducting secondary recovery operations that would have been impractical without the formation of a waterflood unit. The unit was not conceived of and formed for the purpose of recovering substantial and previously undeveloped primary reserves. The anticipated secondary oil reserves envisioned in the early 1970's to be recoverable from the Myers Langlie Mattix Unit have now been produced and the Hickman study of February 15, 1991 (commissioned by Oxy's predecessor) justified an extensive new Myers Langlie Mattix Unit development program based solely upon the recovery of substantial and previously unanticipated and undeveloped primary reserves.

The currently effective Myers Langlie Mattix Unit participation factors were not approved for the purpose of developing substantial and previously undeveloped primary reserves. If substantial primary oil reserves still exist within the Myers Langlie Mattix Unit, Doyle Hartman and James A. Davidson possibly desire to develop their own primary reserves, or at least contend that new and more equitable unit participation factors must be accurately computed and approved by the proper regulatory authorities and current working interest owners before any newly proposed development work can proceed. It is mandatory that new and equitable participation factors be utilized for developing any substantial and previously unanticipated primary reserves with the new participation factors being mathematically proportional to the reserves underlying those leases from which any new primary reserves are to be derived.

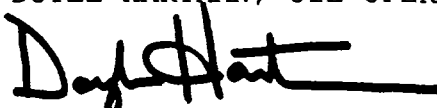
Consequently, it is the position of Hartman and Davidson that Oxy most certainly has not taken the necessary step of computing and obtaining approval for new and more equitable unitization factors and without doubt does not possess the proper authority for proceeding with its proposed development program. However, since we would prefer not to interfere with Oxy's future plans for the Myers Langlie Mattix Unit, we respectfully suggest that both parties sit down and work out a mutually agreeable exchange of properties whereby Oxy can proceed with its desired plans for infill drilling in the Myers Langlie Mattix Unit and Hartman and Davidson can receive from Oxy an exchange property or properties that we ourselves can develop.

Mr. Charles Pollard
Operations Engineering Supervisor and
Mr. Scott Gengler
August 24, 1994
Page Three

Since it is imperative that a resolution be immediately reached corresponding to the future development of the Myers Langlie Mattix Unit, we ask that you promptly make contact with James A. Davidson (915-682-6482) about setting up a meeting to initiate a mutual exchange of property.

Very truly yours,

DOYLE HARTMAN, OIL OPERATOR


Doyle Hartman

DH/ao
Enclosures

CC:
VIA FACSIMILE: (915) 682-6504
Mr. James A. Davidson
214 W. Texas, Suite 710
P.O. Box 494
Midland, Texas 79702

Mr. Donald Romine
Vice President - Western Region
Oxy USA, Inc.
#6 Desta Drive, Suite 6002
Midland, TX 79705-5505

Mr. Robert Hunt
Operations Manager - Western Region
Oxy USA, Inc.
#6 Desta Drive, Suite 6002
Midland, TX 79705-5505

Mr. Tim A. Keys
Oxy USA, Inc.
#6 Desta Drive, Suite 6002
Midland, TX 79710

Mr. Charles Pollard
Operations Engineering Supervisor and
Mr. Scott Gengler
August 24, 1994
Page Four

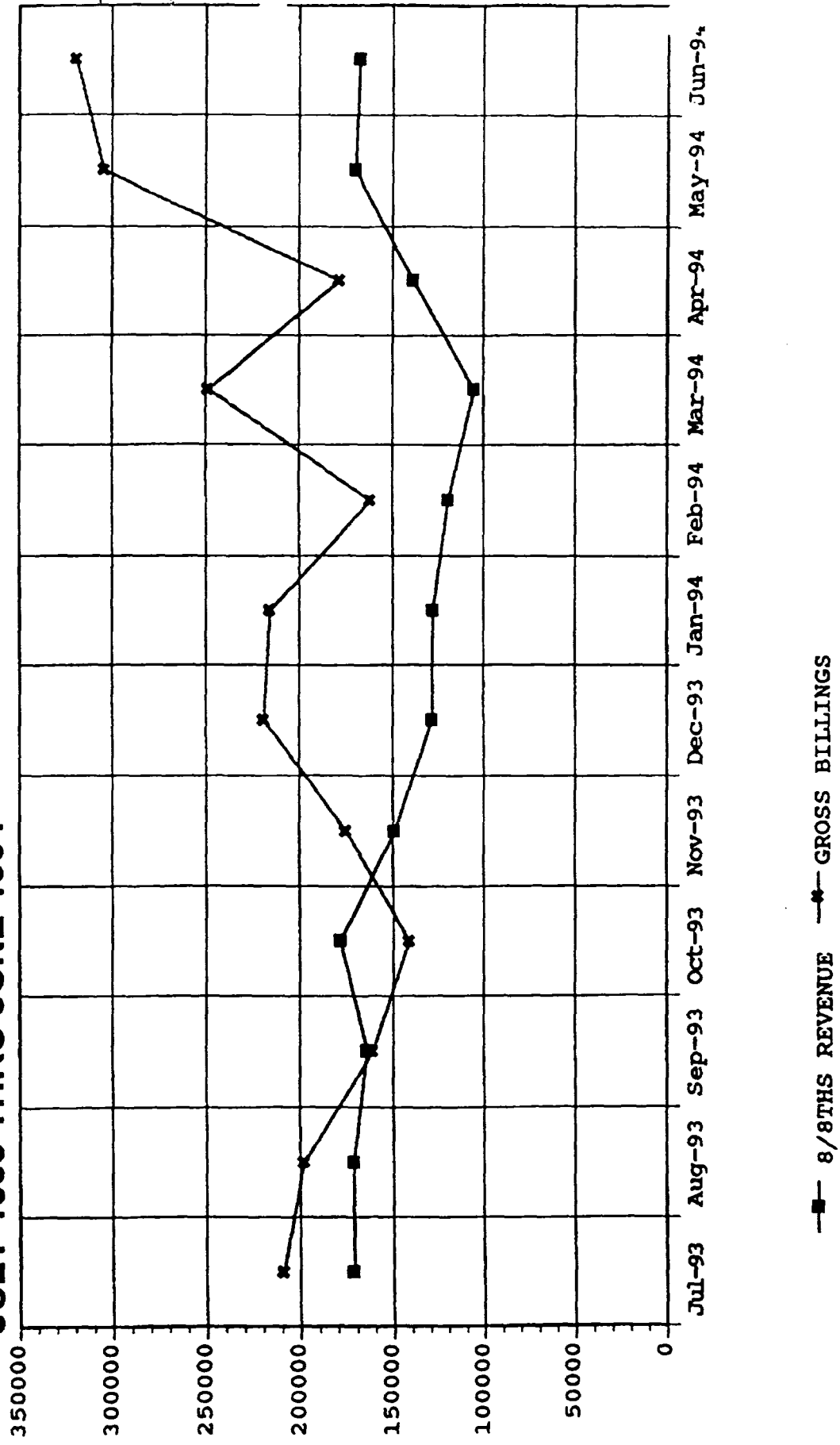
Mr. John Thoma
Financial Consultant
Oxy USA, Inc.
#6 Desta Drive, Suite 6002
Midland, TX 79705-5505

Mr. Patrick N. McGee
Land Manager
Oxy USA, Inc.
#6 Desta Drive, Suite 6002
Midland, TX 79705-5505

Ms. Carol Glass
Landman
Oxy USA, Inc.
#6 Desta Drive, Suite 6002
Midland, TX 79705-5505

Mr. Don Mashburn
Ms. Carolyn Sebastian
Mr. Steven Hartman
Ms. Lisa Holderness
Doyle Hartman, Oil Operator
500 Main Street
Midland, TX 79701

MYERS LANGLIE MATTIX UNIT NET REVENUE VS. BILLINGS JULY 1993 THRU JUNE 1994



Financial Performance
Myers Langlie Mattix Unit
For the Period July 93 to June 94

Month/ Year	8/8th's Net Revenue	Gross Billing	Net Income (Loss)	Cumulative	Hartman's Net Revenue	Hartman's Billing	Hartman's Net Income (Loss)	CUMULATIVE
Jul-93	171,415.75	208,774.35	-37,358.60	-37,358.60	8,346.36	10,165.39	-1,819.03	-1,819.03
Aug-93	171,165.94	197,834.70	-26,668.77	-64,027.36	8,334.20	9,632.73	-1,298.53	-3,117.56
Sep-93	164,099.65	160,767.54	3,332.11	-60,695.25	7,990.13	7,827.90	162.23	-2,955.33
Oct-93	178,171.44	141,029.52	37,141.93	-23,553.32	8,675.30	6,866.84	1,808.46	-1,146.87
Nov-93	148,974.22	174,930.99	-25,956.78	-49,510.10	7,253.66	8,517.53	-1,263.87	-2,410.74
Dec-93	128,518.22	219,130.10	-90,611.88	-140,121.98	6,257.65	10,869.62	-4,611.97	-6,822.71
Jan-94	128,168.82	215,647.51	-87,480.69	-227,602.67	8,240.54	10,500.05	-2,259.51	-11,082.22
Feb-94	119,604.46	161,960.58	-42,356.12	-269,958.79	5,823.63	7,885.99	-2,062.36	-13,144.58
Mar-94	104,982.46	248,728.10	-143,735.63	-413,694.42	5,112.16	12,110.77	-6,998.61	-20,143.19
Apr-94	136,748.10	178,379.28	-39,631.19	-453,325.61	6,755.75	8,685.43	-1,929.68	-22,072.87
May-94	169,839.73	304,448.07	-134,608.34	-587,933.94	8,269.62	14,823.62	-6,554.20	-28,627.07
Jun-94	167,419.64	319,066.44	-151,646.80	-739,580.74	8,151.79	15,535.60	-7,383.81	-36,010.89
Totals	1,791,116.44	2,530,697.17	-739,580.74		87,210.78	123,221.67	-36,010.89	

800K 312 100 365
irrigat ditch of a surface owner, provided th. nothing herein shall be con-
strued as leasing or otherwise conveying to Working Interest Owners a site for
a water, gas injection, processing or other plant or camp site. Working Inter-
est 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, 1969, 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

$$85 \frac{E}{Z} \text{ plus } 10 \frac{G}{H} \text{ plus } 5 \frac{I}{J}$$

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

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

primary recovery operations credited to all qualified Tracts.

"G" 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:

*** ACTIVITY REPORT ***

TRANSMISSION OK

TX/RX NO.	7241
CONNECTION TEL	19156826504
CONNECTION ID	Buddy Davidson
START TIME	08/24 15:28
USAGE TIME	03'30
PAGES	6
RESULT	OK

08/24/94

15:34

12145200811

Hartman Oil

001

*** ACTIVITY REPORT ***

TRANSMISSION OK

TX/RX NO.	7242
CONNECTION TEL	19156827616
CONNECTION ID	Hartman Oil
START TIME	08/24 15:32
USAGE TIME	02'23
PAGES	6
RESULT	OK

*** ACTIVITY REPORT ***

TRANSMISSION OK

TX/RX NO.	7243
CONNECTION TEL	19156826504
CONNECTION ID	Buddy Davidson
START TIME	08/24 15:48
USAGE TIME	05' 33
PAGES	8
RESULT	OK

favor of plaintiffs. There is no direct evidence to implicate them in the arson. The inference may be drawn that plaintiff's sister would probably have told them what she had heard Pacini say generally about burning the premises. But the jury could not infer from that inference alone that with that knowledge plaintiffs deliberately absented themselves on the particular day of the fire, especially since there is no testimony that they would otherwise have been present; and from these inferences alone, infer that they were therefore probably part of the Collins-Pacini conspiracy. There is nothing to justify the essential inference that plaintiffs in any way joined in the design of arson.² No authority for such an inference has been cited. This defense should not have gone to the jury.

[5] Finally the question is whether there is substantial evidence to sustain the defense of increased risk, which, if a condition of the policy suspends its operation. *Goldman v. Piedmont Fire Ins. Co.*, 3 Cir., 198 F.2d 712, 715 (1952). Inferences may be drawn that plaintiffs knew of their sister's knowledge that Pacini had access to the tavern and night club and apparently had an interest in the premises.

The jury could have concluded, defendants argue, that from these facts and inferences plaintiffs had reason to believe that Collins and Pacini were considering arson, and that plaintiffs did nothing about it. Assuming, but not deciding all this, there is nothing in the record or in insurers' brief to show what means plaintiffs had, under their control, to do anything about it. We have not in this record the "steps" that were "open to * * * abate the hazard" which the court in the *Goldman* case found "obvious".

There is no substantial evidence to support the defense of increased hazard.

We need pass on no other point raised.

2. In cases involving either civil conspiracy or criminal conspiracy, 'conspiracy' has been defined as a combination of two or more persons by concerted action to ac-

For the several reasons given, we conclude the trial court erred in refusing to direct a verdict for plaintiffs. The judgment is reversed and the cause remanded for judgment in accordance with the views expressed in this opinion.



PETER FOX BREWING COMPANY
et al., Plaintiffs-Appellants,

v.

SOHIO PETROLEUM COMPANY et al.
Defendants-Appellees.

No. 13348.

United States Court of Appeals
Seventh Circuit.

Nov. 30, 1961.

Action to reform oil and gas royalty agreements. The United States District Court for the Northern District of Illinois, Eastern Division, William J. Campbell, Chief Judge, 189 F.Supp. 743, denied relief, and plaintiffs appealed. The Court of Appeals, Hastings, Chief Judge, held that imposition of Oklahoma unitization statute and plan to field did not render illegal, but amended, agreement for royalty payment subject to flat deduction for each well, and recipients of royalties were liable for deduction prescribed by agreement, rather than on obligation to share expenses as allocated by plan.

Affirmed.

1. Mines and Minerals ☞92.78, 92.80

Imposition of Oklahoma unitization statute and plan to field did not render il-

complish some criminal or unlawful purpose or some purpose not in itself criminal or unlawful by criminal or unlawful means. 11 I.L.P. Conspiracy § 2 (1955).

legal, but amended, agreement for royalty payment subject to flat deduction for each well, and recipients of royalties were liable for deduction prescribed by agreement, rather than on obligation to share expenses as allocated by plan. 52 O.S. 1951 §§ 287.1 et seq., 287.9.

2. Mines and Minerals ⇐ 92.78

Recipients of royalties under agreement that flat deduction should be made for each producing well were liable for deductions for wells which were closed, but which received credit for share in field's production under Oklahoma unitization plan imposed after agreements were made. 52 O.S. 1951 §§ 287.1 et seq., 287.9.

3. Contracts ⇐ 1

Rights of parties fixed by contract are not governed by comparing their subsequent relative gains or losses.

Ernest Greenberger, A. Bradley Eben, Joseph P. Antonow, Chicago, Ill., for plaintiffs-appellants, Richard A. Siegal, Chicago, Ill., of counsel.

George W. Hazlett, Cleveland, Ohio, George J. O'Grady, Chicago, Ill., for appellees, McAfee, Hanning, Newcomer & Hazlett, Cleveland, Ohio, Ross, McGowan & O'Keefe, Chicago, Ill., of counsel.

Before HASTINGS, Chief Judge, and DUFFY and CASTLE, Circuit Judges.

HASTINGS, Chief Judge.

Plaintiffs¹ (appellants) brought this diversity action for reformation of two agreements between plaintiffs and defendants² (appellees), relating to oil and gas leases in Oklahoma, and for an ac-

counting in accord with such reformed agreements. In a separate count, plaintiffs sought a judgment for violation of the express terms of the agreements.

The cause was tried to the court without the intervention of a jury. The opinions, findings and conclusions of the district court, denying the relief sought, are reported in *Peter Fox Brewing Co. v. Sohio Petroleum Co.*, D.C.N.D.Ill., 189 F. Supp. 743 (1960). This appeal followed.

The facts were largely stipulated and may be summarized as hereinafter set out.

Early in 1943, plaintiffs acquired oil and gas leases on 2400 acres of land in Oklahoma in return for their contribution to the drilling of the discovery well in what became known as the West Edmond Field. This field is one of the largest in Oklahoma.

In June, 1943, after completion of the discovery well in the Hunton Lime Formation, plaintiffs were approached by defendant with respect to an assignment to defendant of plaintiffs' West Edmond leases. These discussions resulted in the signing of an agreement on July 2, 1943 under which plaintiffs were to assign a number of their leases to defendant; defendant was to bear the cost of drilling and developing; and plaintiffs were to receive a percentage of the profits and contribute a percentage of the operating and overhead expenses. Apparently neither plaintiffs nor defendant has retained a copy of this executed agreement, for none was produced at trial.

Upon the advice of tax counsel, that the July 2nd profits interest agreement was not an interest in oil and gas and would not qualify for depletion allowance,

Of the original plaintiffs (Peter Fox Brewing Company, The Northern Trust Company, as trustee, Herbert J. Schmitz and David Waller Dangler), only Herbert J. Schmitz remains a party. The interests of the other three original plaintiffs were transferred during the pendency of this action to Christiana Oil Corporation, Tekoil Corporation and Schmitz Oil Company, who were substituted as plaintiffs.

Plaintiffs William J. Fox, Frank G. Fox and Margaret Olive Fox became parties to this action on October 30, 1959. The interests of plaintiffs are common, and they will be referred to as "plaintiffs."

2. Defendants are Standard Oil Company and its subsidiary, Sohio Petroleum Company. Both defendants will be referred to as "defendant," Standard having transferred its entire interest to Sohio.

plaintiffs requested that this agreement be canceled. Defendant acquiesced, and negotiations were reopened.

A draft of a proposed new agreement was submitted to plaintiffs on August 3, 1943. This draft called for plaintiffs to receive as an overriding royalty one-half the proceeds of working interest production less (a) \$150 per well per month or \$187.50 per well per month in the case of a well producing more than 10% water and (b) one-half the cost of acidizing, deepening, plugging back, shooting or reconditioning wells. In addition, it imposed on plaintiffs the personal obligation to pay one-half the cost of the third, fourth and sixth dry holes. This draft still left some doubt concerning the availability of the depletion allowance to plaintiffs.

A final agreement was signed on August 20, 1943, assigning a part of plaintiffs' leases to defendant and reserving an overriding royalty interest therein. The pertinent parts of this agreement are as follows:

"(4) The assignments to be executed and delivered by Fox to Standard or its nominee hereunder shall expressly reserve to Fox, and Fox does hereby expressly reserve an overriding royalty (free and clear of all development and operating expense), with respect to all of the leases listed and described in Exhibit 'A' hereof as a group, of one-half of the crude oil, gas, casinghead gas, and other hydro-carbons produced, saved, and marketed from said leasehold premises or the proceeds thereof accruing to the working interests assigned and transferred hereunder to Standard or its nominee, subject, however, to a deduction from said one-half ($\frac{1}{2}$) of the following items:

"(b) That quantity of crude oil, gas, casinghead gas, and other hydro-carbons, or the proceeds thereof, which, at current well market prices at the time of sale thereof, shall be equal in value to \$200.00 per

each producing well per month except that in the event that any well producing oil in paying quantities shall at the same time produce water in excess of 10% of the total fluid produced from the well, then as to that well during any such period while such condition shall exist the deduction shall be that quantity of crude oil, gas, casinghead gas, and other hydro-carbons, or the proceeds thereof which at current well market prices at the time of sale thereof shall be equal in value to \$250.00 per month.

"(5) Except for the purpose of making necessary repairs to equipment or the performing of any reconditioning work on any well, Standard agrees that no producing well shall, during any period so long as the same is producing oil and/or gas in paying quantities, be shut in unless pursuant to an order, rule or regulation of any officer, board, or agency, state or federal. Standard further agrees that all producing wells hereafter drilled on the aforesaid properties will be operated at all times in such manner as to produce at the maximum rate of production allowed from time to time by the state or federal authority having jurisdiction."

On February 15, 1944, plaintiffs assigned additional leases to defendant under an agreement which, insofar as it relates to the present controversy, is identical with the agreement of August 20, 1943. Both instruments will be referred to as "the agreements." In October, 1947, at plaintiffs' instance, defendant eliminated the additional \$50 per month deduction for wells which produced more than 10% water.

Between 1943 and 1945, Hunton Lime wells were drilled on all 23 tracts involved here. Plaintiffs' overriding royalties were computed on the basis of one-half of the seven-eighths of the oil and gas actually produced, less production

equal to \$200 per well per month and \$250 for wells producing more than 10% water.

Up to October 1, 1947, the Hunton Lime formation in the West Edmond Field had been developed under "spacing" orders issued by the Oklahoma Corporation Commission in the exercise of its statutory authority. These orders prescribed forty-acre "spacing" or "drilling" units each of which consisted of a quarter-quarter section of land. The first order, issued July 19, 1943, was confirmed by the Commission on July 13, 1944. These orders prohibited the drilling of more than one Hunton Lime well on a quarter-quarter section. In addition, the order of July 13, 1944 imposed restrictions on the basis of a gas-oil ratio on the production of oil from the permitted wells, in an effort to conserve the gas energy of the reservoir.

On October 1, 1947, the West Edmond Field was unitized under the Unitization Statute of Oklahoma³ (the Act), enacted in 1945. Under unitization, each quarter-quarter section within the Field was treated as a separately owned tract. Each tract was assigned a percentage interest in total unit production, and total unit production was apportioned accordingly. Unit operating expenses were likewise apportioned according to percentage interest. All tracts were operated in the West Edmond Hunton Lime Unit collectively in order to achieve maximum ultimate unit production at a minimum unit expense with the least amount of unit waste of natural resources.

The relevant portions of the Act are as follows:

"Property rights, leases, contracts, and all other rights and obligations shall be regarded as amended and modified to the extent necessary to conform to the provisions and requirements of this Act and to any valid and applicable plan of unitiza-

tion or order of the Commission made and adopted pursuant hereto, but otherwise to remain in full force and effect."⁴

"The amount of the unit production allocated to each separately-owned tract within the unit, and only that amount, regardless of the well or wells in the unit area from which it may be produced, and regardless of whether it be more or less than the amount of the production from the well or wells, if any, on any such separately-owned tract, shall for all intents, uses and purposes be regarded and considered as production from such separately-owned tract, and, except as may be otherwise authorized in this Act, or in the plan of unitization approved by the Commission, shall be distributed among or the proceeds thereof paid to the several persons entitled to share in the production from such separately-owned tract in the same manner, in the same proportions, and upon the same conditions that they would have participated and shared in the production of proceeds thereof from such separately-owned tract had not said unit been organized, and with the same legal force and effect."⁵

"Operations carried on under and in accordance with the plan of unitization shall be regarded and considered as a fulfillment of and compliance with all of the provisions, covenants, and conditions, express or implied, of the several oil and gas mining leases upon lands included with the unit area, or other contracts pertaining to the development thereof, insofar as said leases or other contracts may relate to the common source of supply or portion thereof included in the unit area. Wells drilled or operated on any part of the unit area no matter where located shall for all purposes be regarded as

3. 52 Okla.Stat. § 287.1 et seq.

4. 52 Okla.Stat. § 287.9, ¶1.

5. 52 Okla.Stat. § 287.9, ¶3.

wells drilled on each separately-owned tract within such unit area." ⁶

The parties have stipulated that "neither the enactment of said statute nor the creation of said unit was contemplated by the parties to the First Agreement or the Second Agreement at the times said agreements were entered into."

Since unitization, defendant has accounted to plaintiffs by computing the 50% overriding royalty each month, according to the fraction of unit production allocated to each tract. From this 50% share, defendant has deducted each month the amount of the fixed per well deduction, according to paragraph 4(b) of the agreements, *supra*, as modified by the subsequent elimination of the additional \$50 per month deduction for wells producing more than 10% water. Defendant continued the \$200 deduction per month with respect to tracts on which wells had been abandoned under directions of the unit operating committee.

It is plaintiffs' contention that the fixed per well deduction clause should be reformed to provide for a deduction equal to one-half of allocated unit expense. This contention is based on the assertion that the parties contemplated competitive exploitation, and since unitization, this is no longer possible. Also, it is grounded on the assertion that the unitization statute nullified the provision for a fixed per well deduction. They contend further that the fixed per well deduction was unlawfully applied to tracts on which wells had been abandoned.

Defendant contends that the evidence does not justify reformation either on principles of equity or because of unitization. Further, defendant argues that the unitization statute requires the assumption that a producing well is located on every quarter-quarter section of land within the unit area, whether or not a producing well is actually located thereon.

The issues thus before us are (1) whether the two agreements should be reformed and (2) whether defendant's

deductions with respect to the tracts on which wells had been abandoned was proper. The district court denied reformation and held such deductions were proper.

On July 29, 1947, pursuant to the Act, the Corporation Commission of Oklahoma, to which was committed jurisdiction to administer the Act, entered an order creating the West Edmond Hunton Lime Unit (the Order), defining the unit area and prescribing the Plan of Unitization applicable thereto (the Plan). The Plan became effective October 1, 1947 and has remained in force since that time with certain amendments not material in this case.

Schmitz and the Foxes joined in the petition for unitization. The Plan finally adopted by the Corporation Commission conformed to that proposed by petitioners. The Order was subject to challenge by appeal to the Supreme Court of Oklahoma, but no such appeal was filed.

The validity of the Act was upheld by the Oklahoma Supreme Court as a proper exercise of police power in *Palmer Oil Corporation v. Phillips Petroleum Co.*, 204 Okl. 543, 231 P.2d 997 (1951). Appeal from that decision was dismissed by the Supreme Court of the United States for the reason that it "failed to raise any substantial federal questions." *Palmer Oil Corp. v. Amerada Petroleum Corp.*, 343 U.S. 390, 391, 72 S.Ct. 842, 843, 96 L.Ed. 1022 (1952).

The Palmer holding was recognized in *West Edmond Hunton Lime Unit v. Stanolind Oil & Gas Co.*, 10 Cir., 193 F.2d 818, 823 (1951), cert. denied 343 U.S. 920, 72 S.Ct. 678, 96 L.Ed. 1333 (1952). In the latter case, the Tenth Circuit considered and upheld the validity of the same Order and Plan before us in the instant appeal, although on another question of law not relevant to the instant case. A careful analysis of the Act, Order and Plan are to be found in that opinion and need not be repeated here. We are content to follow its teaching. In

6. 52 Okla.Stat. § 287.9, ¶ 4.

finding the effect of the Plan, the court said, *inter alia*:

"The plan of unitization had the effect of unitizing all further development and operations for the production of oil and gas from the Huntington lime formation in the unit area, and of pooling and unitizing the production so obtained 'to the same extent as if the unit area had been included in a single lease and all rights thereunder owned by the lessees in individual interests', and all property rights and obligations in respect to the separately owned tracts within the area were amended and modified to the extent necessary to give effect to the plan of unitization. Nothing contained in the plan, however, is to be construed to require or result in a transfer to or the vesting in the unit the title to the separately owned tracts within the unit area 'other than the right to use and operate the same to the extent set out in this plan of unitization; nor shall the unit be regarded as owning any of the unit production. The unit production and the proceeds from the sale thereof shall be owned by the several persons to whom the same is allocated under this plan of unitization. * * * The unit is operated by a designated operator under the direction of an operating committee, composed of the separate tract owners, with a voting interest equal to the respective unit ownerships.'" *Id.*, 193 F.2d at 821.

It is quite clear to us that the questions to be resolved on this appeal must be determined by the Act, Order and Plan as they are read into the private agreements executed by the parties.

I.

Plaintiffs' basic contention is that "the compulsory unitization of the assigned tracts required the reformation of the agreements by the deletion of the monthly fixed per-well deduction and its replacement by an obligation to share one-half of the allocated expense."

We can find no basis for reformation of the agreements either on principles of equity or because of unitization.

There are no claims of mistake, fraud, misrepresentation or ambiguity in the terms of the agreements. Traditional equitable grounds for reformation are not present here.

Plaintiffs argue that the agreements were executed at a time when Oklahoma recognized the "law of capture" which rewards an aggressive competitor engaged in a permissible unbridled exploitation of the natural resources at his command.

However, Oklahoma has specifically held that the rule of capture is subject to modification by statute and must give way to unitization through which the State, in the exercise of its police power, undertakes to protect the correlative rights of owners of a common source of oil and gas through regulation of drilling and distribution of the production. *Palmer Oil Corporation v. Phillips Petroleum Co.*, 204 Okl. 543, 231 P.2d 997, 1012 (1951); *Patterson v. Stanolind Oil & Gas Co.*, 182 Okl. 155, 77 P.2d 83 (1938); *H. F. Wilcox Oil & Gas Co. v. Bond*, 173 Okl. 348, 48 P.2d 820 (1935).

The burden of plaintiffs' contention is that since, by operation of law, the rule of capture is abrogated through unitization, it necessarily follows that the conditions underlying their original agreements were made illegal and that it is no longer possible for defendants to perform their obligations. We do not agree.

We are not at all certain, as contended by plaintiffs, that the trial court erred in finding the agreements were not based on "competitive exploitation." Before unitization, the development of this field was at all times subject to the orders of the Corporation Commission of Oklahoma. Prior to the time the agreements were executed it had issued orders affecting spacing and production as herein earlier pointed out. Further, paragraph 5 of the agreement provides that no producing well shall be shut in unless pursuant to an order, rule or regulation of any officer, board or agency, state or federal.

Assuming, *arguendo*, that the trial court erred in such finding, we do not deem the finding to be necessary to the result reached.

The Plan determined the *quantity* of production to be shared by the owners of the unit. It did not change the *proportions* in which the parties were to share in the allocated production. Article VII of the Plan requires allocation of unit production among the separately owned tracts in the unit in accordance with their respective percentage interests. It then provides that the persons entitled to share in the separately owned tracts shall share in the unit production allocated exactly as they would have shared in the production from these tracts had there been no unitization.

The amount of the production to be distributed is thus to be determined by the Act and the Plan. The proportions in which the parties shall share in the production allocated to each separately owned tract are to be determined by the applicable private agreements between the various parties. Cf. *Young v. West Edmond Hunton Lime Unit*, 275 P.2d 304 (Okla. 1954).

Relevant, also, is Article VI of the Plan which provides: "Property rights, leases, contracts and all other rights and obligations in respect of the Oil and Gas Rights in and to the several Separately Owned Tracts within the Unit Area are hereby amended and modified to the extent necessary to make the same conform to the provisions and requirements of this Plan of Unitization, *but otherwise to remain in full force and effect.*" (Emphasis added.) This provision is consistent with Section 287.9, ¶ 1 of the Act, *supra*. It seems clear to us that the Act and Plan, by operation of law, amended the agreements to the extent necessary to make them conform thereto, and then declared that otherwise the agreements should remain in full force and effect. This conclusion is buttressed by the finding contained in paragraph 13 of the Order: "that said Plan of Unitization is fair, reasonable and equi-

table and contains all the terms, provisions, conditions and requirements reasonably necessary and proper to protect, safeguard and adjust the respective rights and obligations of the several persons affected, including royalty owners, owners of overriding royalty interests * * *"

Plaintiffs, in effect, are asking the court to make an adjustment or reformation not provided for in the Plan. This it cannot do under the circumstances of this case.

Plaintiffs argue that the trial court committed manifest error in finding that unitization was "expressly contemplated" in the agreements in the face of a stipulation to the contrary. A careful reading of the district court's full comment in that connection indicates to us that the court was referring to governmental regulation in general and not to unitization exclusively. In any event, under the Act, such a finding is immaterial and is not necessary to reach the result found in this case.

[1] We hold that the applicable provisions of the Act, Order and Plan are clear and conclusive. They amended the agreements by operation of law to make them conform to their requirements and declared that otherwise the agreements should remain in full force and effect. The trial court did not err in refusing to reform the agreements by deleting the monthly fixed per well deduction and replacing it with an obligation to share one-half of the allocated expense.

II.

Plaintiffs finally contend, in the alternative, that "even in the absence of reformation of the agreements, plaintiffs are entitled to restitution of the deductions charged against tracts on which there were no producing wells," and charge that the trial court erred in denying such recovery.

Since 1951, defendant has taken the monthly per-well deduction in computing the overriding royalties on unit production allocated to 16 tracts on which wells were shut in and were no longer produc-

ing. Plaintiffs argue that the agreements do not permit the deduction except at such time as there is a producing well on a tract, and that since a shut in well does not incur operating expenses, plaintiffs should be relieved from their expense obligation with respect to such well.

Both Section 287.9 of the Act and Article VI of the Plan require the assumption that the amount of unit production allocated to a tract be considered as "production from" such tract, even though there is no well actually located on the tract, and the further assumption that a producing well is located on every tract. To repeat, the language of the Act provides: "Wells drilled or operated on any part of the unit area no matter where located shall for all purposes be regarded as wells drilled on each separately-owned tract within such unit area."

The effect given here to the assumptions required by the Act and Plan is recognized in *Beene v. Midstates Oil Corporation*, 8 Cir., 169 F.2d 901, 908 (1948).

The parties dealt at arm's length in arriving at their agreements. The final form of the first agreement reflected changes to give Schmitz and the Foxes what they asked for, on the advice of their tax counsel—an overriding royalty entirely free of expense, but subject to the monthly specified per well deductions. This arrangement was incorporated in a second and similar agreement six months later covering additional leases. After operating under this arrangement for more than four years, they accepted defendant's offer to reduce to \$200 per well the monthly deduction of \$250 applicable to eight wells then producing more than 10% water.

[2] In the case at bar, unitization provided that plaintiffs, as owners of an overriding royalty interest, were entitled to share in unit production allocated to all tracts, including those on which the wells had been abandoned. It necessarily follows that defendant should be entitled to continue the per well monthly deduction in respect of such abandoned

shut in wells, in computing the amount of the overriding royalty, even though there be no production on tracts with these abandoned wells.

[3] We do not deem relevant the argument advanced concerning the relative profits of the parties. The rights of parties fixed by contract are not governed by comparing their subsequent relative gains or losses. See *West Edmond Hunton Lime Unit v. Stanolind Oil & Gas Co.*, 10 Cir., 193 F.2d 818, 825 (1951); *Cities Service Oil Co. v. Geograph Co.*, 208 Okl. 179, 254 P.2d 775 (1953).

The agreements are clear and unambiguous. They correctly express the original intention of the parties. The record of the testimony given and the provisions of the Act and Plan do not afford any rational basis for the restoration claimed. We hold that the trial court did not err in denying such recovery.

It is our considered judgment that the district court arrived at a correct result.

The judgment appealed from is Affirmed.



George HOOPER, Plaintiff-Appellant,
v.
TERMINAL STEAMSHIP COMPANY,
Defendant-Appellee.
No. 63, Docket 27003.

United States Court of Appeals
Second Circuit.

Argued Nov. 8, 1961.

Decided Nov. 24, 1961.

Action by a longshoreman against a shipline for injuries received when he was thrown overboard as result of shift of lumber cargo which he was helping to

KF182
.29515
1975

1975

LEGAL REPORT OF
OIL AND GAS CONSERVATION ACTIVITIES

A Project of
The Legal Committee
Interstate Oil Compact Commission

Published and Distributed
by the
Interstate Oil Compact Commission
P. O. Box 53127
Oklahoma City, Oklahoma 73105

FOREWORD

When the Interstate Oil Compact Commission was formed in 1935, it was for the purpose of promoting the conservation of oil and gas and the prevention of physical waste. Over the years, the Commission has taken every opportunity to fulfill this purpose.

One of the most important functions of the Interstate Oil Compact Commission is the dissemination of information in the form of printed reports, pamphlets and books for general distribution to state conservation agencies, the public and members of the industry. This Legal Report of Oil and Gas Conservation Activities has long been recognized as an outstanding vehicle for this purpose, as it provides a means of reporting legal activities which have taken place throughout the United States and in Canada during the prior year.

This report for the year 1975 is the twenty-seventh annual issue. It includes articles from thirty-one states and the Canadian provinces of Alberta and British Columbia. Some states are not included in this publication, since those reporters stated that their states had no significant legal activities dealing with oil and gas conservation during the year 1975 on which to report.

These annual Legal Reports are, in effect, supplements to the books, Conservation of Oil and Gas - A Legal History, 1948, and Conservation of Oil and Gas - A Legal History, 1948 - 1958. Both books were published by the Mineral Section of the American Bar Association and are available from the office of the American Bar Association in Chicago, Illinois.

The Interstate Oil Compact Commission is indebted to the various reporters who have prepared the articles for this publication. Many of these reporters have served in this capacity for many years. Each has performed this service willingly and without remuneration.

Primary responsibility for obtaining the individual reports rests with the Legal Committee of the Interstate Oil Compact Commission and its chairman, Judge Jim C. Langdon of Texas. Editing and compilation is done in the Headquarters Office.

Additional copies are available upon request to the Headquarters Office to anyone desiring them.

W. TIMOTHY DOWD
Executive Director

June, 1976

TABLE OF CONTENTS

PART I

THE STATES

Alabama	A. Charles Freeman	1
Arizona	John Bannister	2
Arkansas	Ned A. Stewart, Jr.	3
California	Robert A. Reid	4
Colorado	Samuel R. Freeman	6
Florida	James T. Williams	6
Georgia	David E. Swanson	6
Illinois	Charles J. Pardee	7
Indiana	Homer R. Brown	7
Kansas	George W. Stafford	7
Kentucky	Benjamin C. Cubbage, Jr.	9
Louisiana	James E. Phillips, Jr.	9
Michigan	Jerome Maslowski	10
Mississippi	Joe R. Fancher, Jr.	11
Montana	Charles G. Maio	13
Nebraska	Ray L. Smith	14
New Mexico	William F. Carr	14
New York	John J. Dragonetti	16
North Carolina	Stephen G. Conrad	16
North Dakota	Gerald W. VandeWalle	17
Ohio	J. Richard Emens	19
Oklahoma	R. M. Williams	19
Pennsylvania	John W. Carroll	22
South Dakota	Fred V. Steece	23
Tennessee	Robert E. Hershey	23
Texas	Fred H. Young	25
Utah	H. Byron Mock and Cleon B. Feight	29
Virginia	G. R. C. Stuart	30
Washington	Vaughn E. Livingston, Jr.	31
West Virginia	Thomas E. Huzzey	31
Wyoming	Michael J. Sullivan	31

PART II

THE CANADIAN PROVINCES

Alberta	A. L. McLarty	33
British Columbia	R. E. Moss	34

NEBRASKA

Legislative

The 1975 session of the Nebraska Unicameral Legislature considered only one bill which involved oil and gas. This bill included oil well service contractors under a water well registration bill. The bill was amended in Committee to exclude oil and gas, and was then killed.

Production

As of December, 1975, there were a total of 1,209 active oil and gas wells and 450 shut-in wells. During 1975, Nebraska wells produced 6,119,671 barrels of oil, 2,311,821 Mcf casinghead gas and 1,572,814 Mcf dry gas.

A total of 377 drilling permits were approved during the year in 23 of Nebraska's 93 counties. At this time, there are 65 secondary recovery and pressure maintenance projects in operation.

Commission

During 1975, the Commission heard 31 cases at public hearing. Twenty-one matters involved unorthodox locations; one was a ratable take; two involved commingling of production; two revised the Rules and Regulations of the Commission; one reduced the conservation mill levy from three to two mills; three involved unitization agreements and secondary recovery by waterflood, two of which were involuntary unitization; and one sought permission to hold geological information confidential for a period longer than twelve months.

Administrative

Reed Gilmore, Kimball, Nebraska; John A. Mason, Sidney, Nebraska; and Ray L. Smith, Chappell, Nebraska, are members of the Nebraska Oil and Gas Conservation Commission. Mr. Gilmore is presently serving as Chairman. Paul H. Roberts is Director and Jack T. Fish is Administrative Assistant.

Reporter: Ray L. Smith, Member, Nebraska Oil and Gas Conservation Commission, Box 245, Chappell, Nebraska 69129; Official Representative, Interstate Oil Compact Commission.

NEW MEXICO

Legislative

Energy Resources Act

In 1975, the New Mexico Legislature enacted Senate Bill 186 which created an Energy Resources Board composed of the Governor's Energy Resources Administrator, the Commissioner of Public Lands, the Director of the Bureau of Mines, the State Petroleum Engineer, the State Geologist, someone knowledgeable in nuclear, geothermal, solar or coal energy and a citizen who is not directly involved in energy business.

This law changes the membership of the Oil Conservation Commission to the Commissioner of Public Lands, the State Petroleum Engineer and the State Geologist. Under this act, the Director of the OCC staff is the State Petroleum Engineer, a new position replacing the present State Geologist. A new office of State Geologist is created and assigned responsibility for collecting geological data on energy resources in New Mexico.

Although the Commission's jurisdiction is not changed, there are provisions for a new appeal

procedure in this law. Whenever two or more members of the Energy Resources Board believe a decision of the Commission contravenes the statewide energy plan adopted by the Board or the public interest, they may file a motion with the Board to call the decision before it. The Board may, by a majority vote, adopt the motion and thereby call the Commission's decision, or any part thereof, before it for review. The Board, after a de novo hearing, issues such orders as are appropriate and the OCC must modify its orders to conform therewith.

The act increased the Oil Conservation Tax to eighteen one-hundredths of one percent of taxable value of sold products and extended its applicability to uranium, coal and geothermal resources.

Statutory Unitization Act

The Commission proposed the Statutory Unitization Act to the New Mexico Legislature and it passed all committees and both houses with no dissenting votes. The Act is limited to secondary and tertiary recovery operations and pressure maintenance projects. It provides that any working interest owner may file an application for compulsory unitization. If all the prerequisites set out in the statute are met by the applicant, the Commission is required to issue an order creating the unit and providing for its unitized operation and management. The order does not become effective, however, until it has been ratified by those persons who will initially be required to pay at least 75 percent of the costs of unit operations and by the owners of at least 75 percent of the production or proceeds thereof that will be credited to interests which are free of costs. If the persons owning the required percentages of interest in the unit area do not approve the plan for unit operations within six months, the unitization order ceases to be of further force or effect.

Geothermal Resources Conservation Act

In 1973 the Legislature conferred jurisdiction over geothermal resources on the Commission. Since this statute was legislation by reference and thereby unconstitutional, the Commission prepared a comprehensive geothermal bill to correct this problem.

The geothermal statutes closely parallel New Mexico's oil and gas statutes and provide a sound legal basis for this state's Geothermal Rules and Regulations which became effective on October 1, 1974.

Oil and Gas Industry Study Interim Committee

The 1975 Legislature created an Oil and Gas Industry Study Interim Committee. Its duty is to study New Mexico's oil and gas statutes, constitutional provisions, regulations, court decisions, and the policies and valuations used by the oil and gas industry. The Committee is to make recommendations to the Legislature on energy legislation.

Administrative

In October, the Commission entered Order No. R-5113 which amended Rules 104 B.I(a) and 104 C.II(a) to include the Wolfcamp formation under the standard 320-acre gas spacing and well location requirements for Southeast New Mexico. These new spacing rules apply to development wells for defined gas pools in the Wolfcamp formation which were created and defined after November 1, 1975.

In November, the Commission approved the application of Texas West Oil and Gas Corporation for compulsory pooling of a 320-acre tract located within the boundaries of the Bell Lake Unit. Texas West had the operating rights to an undivided working interest which was not committed to the unit and proposed to drill a well at an orthodox location for the development of this tract. Commission Order No. R-5039-B pooled the 320-acre spacing unit which included Texas West's 7/32 uncommitted, undivided working interest and a 25/32 undivided working interest committed to the unit.

In 1975, 258 cases were docketed before the Commission or its examiners including the first case for statutory unitization. The Commission issued 218 administrative orders.

Judicial

The Commission was involved in no major court activity during 1975.

Reporter: William F. Carr, General Counsel, Oil Conservation Commission, Box 2088, Santa Fe, New Mexico 87501; Member, Legal Committee, Interstate Oil Compact Commission.

NEW YORK

Legislative

Two amendments were proposed to the New York State Oil, Gas and Solution Mining Law during the 1975 legislative session. Both would have extended regulatory authority into New York's "old fields" (those discovered prior to October 1, 1963). One would have required a permit from the Department of Environmental Conservation for all oil, gas or solution salt mining wells and the second would require the filing of a well spacing plan for the development of old field areas. Although neither proposal was acted upon, there is an automatic reintroduction provision for both bills for 1976.

Administrative

The Department of Environmental Conservation conducted two public hearings concerning spacing in Oriskany gas fields. Both were amendments to existing spacing orders and resulted in minor adjustments in the location or size of existing spacing units.

Judicial

There was no activity in the New York State courts during 1975 regarding oil and gas conservation matters.

Reporter: John J. Dragonetti, Chief, Bureau of Minerals, 50 Wolf Road, Albany, New York 12233; Associate Official Representative, Interstate Oil Compact Commission.

NORTH CAROLINA

Legislative

The 1975 session of the North Carolina General Assembly amended the Oil Pollution Control Act of 1973 to provide for the permitting of oil terminal facilities. "Oil Terminal Facilities" are defined to include all refineries, oil storage facilities, and oil transport or processing facilities that have a capacity of 500 barrels or more. The Secretary of NER is responsible for developing rules, regulations and administrative procedures concerning the siting of oil terminal facilities.

Administrative

During the 1974-1975 fiscal year, the Petroleum Division issued one drilling permit for a test well in Lee County, North Carolina. The well was drilled in the Deep River Triassic Basin and represents the first oil and gas exploration attempt in the Triassic rocks of North Carolina. The well was plugged and abandoned as a dry well on November 1, 1974.

No drilling permits were issued during the first half of the 1975-1976 fiscal year.

The rules and regulations pertaining to the plugging and capping of abandoned oil and gas

Summary of Tracts Eliminated from MLMU Unit Area
As a Result of
Statutory Unitization Order R-6447
8/27/80

A. Summary and Description of MLMU Tracts Eliminated:

<u>MLMU Tract No.</u>	<u>Acreage Description</u>	<u>No. of Acres</u>	<u>Federal Lease No.</u>	<u>Tract Operator</u>	<u>Tract Location</u>
4	E/2 NE/4 Sec. 29 T-23-S, R-37-E	80.00	LC-030187	John H. Hendrix, Corp.	Perimeter
5	SW/4 NW/4 Sec. 28 T-23-S, R-37-E	40.00	LC-030187	Tom Brown Drilling Co.	Perimeter
9	NW/4, W/2 SE/4, E/2 SW/4 Sec.3, T-24-S, R-37-E	319.01	LC-032339(A)	Carter Foundation	Interior (Window)
67	N/2 SW/4 Sec. 7 T-24-S, R-37-E	78.11	Fee	King, Warren & Dye	Interior (Window)
78	SW/4 NE/4 Sec. 9 T-24-S, R-37-E	40.00	Fee	Burleson & Huff	Perimeter
82	SE/4 SE/4 Sec. 30 T-23-S, R-37-E	40.00	Fee	ARCO	Interior (Window)
Total		597.12			

B. Number of MLMU Acres Eliminated:

<u>Unitization Method</u>	<u>NMOCD Case No.</u>	<u>Hearing Date</u>	<u>NMOCD Order No.</u>	<u>Order Date</u>	<u>Approved Unit Size (acres)</u>	
Voluntary	5086	10/31/73	R-4660	11/16/73	9,923.68	(1)
Statutory	6987	08/05/80	R-6447	08/27/80	9,326.56	(2)
No. of Acres Eliminated with Statutory Unitization Order R-6447 (3)					597.12	

(1) Exhibit "B" to Hearing Exhibit No. 1 (Unit Agreement), NMOCD Case No. 5086, 10/31/73.

(2) Hearing Exhibit No. 10-B (Second Revision of Exhibit "B" to Unit Agreement), NMOCD Case No. 6987, 8/5/80.

(3) Please refer to pages 25, 26 and 32 thru 38 of transcript of hearing, NMOCD Case No. 6987, 8/5/80.

**APPLICATION FOR STATUTORY UNITIZATION
MYERS LANGLIE MATTIX UNIT AREA
(Filed June 19, 1980)**

Article 7 Statutory Unitization Act	Application of Getty Oil Company
70-7-1. Purpose of act. The legislature finds and determines that it is desirable and necessary under the circumstances and for the purposes hereinafter set out to authorize and provide for the unitized management, operation and further development of the oil and gas properties to which the <u>Statutory Unitization Act [70-7-1 to 70-7-21 NMSA 1978]</u> is applicable, to the end that greater ultimate recovery may be had therefrom, waste prevented, and correlative rights protected of all owners of mineral interests in each unitized area. It is the intention of the legislature that the Statutory Unitization Act apply 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.	Before the Oil Conservation Commission New Mexico Department of Energy and Minerals Application of Getty Oil Company for Approval of Statutory Unitization, Lea County, New Mexico, Case No. 6987
70-7-5. Requisites of application for unitization. Any working interest owner may file an application with the division requesting an order <u>for the unit operation of a pool or any part thereof</u> . The application shall contain:	Comes now, GETTY OIL COMPANY, by and through its undersigned attorneys and pursuant to the provisions of the Statutory Unitization Act (Sections 70-7-1 through 70-7-21, N.M.S.A., 1978 Comp.) hereby applies to the New Mexico Oil Conservation Commission for an Order <u>unitizing</u> the Myers Langlie-Mattix Unit, Lea County, New Mexico, and in support of its application states: 1. Getty Oil Company (Getty) is a Delaware corporation authorized to transact business in the State of New Mexico and is engaged in the business of, among other things, producing and selling oil and gas.
A. a description of the <u>proposed unit area</u> and the vertical limits to be included therein with a map or plat thereof attached;	2. The Proposed Unit Area for which this application is made consists of 9,360 acres, more or less, of Federal, State and Fee land in Lea County, New Mexico, and is more particularly described on Exhibit A attached hereto and incorporated herein by reference. Getty proposes to seek an order pursuant to the Statutory Unitization Act providing for unitized management, operation and further development of the <u>Project Area</u> . A plat of the Project Area is attached hereto as Exhibit B and incorporated herein by reference. 3. The vertical limits of the formation to be included within the <u>proposed unit area</u> means 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 Blinebry "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.
B. a statement that the reservoir or portion thereof involved in the application has been reasonably defined by development;	4. The portion of the reservoir involved in this application has been reasonably defined by development.
C. a statement of the type of operations contemplated for the unit area;	5. The type of operations being conducted in this unit is secondary recovery by means of water flooding.
D. a copy of a proposed plan of unitization which the applicant considers fair, reasonable and equitable;	6. Attached to this application as Exhibit C and incorporated herein by reference is a copy of the proposed plan of statutory unitization which Getty considers fair, reasonable and equitable.
E. a copy of a proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid; and	7. Attached to this application as Exhibit D and incorporated herein by reference is a copy of the proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid.
F. an allegation of the facts required to be found by the division under Section 70-7-6 NMSA 1978.	8. Getty further states:
70-7-6. Matters to be found by the division precedent to issuance of unitization order.	
A. After an application for unitization has been filed with the division and after notice and hearing, all in the form and manner and in accordance with the procedural requirements of the division, and prior to reaching a decision on the petition, the division shall determine whether or not each of the following conditions exists:	
(1) that the unitized management, operation and further development of the oil or gas pool or a portion thereof is reasonably necessary in order to effectively carry on pressure maintenance or secondary or tertiary recovery operations, to substantially increase the ultimate recovery of oil and gas from the pool or the unitized portion thereof;	a. That the unitized management, operation and further development of the portion of the Langlie-Mattix pool which is the subject of this application is reasonably necessary in order to effectively carry on secondary recovery operations and to substantially increase the ultimate recovery of oil from the unitized portion thereof.
(2) that one or more of the said unitized methods of operations as applied to such pool or portion thereof is feasible, will prevent waste and will result with reasonable probability in the increased recovery of substantially more oil and gas from the pool or unitized portion thereof than would otherwise be recovered;	b. That unitized methods of operations applied to the portion of the Langlie-Mattix pool which is the subject of this application are feasible, will prevent waste 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.
(3) that the estimated additional costs, if any, of conducting such operations will not exceed the estimated value of the additional oil and gas so recovered plus a reasonable profit;	c. That the estimated additional costs, if any, of conducting such operations will not exceed the estimated value of additional oil so recovered plus reasonable profit.
(4) that such unitization and adoption of one or more of such unitized methods of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the pool or portion thereof directly affected;	d. That such unitization and adoption of <u>unitized methods of operation</u> will benefit the working interest owners and the royalty owners of the oil and gas rights within the portion of the pool directly affected.
(5) that the operator has made a good faith effort to secure voluntary unitization within the pool or portion thereof directly affected; and	e. That Getty Oil Company, as operator, has made a good faith effort to secure voluntary unitization within the portion of the pool affected by this application.
(6) 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.	f. 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.
C. When the division determines that the preceding conditions exist, it shall make findings to that effect and <u>make an order creating the unit</u> and providing for the unitization and unitized operation of the pool or portion thereof described in the order, all upon such terms and conditions as may be shown by the evidence to be fair, reasonable, equitable and which are necessary or proper to protect and safeguard the respective rights and obligations of the working interest owners and royalty owners.	9. Approval of the statutory unitization of the Myers Langlie-Mattix unit sought hereunder is in the interest of conservation, the prevention of waste and the protection of correlative rights. WHEREFORE, Getty Oil Company respectfully requests that this application be set for hearing before the full Commission at the earliest practicable date and that the Commission <u>enter its order granting this application</u> .