

Case No.

7367

Application

Transcripts.

Small Exhibits

ETC

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

CASE NO. 7367  
Order No. R-6479-B

APPLICATION OF AMADARKO PRODUCTION  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-6479-A,  
dated November 18, 1981, does not correctly state the intended  
order of the Division,

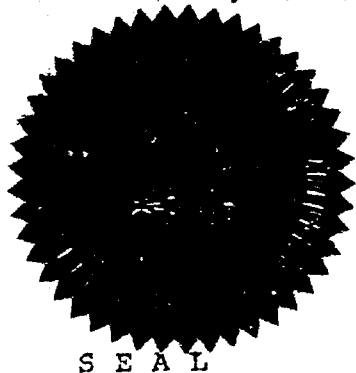
IT IS THEREFORE ORDERED:

(1) That Order No. (1) on Page 3 of Order No. R-6479-A  
be and the same is hereby corrected to read as follows:

"(1) That all mineral interests, whatever they may  
be, in the Wolfcamp and Pennsylvanian formations underlying  
the N/2 of Section 12, Township 19 South, Range 25 East, NMPM,  
Eddy County, New Mexico, are hereby pooled to form a standard  
320-acre gas spacing and proration unit to be dedicated to  
the well which applicant has drilled at a standard location  
thereon."

(2) That the correction set forth in this order be  
effective nunc pro tunc as of November 18, 1971.

DONE at Santa Fe, New Mexico, on this 9th day of  
December, 1981.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

*Joe D. Ramey*  
JOE D. RAMEY  
Director

# Memo

From

R. L. STAMETS  
Technical  
Support Chief

To

R6479 & A  
RHS DON

12-19-25 Page 1

19-19-25 Page 3 Para ①

Error page 3

para 1 of R6479-A

Says Section 19 instead  
of 12.

OIL CONSERVATION DIVISION SANTA FE



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7367  
Order No. R-6479-A

APPLICATION OF ANADARKO PRODUCTION  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 7, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 18th day of November, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Anadarko Production Company, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 12, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and has drilled its Glass Well No. 1 at a standard location thereon.

(4) That there are interest owners in the proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner who does not pay his share of well costs should have withheld from production his share of the reasonable well costs plus an additional 150 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$3000.00 per month while drilling and \$330.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That Order No. R-6479, previously entered in Case No. 7004 and concerning the lands subject to the instant case and order, should be rescinded.

(B) As a charge for the risk involved in the drilling of the well, 150 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of actual well costs within 30 days from the date the schedule of actual well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$3000.00 per month while drilling and \$330.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) That Order No. R-6479 is hereby rescinded.

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

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 19, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to the well which applicant has drilled at a standard location thereon.

(2) That Anadarko Production Company is hereby designated the operator of the subject well and unit.

(3) That within 30 days after the effective date of this order, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of actual well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of actual well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of actual well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of actual costs in advance as provided above shall receive from the operator his pro rata share of the amount that actual well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of actual well costs within 30 days from the date the schedule of actual well costs is furnished to him.

-5-

Case No. 7367

Order No. R-6479-A

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

S E A L

fd/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7367  
Order No. R-6479-A

APPLICATION OF ANADARKO PRODUCTION  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

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NOW, on this 18th day of November, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Anadarko Production Company, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 12, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and has drilled its Glass Well No. 1 at a standard location thereon.
- (4) That there are interest owners in the proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

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(8) That any non-consenting working interest owner who does not pay his share of well costs should have withheld from production his share of the reasonable well costs plus an additional 150 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$3000.00 per month while drilling and \$330.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That Order No. R-6479, previously entered in Case No. 7004 and concerning the lands subject to the instant case and order, should be rescinded.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 19, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to the well which applicant has drilled at a standard location thereon.

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(3) That within 30 days after the effective date of this order, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of actual well costs.

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(5) That if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of actual costs in advance as provided above shall receive from the operator his pro rata share of the amount that actual well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of actual well costs within 30 days from the date the schedule of actual well costs is furnished to him.



(8) As a charge for the risk involved in the drilling of the well, 150 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of actual well costs within 30 days from the date the schedule of actual well costs is furnished to him.

(9) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$3000.00 per month while drilling and \$330.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) That Order No. R-6479 is hereby rescinded.

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

-5-

Case No. 7367  
Order No. R-6479-A

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



*Joe D. Narey*  
JOE D. NAREY  
Director

SEAL

fd/



BRUCE KING  
GOVERNOR  
LARRY KEHOE  
SECRETARY

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

November 19, 1981

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

Mr. Thomas Kellahin  
Kellahin & Kellahin  
Attorneys at Law  
Post Office Box 1769  
Santa Fe, New Mexico

Re: CASE NO. 7367  
ORDER NO. R-6479-A

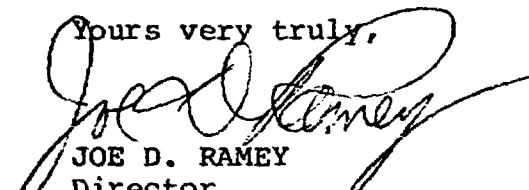
Applicant:

Anddarko Production Company

Dear Sir:

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

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD \_\_\_\_\_  
Artesia OCD \_\_\_\_\_  
Aztec OCD \_\_\_\_\_

Other \_\_\_\_\_  
\_\_\_\_\_

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
7 October 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Anadarko Production  
Company for compulsory pooling,  
Eddy County, New Mexico.

CASE  
7367

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.  
KELLAHIN & KELLAHIN  
500 Don Gaspar  
Santa Fe, New Mexico 87501

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1  
2 MR. NUTTER: We'll call next Case Number  
3 7367.

4 MR. PEARCE: Application of Anadarko  
5 Production Company for compulsory pooling, Eddy County, New  
6 Mexico.

7 MR. KELLAHIN: If the Examiner please,  
8 I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf  
9 of the applicant, and I have two witnesses.

10  
11 (Witnesses sworn.)

12  
13 BILL SHACKLEFORD  
14 being called as a witness and being duly sworn upon his oath,  
15 testified as follows, to-wit:

16  
17 DIRECT EXAMINATION

18 BY MR. KELLAHIN:

19 Q Mr. Shackleford, would you please state  
20 your name and occupation?

21 A My name is Bill Shackleford. I'm a  
22 Senior Landman with Anadarko Production Company in Midland,  
23 Texas.

24 Q Would you tell the Examiner when and  
25 where you obtained your degree?

1  
2 A I obtained a Business degree from the  
3 University of Oklahoma, majoring in petroleum land management  
4 in 1975.

5 Q Subsequent to graduation, Mr. Shackleford,  
6 where have you been employed as a petroleum landman?

7 A I worked for 4-1/2 years with Getty Oil  
8 Company and approximately 16 months with Monsanto Company.  
9 I've been with Anadarko now for 9 months.

10 Q Pursuant to your employment by Anadarko  
11 have you made a study of the land title interest with regards  
12 to this application?

13 A Yes.

14 MR. KELLAHIN: We tender Mr. Shackleford  
15 as an expert petroleum landman.

16 MR. NUTTER: Mr. Shackleford is qualified.

17 Q Mr. Shackleford, let me direct your  
18 attention to what we've marked as Applicant Exhibit Number  
19 One and have you locate for me the spacing and proration unit  
20 for which you seek compulsory pooling.

21 A All right. It's the north half of Sec-  
22 tion 4, 19 South, 25 East, and this is in Eddy County, New  
23 Mexico, located approximately ten miles south of Artesia.

24 Q You're seeking to pool what formations?

25 A Okay, it's the Wolfcamp and Pennsylvanian

2 formations.

3 Q All right, sir, let's turn to Exhibit  
4 Number Two, and have you identify what that exhibit is.

5 A All right, prior to drilling this well  
6 we had some interests that were not committed and we've had  
7 this force pooled at that time. These did not include the  
8 interests which are brought before you today because they  
9 were under lease at that time.

10 Q All right, sir, if you'll take a moment  
11 now and explain to the Examiner why you have been required  
12 to bring a second compulsory pooling case on the same acreage  
13 for the same formation.

14 A Okay. Upon drilling the well we found  
15 that we could not get the well, which is a gas well, hooked  
16 up in time to keep these leases from expiring. They did not  
17 contain shut-in provisions.

18 Prior to this time we went back to the  
19 lessors and tried to obtain an amendment to the lease and  
20 this was done in January of this year, and in April of this  
21 year they came back and said they had revised the amendment  
22 which we requested and wanted \$400 to execute this agreement.

23 Upon examining the agreement we found  
24 that it was slightly onerous. They wanted \$10 per acre shut-  
25 in provisions and we felt that if we were going to have to



1  
2 pay what amounted to a bonus, we would wait and if we did not  
3 get the lease, or the well connected, at that time we would  
4 try to renew the lease at that time.

5 Q All right, sir, let me have you identify  
6 for us the individuals or parties from whom you originally had  
7 the leases for which there were not shut-in gas provisions.

8 A Okay, this was Robert K. Williams and  
9 Gayle Williams, and the First National Bank and Trust Company  
10 of Oklahoma City.

11 Q All right, sir, with regards to each of  
12 those interests, would you identify where their interest is  
13 within this proration unit and what that percentage is with  
14 regards to the entirety?

15 A Okay. The Williams lease, which was  
16 executed by both Robert and W. Gayle Williams, covered the  
17 east half of the northeast quarter of Section 12, and their  
18 interest was a one-third interest in that 80 acres.

19 The lease executed by the First National  
20 Bank and Trust Company of Oklahoma City, as trustee of the  
21 George Sohlberg and Virginia E. Weinmann and John G. Weinmann,  
22 Co-Trustees of the Virginia Eason Weinmann living trust, also  
23 covers the east half of the northeast quarter, and also  
24 covered one-third interest in that 80 acres.

25 Q Would you identify for the Examiner the

1  
2 location of this well within the proration unit?

3 A Okay, the well was drilled at a location  
4 of 1980 from the north and west lines of Section 12.

5 Q Let's continue through your exhibits, Mr.  
6 Shackelford. If you'll go to Exhibit Number Three and tell  
7 us what that exhibit is?

8 A Okay, that's the AFE for the well. This  
9 has been updated. It's dated July 22nd, '81, and at this --  
10 at the time this thing was revised these were the actual  
11 costs, to date on the well.

12 Do I need to explain the dry hole?

13 Q No, sir, I think it's all right on the  
14 exhibit. I wanted you to indicate that these represent the  
15 actual costs of drilling this well.

16 If you'll turn to Exhibit Four and tell  
17 us what that is.

18 A Okay, Exhibit Four is some history on  
19 the leases. When we first went to the bank we sent both  
20 leases, the lease for the Williams interest and the bank in-  
21 terest, to the bank in Oklahoma City, and they handled the  
22 Williams lease. And this letter gives evidence to that fact.

23 Q All right, and Exhibit Number Five.

24 A Okay, Exhibit Five is the lease from the  
25 Williams. As you can see, it was sent to the bank. Their

1  
2 address is under the -- under the lessors names and is identi-  
3 cal to the lease obtained from the bank.

4 Q Now this is the lease that doesn't have  
5 the shut-in gas provision, isn't it?

6 A That's correct.

7 Q And you had been dealing with Mr. and  
8 Mrs. Williams through the First National Bank and Trust --

9 A Right, that was our --

10 Q -- in Oklahoma?

11 A Right, our only source of information as  
12 to contacting them.

13 Q All right, have -- up through today have  
14 you been able to locate any other address for the Williams  
15 other than through this First National Bank?

16 A No, and they haven't been provided that  
17 information, either.

18 Q They have not?

19 A They have not.

20 Q All right, sir. Let's go to Exhibit  
21 Six. Tell me what that is?

22 A Okay, that's a lease from the bank; again  
23 the shut-in provision has been stricken from the lease, and  
24 again it is identical to the Williams lease.

25 MR. NUTTER: That's the underlined or

1  
2 the scratched out portion in paragraph three, isn't it?

3 A Yes, sir. And then down through the  
4 lease any other reference to a shut-in payment is also deleted.

5 Q All right, let's go Exhibit Seven.

6 A Okay, Exhibit Seven is the letter where-  
7 by January 15th of this year we tried to get an amendment to  
8 the lease from the bank, and the amendment is attached to the  
9 letter.

10 Q All right, sir, and Exhibit Number Eight?

11 A And then Exhibit Number Eight is the  
12 reply from the bank some four months later where they wanted  
13 a bonus, or some payment to execute the agreement, and their  
14 amended amendment attached to the letter there.

15 Q All right, and after Exhibit Eight, then  
16 Exhibit Nine.

17 A Okay. This carried on until July of  
18 this year and when we saw that we weren't going to get the  
19 well connected in time, of course, we felt that in order to  
20 rush things up we could probably handle this by telephone,  
21 and this is merely a note to a representative with the bank  
22 or the trust department, and asking them if they would give  
23 us a renewal lease, and again inquiring as to where we might  
24 be able to locate the Williams.

25 Q This is a note from your file in your

1  
2 handwriting --

3 A Yes.

4 Q -- a telephone conversation you had with  
5 the bank?

6 A Yes, that's true.

7 Q All right, Exhibit Number Ten.

8 A Okay, that's a letter dated August 31st  
9 of this year. The bank asked us to send the information on  
10 the lease to them, which I did, and we had not heard back  
11 from the bank on this. I also inquired in my letter as to  
12 the information as to where I might be able to locate the  
13 Williams and again they have not given us any information on  
14 that.

15 Q All right, sir, no reply to the August  
16 letter?

17 A None.

18 Q In fact, the last conversation you had  
19 with anyone with regards to this subject is back in July.

20 A Well, I did talk to them over the phone  
21 on this and they said that they would talk to Mr. Weinmann  
22 and hold -- and have a meeting and see if it would be approved.

23 And then they came back and said that  
24 they would probably circulate the lease and get it back to  
25 us if they did approve, and that's pretty much where it's been

1  
2 since that day.

3 Q All right, sir, and Exhibit Number  
4 Eleven.

5 A Okay, this is our letter to the bank  
6 telling them about this hearing.

7 Q All right, it indicates that at the time  
8 the application was filed, the bank and the Williams also  
9 received a copy of the application and an indication of the  
10 date of the hearing.

11 A That's right.

12 Q All right, sir, let's go to Exhibit  
13 Number Twelve and have you tell me about that, please.

14 A Okay, Exhibit Number Twelve are some  
15 pages taken from our operating agreement under which this  
16 well was drilled. The second page sets out the interest, who  
17 participated in the well. These are the working interest  
18 participants. And the third page to this --

19 MR. NUTTER: Now, on that time on this  
20 bank interest and on the Williams interest, Anadarko was the  
21 working interest on that, is that correct?

22 A That's correct, they were leased.

23 MR. NUTTER: So that's not listed here  
24 as working interest owners.

25 A No, sir.

1  
2 MR. NUTTER: Okay.

3 Q At that time what did the working interest  
4 owners commit their interests to with regards to overhead  
5 charges?

6 A Okay, that's there on page three, which  
7 is also page three to the COPAS, and drilling well rate was  
8 \$3000 and producing well rate was \$330.

9 Q All right, are those charges consistent  
10 with the charges adopted and made a part of the compulsory  
11 pooling in the first --

12 A Yes, sir.

13 Q -- time around? All right.

14 Now, Mr. Shackelford, except for the  
15 correspondence indicated in the file that's authored by some-  
16 one other than yourself, is the information contained herein  
17 prepared by you or compiled under your direction and super-  
18 vision?

19 A Yes, sir, it was.

20 MR. KELLAHIN: That concludes our exam-  
21 ination of Mr. Shackelford.

22 We'd move the introduction of Exhibits  
23 One through Twelve.

24 MR. NUTTER: Exhibits One through Twelve  
25 will be admitted in evidence.

## CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Shackelford, now we had a forced pooling hearing back in 1980, I think it was, on this, and we entered an order and it provided that -- that order provided that there would be a \$3000 per month combined fixed rates while drilling, and \$330 while producing, provided for a 200 percent charge for working interests.

Were there uncommitted working interests at that time?

A Yes, sir, we had some parties that would not lease.

Q Uh-huh, so this tabulation on --

MR. KELLAHIN: Exhibit Twelve?

Q -- Exhibit Twelve, these are the -- it adds up to 100 percent.

A Yes, sir, the outstanding interests --

Q But the outstanding interest at the bottom, those were the poolers in the original hearing.

A That's correct, that was all, one percent.

Q Okay. Now, the lease has expired on the Williams interest and the bank's interest.

A Yes, sir.



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2

Q In that 80-acre tract.

3

A That's correct.

4

Q And so you're seeking to pool them now

5

as working interest owners in the well.

6

A Yes, sir.

7

Q Because there is no lease on those lands.

8

A That's correct.

9

Q All right, do they own those lands in

10

fee? Do they also have the mineral interests? I presume

11

they do.

12

A The bank?

13

Q As fee owners, yeah.

14

A Yes, sir.

15

Q So they have a royalty interest and a

16

working interest on it.

17

A Yes, sir.

18

Q Williams and the bank, both.

19

A Yes, sir.

20

Q Okay, now the -- the order that was

21

entered the first time around provided that after the effective

22

date of the order and within 90 days prior to commencing

23

the well, you'd submit an AFE to the poolers and then they

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would have thirty days in which to respond and put up their

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share of the money for drilling the well or to decide to

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take it out of production and be subject to the penalty.

Now how are you going to send them an AFE before you spud the well?

MR. KELLAHIN: What we'd like to propose, Mr. Nutter, is that the standard compulsory pooling order be modified in such a way to take care of this particular instance. It would require us to send them a copy of the order, a copy of our latest estimate of the actual costs, which --

MR. NUTTER: The actual costs, which were an exhibit here.

MR. KELLAHIN: That's right, Exhibit Three, as I understand it, and give them a thirty day period with appropriate notice that they can tender their check for their share of the costs or in the event they do not, then they would be subject to the penalty.

And my second witness will talk to you about whether or not that penalty is still applicable in cases where we've actually completed the well.

MR. NUTTER: Okay, you're going to go into that --

MR. KELLAHIN: Yes, we will.

MR. NUTTER: -- with your next witness.

Now, maybe I ought to direct this to you, Tom, but here on the application, paragraph three, appli-

1  
2 cant has obtained the right to all mineral interest underlying  
3 the 380-acre tract, with the exception of the following: The  
4 First National Bank, 27.67 percent, and Robert and Gayle  
5 Williams, 26.67 percent.

6 MR. KELLAHIN: Yes, sir, those percentages  
7 are in error. That is an acreage number.

8 MR. NUTTER: Yeah.

9 MR. KELLAHIN: And as Mr. Shackelford --

10 MR. NUTTER: They've each got a -- they've  
11 each got a third of 80.

12 A Yes, sir.

13 MR. NUTTER: That's what they've got.

14 MR. KELLAHIN: And then that number is  
15 taken into the 320 number to get a percentage.

16 MR. NUTTER: Okay, for a percentage.  
17 Okay. So they don't have 26 percent.

18 MR. KELLAHIN: No, sir, that percentage  
19 is acreage.

20 MR. NUTTER: Okay. Are there any other  
21 questions of Mr. Shackelford? He may be excused.

22 MR. KELLAHIN: I'd like to call at this  
23 time Dan Kernaghan.  
24  
25

DAN KERNAGHAN

BEING called as a witness and being duly sworn upon his oath,  
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Kernaghan, for the record would you  
state your name and occupation?

A My name is Dan Kernaghan. I'm employed  
by Anadarko Production Company as Division Operations Manager  
in Midland.

Q You are a petroleum engineer by profes-  
sion?

A Petroleum engineer, graduate from Colo-  
rado School of Mines, with 25 years experience.

Q Yes, sir, and you've testified as a  
petroleum engineer before the Division on numerous occasions,  
have you not?

A Yes, sir, I have.

MR. KELLAHIN: We tender Mr. Kernaghan  
as an expert petroleum engineer.

MR. NUTTER: Mr. Kernaghan is qualified.

Q Mr. Kernaghan, let me direct your at-

1  
2           tention, in fact, I'll show you a copy of Exhibit Number Two,  
3           which is the first compulsory pooling order entered with re-  
4           gards to this well, and you'll observe that the Division  
5           entered a 200 percent risk factor.

6                   A           Yes.

7                   Q           Do you have an opinion at this time, Mr.  
8           Kernaghan, as to whether a penalty factor of some percentage  
9           is appropriate and ought to be entered against the non-con-  
10          senting working interest in this case?

11                   A           Well, I think the well as it now sits is  
12          a noncommercial well. It's not noncommercial but it will not  
13          pay out.

14                   Q           All right, sir, give us some numbers on  
15          that, if you would.

16                   A           The well is making between 50 and 55 Mcf  
17          a day. It has very low reserves. It's a marginal well.

18                   Q           In your opinion would it be appropriate  
19          even though the well has been completed as a producing well  
20          to charge the nonconsenting working interest owners a risk  
21          factor penalty based upon the fact that this is probably  
22          an uneconomical well?

23                   A           Well, I think it would be. The well  
24          certainly turned out to be for all practical purposes within  
25          the unsuccessful category. In fact, rather than in supposi-

1  
2 tion.

3 Q All right, sir, it confirms the risk in  
4 the first order, doesn't it, Mr. Kernaghan?

5 A Yes.

6 Q Do you have a percentage recommendation  
7 to Mr. Nutter with regards to the penalty?

8 A Oh, I think the 200 percent that we had  
9 the first time is certainly as reasonable as it was the first  
10 time.

11 Q In your opinion, Mr. Kernaghan, will --  
12 yes, sir, go ahead.

13 A I think that the 200 percent is -- is in  
14 my opinion, fair and equitable.

15 Q All right. Do you have -- in your  
16 opinion will approval of this application, as requested, be  
17 in the best interests of conservation, the prevention of  
18 waste, and the protection of correlative rights?

19 A Yes, it will be.

20 Q All right, sir.

21 MR. KELLAHIN: If the Examiner please,  
22 we'd like to have the Examiner take under administrative  
23 notice the transcript and exhibits with regards to the case  
24 from which the first order was entered, and it is Case Number  
25 7004.

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MR. NUTTER: We will incorporate the record in Case Number 7004 in this case.

MR. KELLAHIN: That concludes my examination of Mr. Kernaghan.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Kernaghan, you don't expect the bank to put up its share of the money in advance on this project now, do you?

A No, sir, I don't. No.

Q But they would be entitled -- they will in all probability, if you take the penalty against their share, take it out of production. They're never going to achieve a -- they're never going to achieve payment of their working interest share.

A No, sir.

Q But they will be paid royalty.

A Yes, they will.

Q They will participate in the royalty.

A If the bank tendered us a lease, I think we'd be willing to accept a lease also from them.

Q When was the well completed, Mr. Kernaghan?

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2

A About April.

3

Q And how long was it before it was con-

4

nected?

5

A It was connected the first part of Sep-

6

tember.

7

The poor quality of the well had a lot to do with the length of time it took to connect it.

8

Q And when did those leases with Williams

9

and the bank expire?

10

A As I remember, it was in July.

11

It's -- it's shown on the exhibits.

12

MR. SHACKLEFORD. June 29th.

13

A Okay.

14

Q June 29th?

15

MR. SHACKLEFORD: Yeah.

16

Q So the leases expired in the interim

17

from the time the well was completed until it was connected.

18

A That is correct.

19

Had the well been an outstanding well we could have in all probability have gotten it connected prior to the time that the leases expired. That is what we anticipated.

20

Q There are other wells in the near vici-

21

nity.



1

2

A Yes, there are.

3

4

Q So the pipeline didn't have to go too far; they just weren't interested.

5

A We had a pipeline on the proration unit.

6

7

MR. NUTTER: Are there any other questions of Mr. Kernaghan?

8

MR. KELLAHIN: No, sir.

9

MR. NUTTER: He may be excused.

10

11

Do you have anything further, Mr. Kella-  
hin?

12

MR. KELLAHIN: No, sir.

13

14

MR. NUTTER: Does anyone have anything they wish to offer in case 7367?

15

We'll take the case under advisement.

16

17

(Hearing concluded.)

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## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that  
the foregoing Transcript of Hearing before the Oil Conserva-  
tion Division was reported by me; that the said transcript  
is a full, true, and correct record of the hearing, prepared  
by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 7367  
heard by me on 10/7 1987.

[Signature], Examiner  
Oil Conservation Division

Dockets Nos. 33-81 and 34-81 are tentatively set for October 21 and November 4, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - MONDAY - OCTOBER 5, 1981

OIL CONSERVATION COMMISSION - 9 A.M.  
ROOM 205, STATE LAND OFFICE BUILDING,  
SANTA FE, NEW MEXICO

CASE 7372: Application of Navajo Refining Company for a determination of preference to purchase state royalty oil pursuant to Section 19-10-68, NMSA, 1978.

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Docket No. 32-81

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 7, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- CASE 7363: Application of Gulf Oil Corporation for a unit agreement, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the East White Ranch Unit Area, comprising 1920 acres, more or less, of Federal lands in Township 13 South, Range 30 East.
- CASE 7364: Application of Gulf Oil Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the East Chosa Draw Unit Area comprising 5120 acres, more or less, of Federal and State lands in Township 25 South, Range 25 East.
- CASE 7365: Application of Yates Petroleum Corporation for the amendment of Order R-6406, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-6406, to permit recompletion of its State "JM" No. 2 Well, drilled at an unorthodox Morrow location 660 feet from the South line and 660 feet from the East line of said Section 25, Township 18 South, Range 24 East, in any and all Wolfcamp and Pennsylvanian pays in said well.
- CASE 7354: (Continued from the September 23, 1981, Examiner Hearing)  
Application of Corona Oil Company, for a pilot steam-enhanced oil recovery project, Guadalupe County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pilot steam-enhanced oil recovery project in the Santa Rosa formation by using two existing wells and three additional wells to be drilled to complete a five spot pattern located in the NE/4 NW/4 of Section 17, Township 11 North, Range 26 East.
- CASE 7359: (Continued from the September 23, 1981 Examiner Hearing)  
Application of Energy Reserves Group for creation of a new gas pool and an unorthodox location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks creation of a new Cisco gas pool for its Miller Com Well No. 1, located in Unit M of Section 12, Township 6 South, Range 33 East. Applicant further seeks approval of an unorthodox location for its Miller "A" Well No. 1-Y, to be drilled 1800 feet from the South line and 1700 feet from the East line of Section 11 of the same township. The S/2 of said Section 11 to be dedicated to the well.
- CASE 7366: Application of Read & Stevens, Inc., for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Strawn, Atoka and Morrow formations underlying the W/2 of Section 19, Township 23 South, Range 28 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7367: Application of Anadarko Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 12, Township 19 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

**CASE 7368:** Application of Doyle Hartman for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 1980 feet from the South line and 990 feet from the West line of Section 17, Township 24 South, Range 37 East, Jalmat Gas Pool, the S/2 of said Section 17 to be dedicated to the well.

**CASE 7369:** Application of Morris R. Antweil for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blinebry and Drinkard formations underlying the NW/4 SE/4 of Section 8, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

**CASE 7370:** Application of Southland Royalty Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pictured Cliffs and Fruitland formations, East Blanco Field, underlying the NW/4 of Section 35, Township 30 North, Range 4 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

**CASE 7023:** (Reopened and Readvertised)

In the matter of case 7023 being reopened pursuant to the provisions of Order No. R-6489, which order created the Stingray-Pennsylvanian Pool and promulgated special rules therefor, including provision for 80-acre spacing. All interested parties may appear and show cause why said pool should not be developed on 40-acre proration units.

**CASE 7347:** (Continued and Readvertised)

Application of Tenneco Oil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox Pennsylvanian location of a well to be drilled 660 feet from the South line and 860 feet from the West line of Section 20, Township 16 South, Range 34 East, Kemnitz Field, the W/2 of said Section 20 to be dedicated to the well.

**CASE 7371:** In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, redesignating, extending vertical limits, and contracting and extending horizontal limits of certain pools in Chaves, Eddy, Lea, and Roosevelt Counties, New Mexico.

(a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Antelope Ridge-Wolfcamp Pool. The discovery well is Coquina Oil Corporation Alexander Well No. 1 located in Unit G of Section 10, Township 24 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM  
Section 10: NE/4

(b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Spring production and designated as the Brinninstool-Bone Spring Pool. The discovery well is Amoco Production Company State IK Well No. 1 located in Unit C of Section 10, Township 23 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM  
Section 10: NW/4

(c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Brinninstool-Wolfcamp Pool. The discovery well is Amoco Production Company Federal H Well No. 1 located in Unit L of Section 26, Township 23 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 23 SOUTH, RANGE 33 EAST, NMPM  
Section 26: SW/4

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Collins Ranch-Wolfcamp Gas Pool. The discovery well is the Yates Petroleum Corporation State DF Well No. 1 located in Unit D of Section 35, Township 17 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM  
Section 35: N/2

(e) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the Fairview Mills-Atoka Gas Pool. The discovery well is the Enserch Exploration, Inc. T. G. Bates Well No. 1 located in Unit G of Section 14, Township 25 South, Range 34 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 34 EAST, NMPM  
Section 14: N/2

(f) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Wolfcamp production and designated as the Gem-Wolfcamp Pool. The discovery well is the Amoco Production Company Federal AM Well No. 1 located in Unit E of Section 26, Township 19 South, Range 32 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM  
Section 26: NW/4

(g) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Tubb production and designated as the Hardy-Tubb Pool. The discovery well is the Conoco Inc. State F Well No. 10 located in Unit V of Section 1, Township 21 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM  
Section 1: SW/4

(h) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Upper Pennsylvanian production and designated as the Moriah-Upper Pennsylvanian Gas Pool. The discovery well is the Tom L. Ingram Moriah Well No. 2 located in Unit J of Section 7, Township 10 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 29 EAST, NMPM  
Section 7: S/2

(i) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Atoka production and designated as the Moriah-Atoka Gas Pool. The discovery well is the Tom L. Ingram Moriah Well No. 1 located in Unit J of Section 7, Township 10 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 29 EAST, NMPM  
Section 7: S/2

(j) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Queen production and designated as the West Reeves-Queen Gas Pool. The discovery well is the Collier Energy, Inc. Mesa State Well No. 1 located in Unit F of Section 20, Township 18 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 35 EAST, NMPM  
Section 20: NW/4

(k) CONTRACT the Cato-San Andres Pool in Chaves County, New Mexico, by the deletion of the following described area:

TOWNSHIP 8 SOUTH, RANGE 31 EAST, NMPM  
Section 5: NW/4 SW/4

(l) CONTRACT the East Weir-Blinbry Pool in Lea County, New Mexico, by the deletion of the following described area:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM  
Section 7: N/2 N/2  
Section 8: N/2 N/2  
Section 9: W/2 NW/4

(m) EXTEND the vertical limits of the Cave-Grayburg Pool in Eddy County, New Mexico, to include the San Andres formation and redesignate said pool as the Cave-Grayburg-San Andres Pool.

(n) EXTEND the Antelope Sink-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 24 EAST, NMPM  
Section 33: S/2

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM  
Section 4: E/2

- (o) EXTEND the Atoka-Yeso Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM  
Section 27: S/2 NE/4, S/2 NW/4, N/2 SE/4  
and N/2 SW/4

- (p) EXTEND the Baum-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM  
Section 23: SW/4

- (q) EXTEND the Blinbry Oil and Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 16: SW/4

- (r) EXTEND the Boyd-Morrow Gas Pool in Eddy County, New Mexico to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM  
Section 34: W/2

- (s) EXTEND the Bull's Eye-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM  
Section 12: NE/4 SW/4 and E/2 NW/4

- (t) EXTEND the East Crossroads-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 10 SOUTH, RANGE 37 EAST, NMPM  
Section 7: All

- (u) EXTEND the Crow Flats-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM  
Section 25: E/2  
Section 36: E/2

- (v) EXTEND the Culebra Bluff-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM  
Section 15: W/2

- (w) EXTEND the South Culebra Bluff-Bone Spring Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM  
Section 27: N/2 SE/4

- (x) EXTEND the D-K Abo pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 39 EAST, NMPM  
Section 31: NW/4

- (y) EXTEND the Happy Valley-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 26 EAST, NMPM  
Section 16: E/2  
Section 20: N/2

- (z) EXTEND the East Hightower-Upper Pennsylvanian Pool in Lea County, New Mexico to include therein:

TOWNSHIP 12 SOUTH, RANGE 34 EAST, NMPM  
Section 31: NE/4 and E/2 NW/4

- (aa) EXTEND the Imperial-Tubb Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM  
Section 27: NW/4

- (bb) EXTEND the Jalmat-Yates-Seven Rivers Pool in Lea County, New Mexico to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM  
Section 15: NE/4

- (cc) EXTEND the Keanitz-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 34 EAST, NMPM  
Section 9: N/2

- (dd) EXTEND the Linda-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 6 SOUTH, RANGE 26 EAST, NMPM  
Section 29: NW/4

- (ee) EXTEND the North Loving-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM  
Section 5: S/2  
Section 8: N/2  
Section 9: W/2

- (ff) EXTEND the Northeast Lovington-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 37 EAST, NMPM  
Section 18: NW/4

- (gg) EXTEND the Malaga-Atoka Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 28 EAST, NMPM  
Section 15: N/2

- (hh) EXTEND the Midway-Devonian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 37 EAST, NMPM  
Section 8: NW/4

- (ii) EXTEND the West Milnesand-San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 34 EAST, NMPM  
Section 17: SE/4

- (jj) EXTEND the Penasco Draw-San Andres-Yeso Associated Pool in Eddy County, New Mexico to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM  
Section 32: S/2 NE/4 and SE/4  
Section 33: S/2 NW/4 and SW/4

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM  
Section 4: NW/4  
Section 5: N/2 NE/4 and SE/4 NE/4

- (kk) EXTEND the Quail Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM  
Section 19: N/2

- (ll) EXTEND THE Querecho Plains-Lower Bone Spring Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM  
Section 28: S/2

- (mm) EXTEND the Rocky Arroyo-Wolfcamp Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM  
Section 9: SW/4  
Section 16: NW/4

(nn) EXTEND the South Salt Lake-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM  
Section 7: E/2  
Section 18: N/2

(oo) EXTEND the West Sand Dunes-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM  
Section 32: W/2

(pp) REDESIGNATE the Sand Ranch-Atoka Gas Pool in Chaves County, New Mexico, to the Sand Ranch-Morrow Gas Pool, as said pool is producing from the Morrow formation rather than the Atoka, and EXTEND the horizontal limits of said pool to include therein:

TOWNSHIP 10 SOUTH, RANGE 29 EAST, NMPM  
Section 14: S/2

(qq) EXTEND the San Simon-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NMPM  
Section 6: SE/4  
Section 7: E/2

(rr) EXTEND the Sawyer-San Andres Associated Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 38 EAST, NMPM  
Section 7: SW/4

(ss) EXTEND the Spencer-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 36 EAST, NMPM  
Section 23: SE/4

(tt) EXTEND the Tomahawk-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM  
Section 36: NW/4

(uu) EXTEND the Tom-Tom-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 31 EAST, NMPM  
Section 5: S/2 SW/4  
Section 8: N/2 NW/4

(vv) EXTEND the Tonto-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Section 27: E/2

(ww) EXTEND the Turkey Track-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM  
Section 3: S/2

(xx) EXTEND the Wantz-Abo Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 10: NE/4

(yy) EXTEND the North Young-Bone Spring Pool in Lea County, New Mexico to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM  
Section 10: NE/4



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
7 October 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Anadarko Production  
Company for compulsory pooling,  
Eddy County, New Mexico.

CASE  
7367

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

W. Perry Pearce, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

W. Thomas Kellahin, Esq.  
KELLAHIN & KELLAHIN  
500 Don Gaspar  
Santa Fe, New Mexico 87501

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I N D E X

BILL SHACKLEFORD

Direct Examination by Mr. Kellahin  
Cross Examination by Mr. Nutter

DAN KERNAGHAN

Direct Examination by Mr. Kellahin  
Cross Examination by Mr. Nutter

E X H I B I T S

Applicant Exhibit One, Plat  
Applicant Exhibit Two, Order  
Applicant Exhibit Three, AFE  
Applicant Exhibit Four, History  
Applicant Exhibit Five, Lease  
Applicant Exhibit Six, Lease  
Applicant Exhibit Seven, Letter  
Applicant Exhibit Eight, Reply  
Applicant Exhibit Nine, Note  
Applicant Exhibit Ten, Letter  
Applicant Exhibit Eleven, Letter

Applicant Exhibit Twelve, Pages

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MR. NUTTER: We'll call next Case Number  
7367.

MR. PEARCE: Application of Anadarko  
Production Company for compulsory pooling, Eddy County, New  
Mexico.

MR. KELLAHIN: If the Examiner please,  
I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf  
of the applicant, and I have two witnesses.

(Witnesses sworn.)

BILL SHACKLEFORD  
being called as a witness and being duly sworn upon his oath,  
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Shackleford, would you please state  
your name and occupation?

A My name is Bill Shackleford. I'm a  
Senior Landman with Anadarko Production Company in Midland,  
Texas.

Q Would you tell the Examiner when and  
where you obtained your degree?

1

4

2

A I obtained a Business degree from the University of Oklahoma, majoring in petroleum land management in 1975.

5

Q Subsequent to graduation, Mr. Shackleford, where have you been employed as a petroleum landman?

7

A I worked for 4-1/2 years with Getty Oil Company and approximately 16 months with Monsanto Company. I've been with Anadarko now for 9 months.

10

Q Pursuant to your employment by Anadarko have you made a study of the land title interest with regards to this application?

13

A Yes.

14

MR. KELLAHIN: We tender Mr. Shackleford as an expert petroleum landman.

16

MR. NUTTER: Mr. Shackleford is qualified.

17

Q Mr. Shackleford, let me direct your attention to what we've marked as Applicant Exhibit Number One and have you locate for me the spacing and proration unit for which you seek compulsory pooling.

21

A All right. It's the north half of Section 4, 19 South, 25 East, and this is in Eddy County, New Mexico, located approximately ten miles south of Artesia.

24

Q You're seeking to pool what formations?

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A Okay, it's the Wolfcamp and Pennsylvanian

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formations.

Q All right, sir, let's turn to Exhibit Number Two, and have you identify what that exhibit is.

A All right, prior to drilling this well we had some interests that were not committed and we've had this force pooled at that time. These did not include the interests which are brought before you today because they were under lease at that time.

Q All right, sir, if you'll take a moment now and explain to the Examiner why you have been required to bring a second compulsory pooling case on the same acreage for the same formation.

A Okay. Upon drilling the well we found that we could not get the well, which is a gas well, hooked up in time to keep these leases from expiring. They did not contain shut-in provisions.

Prior to this time we went back to the lessors and tried to obtain an amendment to the lease and this was done in January of this year, and in April of this year they came back and said they had revised the amendment which we requested and wanted \$400 to execute this agreement.

Upon examining the agreement we found that it was slightly onerous. They wanted \$10 per acre shut-in provisions and we felt that if we were going to have to

1

6

2 pay what amounted to a bonus, we would wait and if we did not  
3 get the lease, or the well connected, at that time we would  
4 try to renew the lease at that time.

5 Q All right, sir, let me have you identify  
6 for us the individuals or parties from whom you originally had  
7 the leases for which there were not shut-in gas provisions.

8 A Okay, this was Robert K. Williams and  
9 Gayle Williams, and the First National Bank and Trust Company  
10 of Oklahoma City.

11 Q All right, sir, with regards to each of  
12 those interests, would you identify where their interest is  
13 within this proration unit and what that percentage is with  
14 regards to the entirety?

15 A Okay. The Williams lease, which was  
16 executed by both Robert and W. Gayle Williams, covered the  
17 east half of the northeast quarter of Section 12, and their  
18 interest was a one-third interest in that 80 acres.

19 The lease executed by the First National  
20 Bank and Trust Company of Oklahoma City, as trustee of the  
21 George Sohlberg and Virginia E. Weinmann and John G. Weinmann,  
22 Co-Trustees of the Virginia Eason Weinmann living trust, also  
23 covers the east half of the northeast quarter, and also  
24 covered one-third interest in that 80 acres.

25 Q Would you identify for the Examiner the

1

7

2

location of this well within the proration unit?

3

A Okay, the well was drilled at a location

4

of 1980 from the north and west lines of Section 12.

5

Q Let's continue through your exhibits, Mr.

6

Shackleford. If you'll go to Exhibit Number Three and tell

7

us what that exhibit is?

8

A Okay, that's the AFE for the well. This

9

has been updated. It's dated July 22nd, '81, and at this --

10

at the time this thing was revised these were the actual

11

costs, to date on the well.

12

Do I need to explain the dry hole?

13

Q No, sir, I think it's all right on the

14

exhibit. I wanted you to indicate that these represent the

15

actual costs of drilling this well.

16

If you'll turn to Exhibit Four and tell

17

us what that is.

18

A Okay, Exhibit Four is some history on

19

the leases. When we first went to the bank we sent both

20

leases, the lease for the Williams interest and the bank in-

21

terest, to the bank in Oklahoma City, and they handled the

22

Williams lease. And this letter gives evidence to that fact.

23

Q All right, and Exhibit Number Five.

24

A Okay, Exhibit Five is the lease from the

25

Williams. As you can see, it was sent to the bank. Their

1  
2 address is under the -- under the lessors names and is identi-  
3 cal to the lease obtained from the bank.

4 Q Now this is the lease that doesn't have  
5 the shut-in gas provision, isn't it?

6 A That's correct.

7 Q And you had been dealing with Mr. and  
8 Mrs. Williams through the First National Bank and Trust --

9 A Right, that was our --

10 Q -- in Oklahoma?

11 A Right, our only source of information as  
12 to contacting them.

13 Q All right, have -- up through today have  
14 you been able to locate any other address for the Williams  
15 other than through this First National Bank?

16 A No, and they haven't been provided that  
17 information, either.

18 Q They have not?

19 A They have not.

20 Q All right, sir. Let's go to Exhibit  
21 Six. Tell me what that is?

22 A Okay, that's a lease from the bank; again  
23 the shut-in provision has been stricken from the lease, and  
24 again it is identical to the Williams lease.

25 MR. NUTTER: That's the underlined or



1

9

2

the scratched out portion in paragraph three, isn't it?

3

A Yes, sir. And then down through the

4

lease any other reference to a shut-in payment is also deleted.

5

Q All right, let's go Exhibit Seven.

6

A Okay, Exhibit Seven is the letter where-

7

by January 15th of this year we tried to get an amendment to

8

the lease from the bank, and the amendment is attached to the

9

letter.

10

Q All right, sir, and Exhibit Number Eight?

11

A And then Exhibit Number Eight is the

12

reply from the bank some four months later where they wanted

13

a bonus, or some payment to execute the agreement, and their

14

amended amendment attached to the letter there.

15

Q All right, and after Exhibit Eight, then

16

Exhibit Nine.

17

A Okay. This carried on until July of

18

this year and when we saw that we weren't going to get the

19

well connected in time, of course, we felt that in order to

20

rush things up we could probably handle this by telephone,

21

and this is merely a note to a representative with the bank

22

or the trust department, and asking them if they would give

23

us a renewal lease, and again inquiring as to where we might

24

be able to locate the Williams.

25

Q This is a note from your file in your

handwriting --

A Yes.

Q -- a telephone conversation you had with the bank?

A Yes, that's true.

Q All right, Exhibit Number Ten.

A Okay, that's a letter dated August 31st of this year. The bank asked us to send the information on the lease to them, which I did, and we had not heard back from the bank on this. I also inquired in my letter as to the information as to where I might be able to locate the Williams and again they have not given us any information on that.

Q All right, sir, no reply to the August letter?

A None.

Q In fact, the last conversation you had with anyone with regards to this subject is back in July.

A Well, I did talk to them over the phone on this and they said that they would talk to Mr. Weinmann and hold -- and have a meeting and see if it would be approved.

And then they came back and said that they would probably circulate the lease and get it back to us if they did approve, and that's pretty much where it's been

1  
2 since that day.

3 Q All right, sir, and Exhibit Number  
4 Eleven.

5 A Okay, this is our letter to the bank  
6 telling them about this hearing.

7 Q All right, it indicates that at the time  
8 the application was filed, the bank and the Williams also  
9 received a copy of the application and an indication of the  
10 date of the hearing.

11 A That's right.

12 Q All right, sir, let's go to Exhibit  
13 Number Twelve and have you tell me about that, please.

14 A Okay, Exhibit Number Twelve are some  
15 pages taken from our operating agreement under which this  
16 well was drilled. The second page sets out the interest, who  
17 participated in the well. These are the working interest  
18 participants. And the third page to this --

19 MR. NUTTER: Now, on that time on this  
20 bank interest and on the Williams interest, Anadarko was the  
21 working interest on that, is that correct?

22 A That's correct, they were leased.

23 MR. NUTTER: So that's not listed here  
24 as working interest owners.

25 A No, sir.

1 MR. NUTTER: Okay.

2  
3 Q At that time what did the working interest  
4 owners commit their interests to with regards to overhead  
5 charges?

6 A Okay, that's there on page three, which  
7 is also page three to the COPAS, and drilling well rate was  
8 \$3000 and producing well rate was \$330.

9 Q All right, are those charges consistent  
10 with the charges adopted and made a part of the compulsory  
11 pooling in the first --

12 A Yes, sir.

13 Q -- time around? All right.

14 Now, Mr. Shackelford, except for the  
15 correspondence indicated in the file that's authored by some-  
16 one other than yourself, is the information contained herein  
17 prepared by you or compiled under your direction and super-  
18 vision?

19 A Yes, sir, it was.

20 MR. KELLAHIN: That concludes our exam-  
21 ination of Mr. Shackelford.

22 We'd move the introduction of Exhibits

23 One through Twelve.

24 MR. NUTTER: Exhibits One through Twelve

25 will be admitted in evidence.

## CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Shackelford, now we had a forced pooling hearing back in 1980, I think it was, on this, and we entered an order and it provided that -- that order provided that there would be a \$3000 per month combined fixed rates while drilling, and \$330 while producing, provided for a 200 percent charge for working interests.

Were there uncommitted working interests at that time?

A Yes, sir, we had some parties that would not lease.

Q Uh-huh, so this tabulation on --

MR. KELLAHIN: Exhibit Twelve?

Q -- Exhibit Twelve, these are the -- it adds up to 100 percent.

A Yes, sir, the outstanding interests --

Q But the outstanding interest at the bottom, those were the poolees in the original hearing.

A That's correct, that was all, one percent.

Q Okay. Now, the lease has expired on the Williams interest and the bank's interest.

A Yes, sir.

1

2

Q In that 80-acre tract.

3

A That's correct.

4

Q And so you're seeking to pool them now

5

as working interest owners in the well.

6

A Yes, sir.

7

Q Because there is no lease on those lands.

8

A That's correct.

9

Q All right, do they own those lands in

10

fee? Do they also have the mineral interests? I presume

11

they do.

12

A The bank?

13

Q As fee owners, yeah.

14

A Yes, sir.

15

Q So they have a royalty interest and a

16

working interest on it.

17

A Yes, sir.

18

Q Williams and the bank, both.

19

A Yes, sir.

20

Q Okay, now the -- the order that was

21

entered the first time around provided that after the effective

22

date of the order and within 90 days prior to commencing

23

the well, you'd submit an AFE to the poolees and then they

24

would have thirty days in which to respond and put up their

25

share of the money for drilling the well or to decide to

1 take it out of production and be subject to the penalty.  
2 Now how are you going to send them an AFE before you spud the  
3 well?  
4

5 MR. KELLAHIN: What we'd like to propose,  
6 Mr. Nutter, is that the standard compulsory pooling order be  
7 modified in such a way to take care of this particular instance.  
8 It would require us to send them a copy of the order, a copy  
9 of our latest estimate of the actual costs, which --

10 MR. NUTTER: The actual costs, which  
11 were an exhibit here.

12 MR. KELLAHIN: That's right, Exhibit  
13 Three, as I understand it, and give them a thirty day period  
14 with appropriate notice that they can tender their check for  
15 their share of the costs or in the event they do not, then  
16 they would be subject to the penalty.

17 And my second witness will talk to you  
18 about whether or not that penalty is still applicable in  
19 cases where we've actually completed the well.

20 MR. NUTTER: Okay, you're going to go

21 into that --

22 MR. KELLAHIN: Yes, we will.

23 MR. NUTTER: -- with your next witness.

24 Now, maybe I ought to direct this to  
25 you, Tom, but here on the application, paragraph three, appli-

1  
2 cant has obtained the right to all mineral interest underlying  
3 the 380-acre tract, with the exception of the following: The  
4 First National Bank, 27.67 percent, and Robert and Gayle  
5 Williams, 26.67 percent.

6 MR. KELLAHIN: Yes, sir, those percentages  
7 are in error. That is an acreage number.

8 MR. NUTTER: Yeah.

9 MR. KELLAHIN: And as Mr. Shackelford --

10 MR. NUTTER: They've each got a -- they've  
11 each got a third of 80.

12 A Yes, sir.

13 MR. NUTTER: That's what they've got.

14 MR. KELLAHIN: And then that number is  
15 taken into the 320 number to get a percentage.

16 MR. NUTTER: Okay, for a percentage.  
17 Okay. So they don't have 26 percent.

18 MR. KELLAHIN: No, sir, that percentage  
19 is acreage.

20 MR. NUTTER: Okay. Are there any other  
21 questions of Mr. Shackelford? He may be excused.

22 MR. KELLAHIN: I'd like to call at this  
23 time Dan Kernaghan.  
24  
25



DAN KERNAGHAN

BEING called as a witness and being duly sworn upon his oath,  
testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Mr. Kernaghan, for the record would you  
state your name and occupation?

A My name is Dan Kernaghan. I'm employed  
by Anadarko Production Company as Division Operations Manager  
in Midland.

Q You are a petroleum engineer by profes-  
sion?

A Petroleum engineer, graduate from Colo-  
rado School of Mines, with 25 years experience.

Q Yes, sir, and you've testified as a  
petroleum engineer before the Division on numerous occasions,  
have you not?

A Yes, sir, I have.

MR. KELLAHIN: We tender Mr. Kernaghan  
as an expert petroleum engineer.

MR. NUTTER: Mr. Kernaghan is qualified.

Q Mr. Kernaghan, let me direct your at-

1  
2           tention, in fact, I'll show you a copy of Exhibit Number Two,  
3           which is the first compulsory pooling order entered with re-  
4           gards to this well, and you'll observe that the Division  
5           entered a 200 percent risk factor.

6                   A           Yes.

7                   Q           Do you have an opinion at this time, Mr.  
8           Kernaghan, as to whether a penalty factor of some percentage  
9           is appropriate and ought to be entered against the non-con-  
10          senting working interest in this case?

11                  A           Well, I think the well as it now sits is  
12          a noncommercial well. It's not noncommercial but it will not  
13          pay out.

14                  Q           All right, sir, give us some numbers on  
15          that, if you would.

16                  A           The well is making between 50 and 55 Mcf  
17          a day. It has very low reserves. It's a marginal well.

18                  Q           In your opinion would it be appropriate  
19          even though the well has been completed as a producing well  
20          to charge the nonconsenting working interest owners a risk  
21          factor penalty based upon the fact that this is probably  
22          an uneconomical well?

23                  A           Well, I think it would be. The well  
24          certainly turned out to be for all practical purposes within  
25          the unsuccessful category. In fact, rather than in supposi-

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tion.

Q All right, sir, it confirms the risk in the first order, doesn't it, Mr. Kernaghan?

A Yes.

Q Do you have a percentage recommendation to Mr. Nutter with regards to the penalty?

A Oh, I think the 200 percent that we had the first time is certainly as reasonable as it was the first time.

Q In your opinion, Mr. Kernaghan, will -- yes, sir, go ahead.

A I think that the 200 percent is -- is in my opinion, fair and equitable.

Q All right. Do you have -- in your opinion will approval of this application, as requested, be in the best interests of conservation, the prevention of waste, and the protection of correlative rights?

A Yes, it will be.

Q All right, sir.

MR. KELLAHIN: If the Examiner please, we'd like to have the Examiner take under administrative notice the transcript and exhibits with regards to the case from which the first order was entered, and it is Case Number 7004.

1  
2 MR. NUTTER: We will incorporate the  
3 record in Case Number 7004 in this case.

4 MR. KELLAHIN: That concludes my examin-  
5 ation of Mr. Kernaghan.

6  
7 CROSS EXAMINATION

8 BY MR. NUTTER:

9 Q Mr. Kernaghan, you don't expect the bank  
10 to put up its share of the money in advance on this project  
11 now, do you?

12 A No, sir, I don't. No.

13 Q But they would be entitled -- they will  
14 in all probability, if you take the penalty against their  
15 share, take it out of production. They're never going to  
16 achieve a -- they're never going to achieve payment of their  
17 working interest share.

18 A No, sir.

19 Q But they will be paid royalty.

20 A Yes, they will.

21 Q They will participate in the royalty.

22 A If the bank tendered us a lease, I  
23 think we'd be willing to accept a lease also from them.

24 Q When was the well completed, Mr. Kerna-  
25 ghan?

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A

About April.

Q

And how long was it before it was con-

nected?

A

It was connected the first part of Sep-

tember.

The poor quality of the well had a lot

to do with the length of time it took to connect it.

Q

And when did those leases with Williams

and the bank expire?

A

As I remember, it was in July.

It's -- it's shown on the exhibits.

MR. SHACKLEFORD. June 29th.

A

Okay.

Q

June 29th?

MR. SHACKLEFORD: Yeah.

Q

So the leases expired in the interim

from the time the well was completed until it was connected.

A

That is correct.

Had the well been an outstanding well

we could have in all probability have gotten it connected

prior to the time that the leases expired. That is what we

anticipated.

Q

There are other wells in the near vici-

nity.

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A Yes, there are.

Q So the pipeline didn't have to go too far; they just weren't interested.

A We had a pipeline on the proration unit.

MR. NUTTER: Are there any other questions of Mr. Kernaghan?

MR. KELLAHIN: No, sir.

MR. NUTTER: He may be excused.

Do you have anything further, Mr. Kella-  
hin?

MR. KELLAHIN: No, sir.

MR. NUTTER: Does anyone have anything they wish to offer in case 7367?

We'll take the case under advisement.

(Hearing concluded.)

## C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

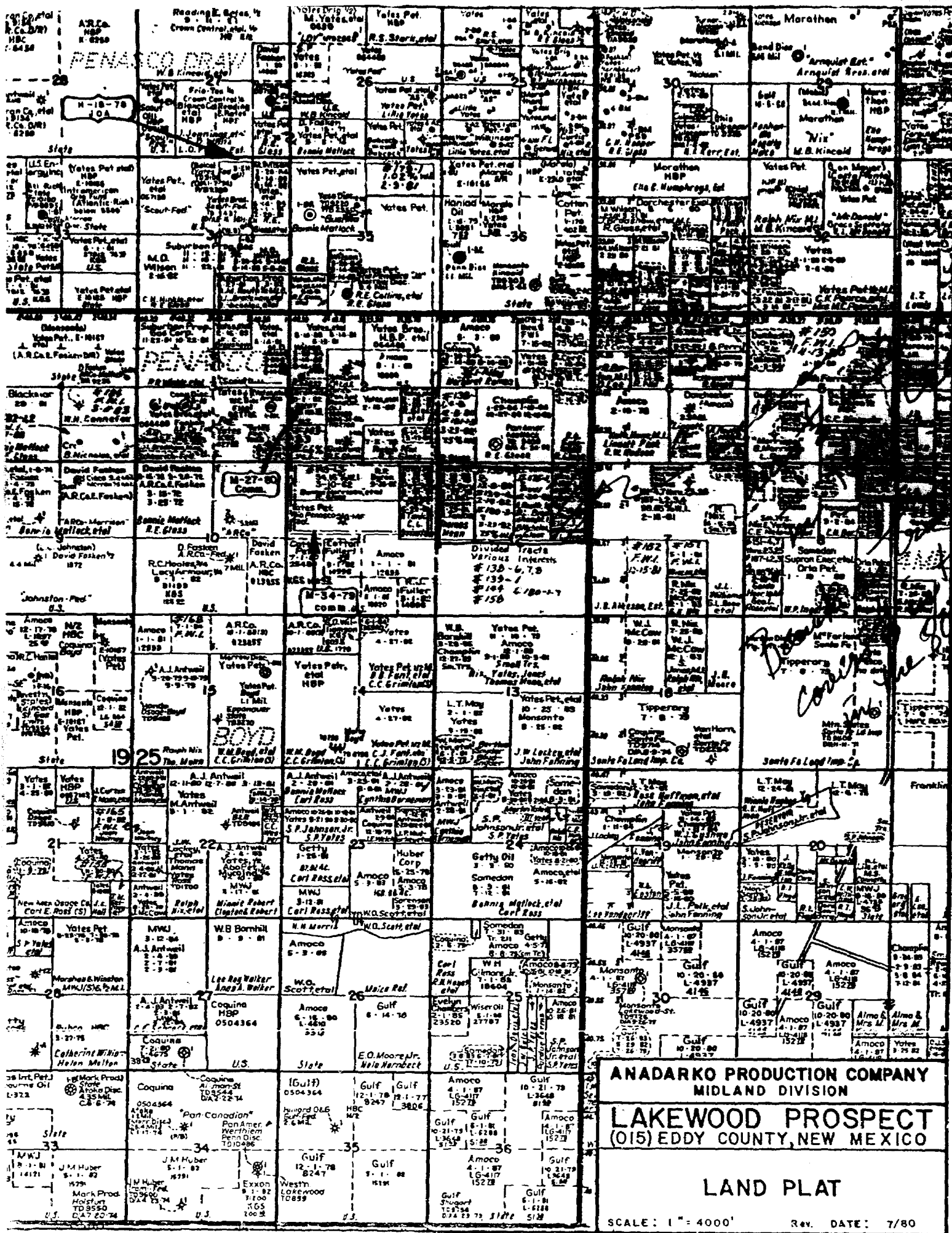
Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7367 heard by me on 10/7 1981.

[Signature] Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409



ANADARKO PRODUCTION COMPANY  
MIDLAND DIVISION  
LAKEWOOD PROSPECT  
(015) EDDY COUNTY, NEW MEXICO  
LAND PLAT  
SCALE: 1" = 4000'  
REV. DATE: 7/80



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7004  
Order No. R-6479

APPLICATION OF ANADARKO PRODUCTION  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 17, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 20th day of October, 1980, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Anadarko Production Company, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 12, Township 19 South, Range 25 East, NHPM, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	2
CASE NO.	7367

approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$3000.00 per month while drilling and \$330.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1981, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 12, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations.

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1981, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Anadarko Production Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and, within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 20 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$3000.00 per month while drilling and \$330.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition

thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

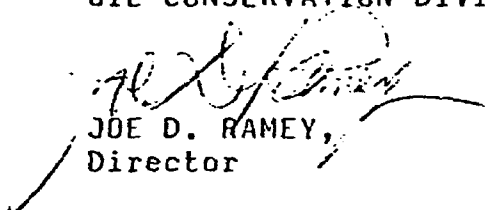
(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY,  
Director

S E A L

dr/

CO. (2) DIV. (2) AFE NO. (4) LOCATION NO. (7) DATE-MO./DAY/YR.(6)

WORK DES.(12)	WELL LOCATION NAME (20)	WELL NO.(5)	FIELD/PROSPECT (25)	STATE(5)	ST.CD(2)
D, C, & E	APC Glass	1	Lakewood	NM	30

EXPLAIN PROJECT Drill, complete & equip Morrow Development Well

O/S OPER. AFE #	SEC. - TWN. - RANGE - DES. OF LOC. (23)	COUNTY (13)	CO. CD (3)
12	19S 25E 1980' FNL & FWL	Eddy	015

FIELD CD.(3)	PROJ. CD.(4)	PROSP. CD.(3)	BUDGET(4)	T/B(3)	G/L(3)	AMOUNT AUTHORIZED(9)
000	6660	016	310	139	230	\$448,800

	OWNER NAME(24)	WORKING INT.(I.6)	OWNER NAME(24)	WORKING INT.(I.6)
OPER.	Anadarko Production Company	0.590983		
	Others (See attached sheet)	0.409017		
			C COMPANY REVENUE INTEREST	0.482976

TYPE: PROJECT SUBJECT TO: ORIGINATING OFFICE Midland Division  
☒ DRILLING ☐ CONSTRUCTION ☐ CARRIED INTEREST  
☐ EXPLORATION ☐ LHP ☐ NET PROFITS INTEREST  
☒ DEVELOPMENT ☐ GEOPHYSICAL ☐ RIGHT TO CONVERT TO W.I.  
☐ RECOMPLETION ☐ \_\_\_\_\_ ☐ FARMIN  
☐ PLUG&ABANDON ☐ DHC or BHC  
☐ SALE ☐ \_\_\_\_\_

PREPARED BY B. W. Griffin  
 FOR DRILLING WELLS  
 EST. SPUD  
 DATE 12/17/80 EST. TD 9500  
 TYPE WELL (OIL, GAS, EST) Gas

**EXPLAIN:**

ACRES (Spacing Unit) \_\_\_\_\_, LSE. EXP. DATE \_\_\_\_\_  
LSE. NOS. IN UNIT \_\_\_\_\_

FOR DRILLING WELLS

EST. SPUD \_\_\_\_\_

DATE 12/17/80 EST. TO 9500

TYPE WELL (OIL, GAS, EST) Gas

DRILLING OBLG. DATE \_\_\_\_\_

EST. DAYS TO DRILL 25

EST. DAYS TO COMPLETE 5

DRILLING - DRY HOLE COST			
	TOTAL	JT. OWNERS	CO. NET
INTANGIBLE \$	<u>449,100</u>	\$ <u>183,700</u>	\$ <u>265,400</u>
TANGIBLE	<u>26,300</u>	<u>10,800</u>	<u>15,500</u>
TOTAL \$	<u>475,400</u>	\$ <u>194,500</u>	\$ <u>280,900</u>
LESS DRY HOLE CONT. (\$ _____)			

<b>TOTAL</b>	<b>\$ 475,400</b>	<b>\$ 194,500</b>	<b>\$ 280,900</b>
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	DRILLING COMPLETION COST		
	TOTAL	JT. OWNERS	CO. NET
INTANGIBLE	\$ 115,700	\$ 47,300	\$ 68,400
TANGIBLE	168,400	68,900	99,500

<b>TOTAL</b>	<b>\$ 284,100</b>	<b>\$ 116,200</b>	<b>\$ 167,900</b>
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TOTAL COST	\$ 759,500	\$ 310,700	\$ 448,800
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	RETIREMENT COST		
	TOTAL	JT. OWNERS	CO. NET
COST-REMOVAL \$	_____	\$ _____	\$ _____
SALVAGE/REC. _____	_____	_____	_____
NET COST			
(OR RECEIVED) \$	\$ _____	\$ _____	\$ _____

EXPLORATION AND OTHER PROJECTS COST		
TOTAL	JT. OWNERS	CC. NET
\$ _____	\$ _____	\$ _____
TOTAL \$ _____	\$ _____	\$ _____

See attached letter for explanation of supplemental expenditures.

REMARKS: Subject to negotiation and completion of joint operations	Original AFE	\$390,500
contract and/or farmin arrangements, title examination and a 320	Supplement #1	\$ 58,300
acre gas pooled unit.	Total AFE	\$448,800

APPROVAL LEVEL  
☐ Division ☐ Region ☒ Gen'l Office

## A. APPROVALS

### COMMITTEE ACTION

☐ AUTHORIZED ☐ REJECTED

DATE \_\_\_\_\_

RECOMMENDED:

APPROVALS:

## PROJECT ECONOMIC ASSUMPTIONS

RISKED ECONOMIC YARDSTICKS (AFIT)

CHANCE OF SUCCESS: EXPL. \_\_\_\_\_ % DEVEL. \_\_\_\_\_ %  
 PRICES: \_\_\_\_\_ \$/BBL; \_\_\_\_\_ \$/MCF

DCF RATE OF RETURN \_\_\_\_\_ %  
 PROFIT - TO - INVESTMENT RATIO  
 UNDISCOUNTED \_\_\_\_\_  
 DISCOUNTED \_\_\_\_\_  
 PAYOUT \_\_\_\_\_ YRS.

RESERVES -	THIS WELL		TOTAL PROSPECT	
	Gross	Ri	Gross	Ri
OIL, MMbbl.	_____	_____	_____	_____
GAS, MMcf.	_____	_____	_____	_____
EEB, MMbbl.	_____	_____	_____	_____
BUDGET STATUS: <input type="checkbox"/> ON BUDGET <input type="checkbox"/> NEW PROJECT				
APC INVESTMENT - UNRISKED \$ _____ RISKED \$ _____				
ACREAGE COST (INCLUDING G & G) _____				

BY \_\_\_\_\_  
REMARKS: \_\_\_\_\_  
\_\_\_\_\_

**AUTHORITY OF EXPENDITURE**

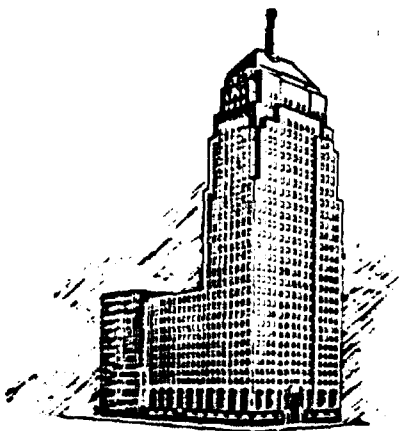


CO. (2) 03	DIV. (2) 48	AFE. NO. (4) 4200	LOCATION NO. (7)	DATE - MO./DAY/YR. (6) 7/22/81
WORK DES. (12) D. C. & E	WELL LOCATION NAME (20) APC Glass	WELL NO. (5) 1	FIELD/PROSPECT (25) Lakewood	STATE (5) ST. CO. (2) NM 30
EXPLAIN PROJECT Drill, complete & equip Morrow Development Well				
O/S OPER. AFE #	SEC. - TWN. - RANGE - DES. OF LOC. (23) 12 19S 25E 1980' FNL & FWL	COUNTY (13) Eddy	CO. CD. (3) 015	
FIELD CD. (3) 000	PROJ. CD. (4) 6660	PROSP. CD. (3) 016	BUDGET (4) 310	T/B (3) 139
G/L (3) 230	AMOUNT AUTHORIZED (9) \$448,800			
OWNER NAME (24) OPER Anadarko Production Company Others (See attached sheet)		WORKING INT. (1.6) 0.590983 0.409017		OWNER NAME (24) WORKING INT. (1.6) 0.482976
COMPANY REVENUE INTEREST				

## DETAIL OF DRILLING COST ESTIMATE

PAGE 1 OF

CODE	INTANGIBLE DRILLING COSTS	TOTALS		
		DRY HOLE	COMPLETION	COMPLETED
2010	ROAD AND LOCATION	\$ 23300	\$	\$ 29300
2020	CONTRACT RIG COSTS	295000		295000
2030	MUD AND CHEMICALS	17500		17500
2040	CEMENT AND CEMENTING	9300	19300	28600
2050	FORMATION EVALUATION	31300		31300
2060	COMPLETION		80600	80600
2070	OTHER TOOLS AND RENTALS			
2080	TRANSPORTATION, TRUCKING, AND HAULING	50500	4400	54900
2090	CONTRACT SERVICES	8200		8200
2100	COMPANY SUPERVISION	3000	2800	5800
2150	MISCELLANEOUS INTANGIBLES	5000	8600	13600
2200	ADMINISTRATIVE OVERHEAD			
2600	IDC - NON OPERATED			
	TOTAL INTANGIBLE DRILLING COSTS	\$ 449100	\$ 115700	\$ 564800
2900	SPECIAL CREDITS - DRY AND BOTTOM HOLE CONTRIBUTIONS - RECEIVABLE			
	TOTAL NET INTANGIBLE DRILLING COSTS	\$ 449100	\$ 115700	\$ 564800
	LEASE AND WELL EQUIPMENT			
	WELL CASING			
	400 FT., 13-3/8 O.D., 48# H-40 ST&C	9700		9700
	1200 FT., 8-5/8 O.D., 24# K-55 ST&C	11600		11600
	9500 FT., 4-1/2 O.D., 11.6# K-55 & N-80		66000	66000
	FT., O.D.,			
3010	TOTAL WELL CASING	21300	66000	87300
	WELL TUBING			
	9500 FT., 2-3/8 O.D., 4.7# N-80 EUE		33800	33800
	FT., O.D.,			
	FT., O.D.,			
3020	TOTAL WELL TUBING		33800	33800
3070	OTHER CONTROLLABLE SUBSURFACE WELL EQUIPMENT			
3080	NON-CONTROLLABLE SUBSURFACE WELL EQUIPMENT		4500	4500
3110	WELLHEAD EQUIPMENT	5000	28800	33800
3120	PUMPING EQUIPMENT			
3170	OTHER CONTROLLABLE SURFACE WELL EQUIPMENT			
3180	NON-CONTROLLABLE SURFACE WELL EQUIPMENT			
3190	INSTALLATION COSTS - SURFACE EQUIPMENT		300	300
3210	TANK BATTERIES, SEPARATOR, HEATING TREATING AND SALES EQUIPMENT		30000	30000
3220	COMPRESSOR STATIONS			
3230	ELECTRICAL SYSTEMS AND TRANSMISSION LINES			
3240	BUILDINGS			
3250	LEASE LINES			
3270	OTHER CONTROLLABLE SURFACE LEASE EQUIPMENT			
3280	NON-CONTROLLABLE SURFACE LEASE EQUIPMENT			
3290	INSTALLATION COSTS - SURFACE LEASE EQUIPMENT		5000	5000
3400	DRILLING AND/OR PRODUCTION PLATFORMS			
3800	L & W - NON OPERATED			
	TOTAL LEASE AND WELL EQUIPMENT	\$ 26300	\$ 168400	\$ 194700
	TOTAL AFE COST ESTIMATE	\$ 475400	\$ 284100	\$ 759500



AUDRA BAXTER  
Trust Landman  
Assistant Cashier

(1.7.7 - 6, STAFFED)

# The First National Bank and Trust Company of Oklahoma City

CAPITAL STRUCTURE OVER ONE HUNDRED MILLION DOLLARS  
ESTABLISHED 1909

July 28, 1978

Mr. R. F. Fort  
P.O. Box 2044  
Midland, Texas 79702

Re: Oil and gas leases, Eddy County,  
New Mexico, Sohlberg Estate and  
Robert and Gayle Williams Properties

Dear Mr. Fort:

The Sohlberg Estate co-trustees have approved and executed the oil and gas lease. As soon as our lease clerk returns from vacation next week, she will forward the Sohlberg Trust's lease, rental division order and draft for collection.

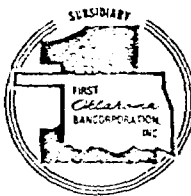
The original oil and gas lease, rental division order and draft have been forwarded to the Williams family for their execution and endorsement. As soon as these are returned to us they will be forwarded for collection.

Yours very truly,

Audra Baxter  
Trust Landman

AB:sc

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	49
CASE NO.	7367



120 NORTH ROBINSON AVENUE • P. O. BOX 25189

OKLAHOMA CITY, OKLAHOMA 73125 • 405-272-4000



# OIL & GAS LEASE

THIS AGREEMENT made this 29th day of June, 1978, between

Robert K. Williams & W. Gayle Williams  
c/o First National Bank & Trust, Trust Department  
P. O. Box 25189, Oklahoma City, Okla. of (Post Office Address)

herein called lessor (whether one or more) and ANADARKO PRODUCTION COMPANY, HOUSTON, TEXAS, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in EDDY County, New Mexico, to-wit:  
Township-19-South, Range-25-East, N.M.P.M.  
Section 12: E/2NE/4  
Township-19-South, Range-26-East, N.M.P.M.  
Section 7: Lot 1(39.34), 2(39.51), E/2NW/4, NE/4 & E/2SE/4  
Section 8: W/2SW/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 558.85 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of (3) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the well or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the well the royalty shall be 3/16 of the amount realized from such sale; yet and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being sold or used and such well is shut in, either before or after production therefrom, then on or before 60 days after said well is shut in and thereafter at annual intervals, lessee may pay or tender an advance amount shut-in royalty equal to the amount of delay rental provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and if the shut-in royalty is paid on or before the expiration of the primary term, this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalty which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 186.28 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the First National Bank & Trust Bank

at Oklahoma City, Oklahoma, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty, which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard production unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment, by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rental as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of ~~assault or inability to obtain or exercise~~ assignment of mineral, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

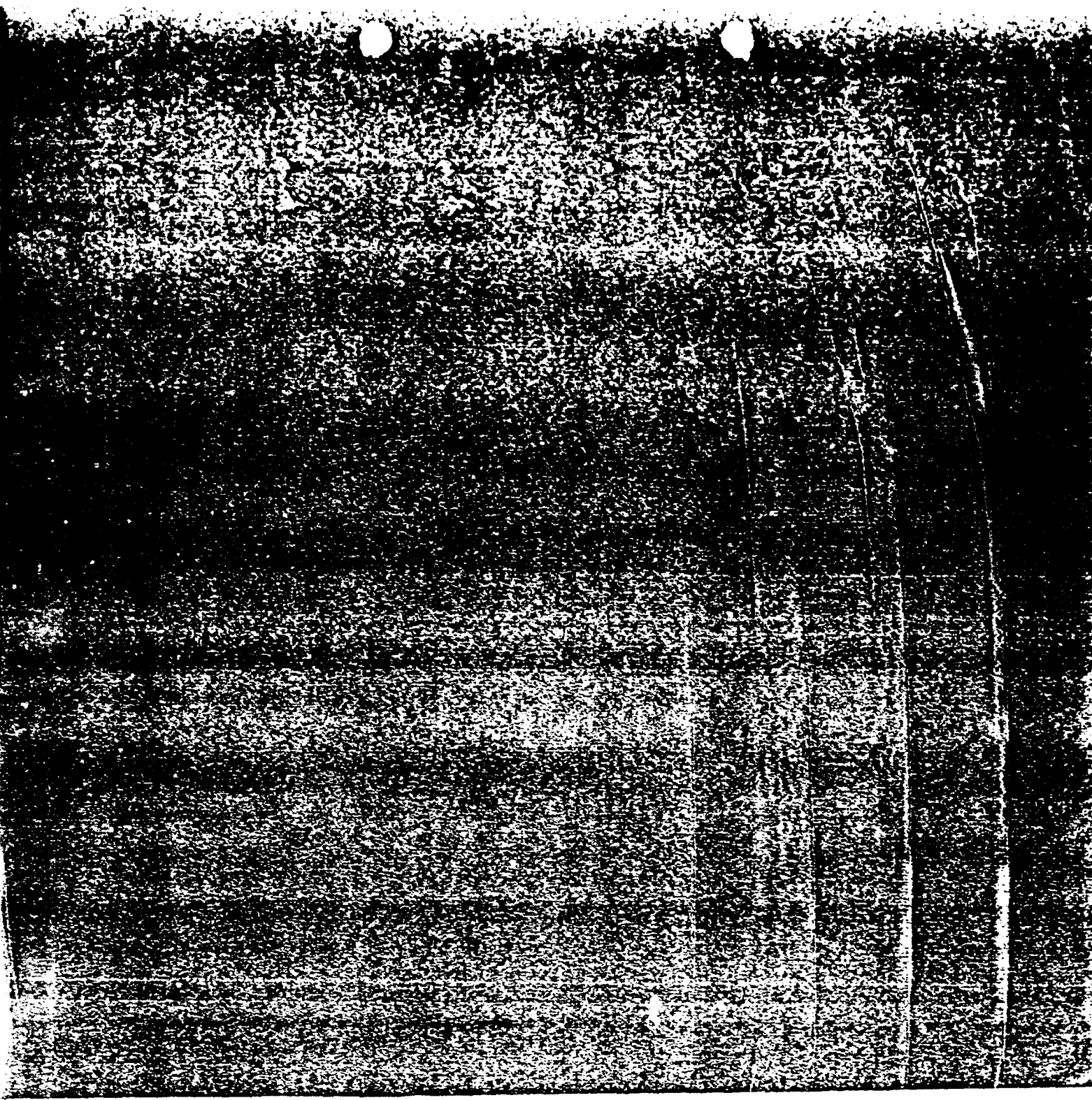
10. Lessor hereby ~~warrants and agrees to defend the title to said land, and~~ agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights ~~hereunder~~, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Notwithstanding any other terms to the contrary contained herein, the royalty on oil and gas shall be three-sixteenths (3/16) and whenever the word one-eighth (1/8) appears in this lease, the same is amended to read three-sixteenths (3/16).

Notwithstanding any wording herein contained to the contrary, it is understood and agreed that the lessor shall bear no costs of gas treatment, dehydration, or compression.

Notwithstanding any wording herein contained to the contrary, it is understood and agreed if a portion of the leased premises is included in a unit, unit production will maintain only the lands included in the unit and the remainder of the leased premises may be maintained as provided for otherwise in the lease.



Executed the day and year first above written.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ATTACHMENT  
x *Robert K. Williams* <sup>RKW</sup>  
Robert K. Williams  
x *W. Gayle Williams* <sup>W.G.W.</sup> 8/4/78  
W. Gayle Williams







Rider Attached

Executed the day and year first above written.

ATTEST:

*Audra Butler*  
Assistant Cashier

X

X

This instrument is executed by The First National Bank and Trust Company of Oklahoma City and Designated Co-Executor(s)/Trustee(s) on condition that they shall have no liability in their individual capacity on any agreement, warranty or indemnity herein contained.

The First National Bank and Trust Company of  
Oklahoma City, Trustee 8008741 - Sohlberg and  
8000238 - Weinmann

By:

*R. M. D. K.*  
Vice President and Trust Officer

X

*Virginia E. Weinmann*  
Virginia E. Weinmann, Co-Trustee

*John G. Weinmann*  
John G. Weinmann, Co-Trustee

STATE OF ~~NEW MEXICO~~ OKLAHOMA

County of Oklahoma

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 1st day of August  
19 78 by Virginia E. Weinmann and John G. Weinmann, Co-Trustees of the Virginia E. Weinmann  
Living Trust

My Commission expires 11-1, 19 80

Laurel L. Lippert  
Notary Public

STATE OF NEW MEXICO,

County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
19 \_\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19 \_\_\_\_\_

Notary Public

STATE OF NEW MEXICO,

County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
19 \_\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19 \_\_\_\_\_

Notary Public

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
19 \_\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19 \_\_\_\_\_

Notary Public

No. _____	
OIL AND GAS LEASE	
NEW MEXICO	
FROM	TO
Date _____, 19 _____	
Section _____, Township _____, Range _____	
No. of Acres _____	
County, New Mexico	
Term _____	
STATE OF NEW MEXICO	
COUNTY OF _____	
I hereby certify that this instrument was filed for	
record on the _____ day of _____	
A. D., 19 _____, at _____ o'clock _____ m., and	
was duly recorded in Book _____ at Page _____	
of the Records of said County.	
By _____	County Clerk.
Deputy.	

STATE OF ~~NEW MEXICO~~ OKLAHOMA

County of Oklahoma

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_  
by Randolph D. Royse Vice President and  
Trust Officer of The First National Bank and Trust Company of Oklahoma City  
on behalf of said corporation, as Trustee and Co-Trustee. First National Bank corporation  
My Commission Expires: June 13, 1981 Sela Blay  
Notary Public

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_  
by \_\_\_\_\_ President  
of \_\_\_\_\_ a \_\_\_\_\_ corporation  
on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public

Anadarko

January 15, 1981

First National Bank & Trust  
Oil & Gas Division Trust Department  
First National Center  
Oklahoma City, Oklahoma

Attention: William Davis

BEFORE EXAMINER NUTTER  
OIL CONSERVATION DIVISION  
EXHIBIT NO. 7  
CASE NO. 7367

Re: APC Glass #1  
N/2 Sec. 12, T19S, R25E  
N.M.P.M.  
Eddy County, New Mexico

Gentlemen:

Please refer to the attached copy of an Oil & Gas Lease dated June 29, 1978 between the First National Bank and Trust Company of Oklahoma City, Trustee U/W of George Sohlberg and the First National Bank and Trust Company of Oklahoma City, Virginia E. Weinmann and John G. Weinmann, Co-Trustees of the Virginia Eason Weinmann Living Trust, as Lessor and Anadarko Production Company, as Lessee, covering the following described lands in Eddy County, New Mexico:

Township 19 South, Range 25 East, N.M.P.M.  
Section 12: E/2 NE/4

Township 19 South, Range 26 East, N.M.P.M.  
Section 7: Lot 1 (39.34), 2(39.51), E/2 NW/4, NE/4 & E/2 SE/4  
Section 8: W/2 SW/4

Anadarko Production Company at this writing is currently drilling at 8,200' with drilling operations to continue till we have reached a Total Depth of 9,500' or the Morrow Formation whichever is lesser. The drilling unit is comprised of the N/2, Sec. 12, T19S, R25E, N.M.P.M., Eddy County, New Mexico. Commercial production from these wells is usually in the form of gas and/or condensate if commercial production is established.

It has come to our attention that the subject lease does not provide for the well to be shut-in while awaiting a pipeline tie-in. Anadarko at this time is negotiating a contract with Northern Natural Gas who has a pipeline that is approximately 2½ to 3 miles from our location. Even though the well has not been completed at this time, Anadarko is proceeding with preliminary operations involving clearance of surface title for the immediate purchase of a pipeline right-of-way to our well.

We do not anticipate the negotiating procedure and right-of-way buying procedures to extend beyond the primary term of the above lease; however, as a precautionary measure, Anadarko Production Company respectfully requests that you

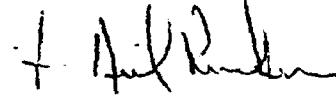
A Panhandle Eastern Company

First National Bank & Trust  
January 15, 1981  
Page 2

review and execute the attached amendment to an Oil & Gas Lease which provides for the deletions which you had previously made in the subject lease concerning and affecting Shut-in Royalty provisions and payments.

Should you have any questions concerning this matter, please do not hesitate to contact me. We are anticipating reaching Total Depth in approximately six (6) days; therefore your immediate consideration of this matter would be greatly appreciated.

Yours truly,



F. Neil Rucker  
Exploration Landman

FNR/gd  
Encl.



AMENDMENT TO OIL AND GAS LEASE

STATE OF NEW MEXICO    )  
                              )  
COUNTY OF EDDY        )

KNOWN ALL MEN BY THESE PRESENTS

Reference is made to that certain Oil and Gas Lease dated June 29, 1978, recorded in Volume 162, Page 911, Deed of Records, Eddy County, New Mexico, between The First National Bank and Trust Company of Oklahoma City, Trustee U/W of George Sohlberg and The First National Bank and Trust Company of Oklahoma City, Virginia E. Weinmann and John G. Weinmann Co-Trustees of the Virginia Eason Weinmann Living Trust, as Lessors, and Anadarko Production Company, as Lessee, covering the following described land in Eddy County, New Mexico, to-wit:

Township 19 South, Range 25 East, N.M.P.M.

Section 12: E/2 NE/4

Township 19 South, Range 26 East, N.M.P.M.

Section 7: Lot 1 (39.34), 2 (39.51), E/2 NW/4, NE/4 & E/2 SE/4

Section 8: W/2 SW/4

Whereas certain deletions were made by Lessor in paragraphs 3, 4, and 8 of said Oil and Gas Lease relating to shut-in gas royalty provisions and payment thereof; whereas Lessor desires to amend said Oil and Gas Lease so as to provide for a shut-in gas royalty clause and for payment of shut-in gas royalty.

Now, therefore for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned do hereby amend said Oil and Gas Lease to add the following language to the below enumerated paragraphs being numerically identical to those contained in said Oil and Gas Lease:

(A) Paragraph 3:

(c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith but gas and/or condensate is not being so sold or used and such well is shut-in, either before or after production therefrom; then on or before 90 days after said well is shut-in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and, for a period of one year, effective the date the well is shut-in, this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment or rentals.

(B) Paragraph 4:

Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such

error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

(C) Paragraph 8:

Rentals as used in this paragraph shall also include shut-in royalty.

The undersigned do hereby adopt, ratify, and confirm the above described Lease, as amended hereby, in all of its terms and provisions, and do hereby lease, demise and let said land and premises unto the Anadarko Production Company, its successors and assigns, and the undersigned does hereby agree and declare that said Lease in all of its terms and provisions, as amended hereby, is binding on the undersigned and is a valid and subsisting Oil and Gas Lease.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 1981.

ATTEST:

The First National Bank and Trust Company  
of Oklahoma City, Trustee 8000238 & 8008741

By:  
Vice President and Trust Officer

Virginia E. Weinmann, Co-Trustee

John G. Weinmann, Co-Trustee

STATE OF OKLAHOMA )

INDIVIDUAL ACKNOWLEDGMENT

COUNTY OF OKLAHOMA )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1981 by Virginia E. Weinmann, Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA )

INDIVIDUAL ACKNOWLEDGMENT

COUNTY OF OKLAHOMA )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1981 by John G. Weinmann, Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA )

COUNTY OF OKLAHOMA )

CORPORATION ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1981 by \_\_\_\_\_, \_\_\_\_\_ President and Trust Officer of The First National Bank and Trust Company of Oklahoma City, A National Banking corporation on behalf of said corporation, as Trustee U/W of George Sohlberg and Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_



**THE FIRST NATIONAL BANK  
AND TRUST COMPANY  
OF OKLAHOMA CITY**

Trust Division

April 9th, 1981

Anadarko Production Company  
P.O. Box 2497  
Midland, Texas 79702

ATTN: Bill Shackelford

Dear Mr. Shackelford:

Enclosed is a copy of the revised amendment. As I indicated to you on the phone, the Co-Trustee of this account wants a consideration of \$250.00 for executing the amendment, and the Trust Department would like an administrative fee of \$150.00 for the preparation and processing of the agreement.

Let me know if the amendment and these terms are acceptable to Anadarko.

Cordially,

*Todd Alexander*

Todd Alexander  
Manager of Land and Legal Department

TA/js

Enclosure: 1

AMENDMENT TO OIL AND GAS LEASE

STATE OF NEW MEXICO )  
COUNTY OF EDDY )

KNOWN ALL MEN BY THESE PRESENTS

Reference is made to that certain Oil and Gas Lease dated June 29, 1978, recorded in Volume 162, Page 911, Deed of Records, Eddy County, New Mexico, between The First National Bank and Trust Company of Oklahoma City, Trustee U/W of George Sohlberg and The First National Bank and Trust Company of Oklahoma City, Virginia E. Weinmann and John G. Weinmann Co-Trustees of the Virginia Eason Weinmann Living Trust, as Lessors, and Anadarko Production Company, as Lessee, covering the following described land in Eddy County, New Mexico, to-wit:

Township 19 South, Range 25 East, N.M.P.M.

Section 12: E/2 NE/4

Township 19 South, Range 26 East, N.M.P.M.

Section 7: Lot 1 (39.34), 2 (39.51), E/2 NW/4, NE/4 & E/2 SE/4  
Section 8: W/2 SW/4

Whereas certain deletions were made by Lessor in paragraphs 3, 4, and 8 of said Oil & Gas Lease relating to shut-in gas royalty provisions and payment thereof; whereas Lessor desires to amend said Oil & Gas Lease so as to provide for a shut-in gas royalty clause and for payment of shut-in gas royalty.

Now, therefore for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned do hereby amend said Oil and Gas Lease to add the following language to the below enumerated paragraphs being numerically identical to those contained in said Oil and Gas Lease:

(A) Paragraph 3:

(c) and, subject to the limitations set forth below, at any time this lease would terminate in accordance with its terms and provisions but there is a gas and/or condensate well on the land subject to this lease or on land pooled therewith which well is capable of production but shut-in, lessee may continue this lease in full force and effect for a period of 360 days from the date this lease otherwise would have terminated by the payment or tender to lessee of an advance shut-in royalty of \$250.00, such payment or tender to be made prior to the date this lease otherwise would have terminated, and for the period of the extension it will be considered under all clauses of this lease that gas is being produced from the leased premises; PROVIDED, HOWEVER a) if such shut-in well is situated on a pooled unit the above described 360 day extension shall be effective only as to that portion of the land subject to this lease which is located within such pooled unit, whether or not such shut-in well is situated on land subject to this lease or on land pooled with land subject to this lease, and as to the balance of the land subject to this lease and not located in such pooled unit this lease shall not be extended and shall terminate; and b) lessee's right to obtain such a 360 day extension shall expire in any event if not exercised on or before September 1, 1981.

- (B) Paragraph 4:  
Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.
- (C) Paragraph 8:  
Rentals as used in this paragraph shall also include shut-in royalty.

The undersigned does hereby agree and declare that the above described Lease, in all of its terms and provisions, is amended hereby, and that this amendment is binding on the undersigned to the extent that the above described lease is a valid and subsisting Oil and Gas Lease.

EXECUTED this \_\_\_\_ day of \_\_\_\_\_, 1981.

ATTEST:

The First National Bank and Trust Company  
of Oklahoma City, Trustee 8000238 & 8008741

By: \_\_\_\_\_  
Vice President and Trust Officer

  
Virginia E. Weinmann, Co-Trustee

  
John G. Weinmann, Co-Trustee

STATE OF OKLAHOMA    )  
                              )  
COUNTY OF OKLAHOMA   )

INDIVIDUAL ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1981 by Virginia E. Weinmann, Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA    )  
                              )  
COUNTY OF OKLAHOMA   )

INDIVIDUAL ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1981 by John G. Weinmann, Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA )  
 )  
COUNTY OF OKLAHOMA )

CORPORATION ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1981 by \_\_\_\_\_, President and Trust Officer of The First National Bank and Trust Company of Oklahoma City, A National Banking Corporation on behalf of said corporation, as Trustee U/W of George Sohberg and Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

7/23/81

Contacted Jack Stallbus w/  
First Nat'l Bank OKC and explained  
situation. He will check with Mr.  
Wettersmann about lease for 1 yr - 3/16 -  
\$10000 total consideration on E/2 NE/4  
Sec. 12 only and advise later. Will  
also check on banks handling of  
Robert K. & W. Gayle Williams interests.  
WFS

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 9

CASE NO. 7367





August 31, 1981

First National Bank & Trust  
Oil & Gas Division Trust Department  
P. O. Box 25189  
Oklahoma City, Oklahoma 73125

Attn: Mr. Jack Staubus

Re: E/2 NE/4 Section 12  
Township 19 South, Range 25 East  
Eddy County, New Mexico  
Lakewood Prospect

Gentlemen:

Please find enclosed two copies of the Deferred Bonus Agreement you requested along with our draft for \$100 as partial consideration for a lease on the George Sohlberg and Virginia Eason Weinmann Trust's interest in referenced land. If the agreement is in order and accomplishes your intent of deferring 90% of the bonus to 1982, please prepare the lease using June 29, 1981 as the date for said lease and reflecting the terms of 1 year primary term and 3/16 royalty. Once the lease is prepared and fully executed and acknowledged, please have both copies of the Deferred Bonus Agreement executed and acknowledged and deposit them along with the lease and the draft for collection. When we receive them we will make sure everything is in order, pay off the draft and return one copy of the Deferred Bonus Agreement to you as executed by Anadarko. We will both have an originally executed agreement for our files by following this procedure.

In addition to the above, I am still waiting on word from you as to how I might contact Robert K. and W. Gayle Williams.

Thank you for your continued cooperation in these matters.

Very truly yours,

A handwritten signature in dark ink, appearing to read "W. F. Shackelford".

W. F. Shackelford

enclosures

WFS:sjh

BEFORE EXAMINER NUTTER	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	10
CASE NO.	7367

A Panhandle Eastern Company

KELLAHIN and KELLAHIN

*Attorneys at Law*

500 Don Gaspar Avenue

Post Office Box 1769

Santa Fe, New Mexico 87501

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey

Telephone 982-4285  
Area Code 505

September 10, 1981

Mr. Joe Ramey  
Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501

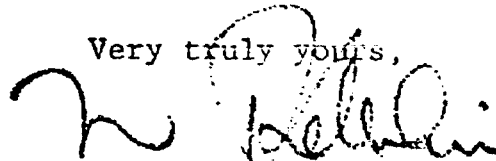
RE: Anadarko Production Company

Dear Joe:

Please set the enclosed application for compulsory pooling for hearing on October 7, 1981.

A copy of this letter and application have been sent to the parties against whom compulsory pooling is sought.

Very truly yours,



W. Thomas Kellahin

WTK:jm

Enclosures

cc: Mr. Dan Kernaghan  
Mr. Irley Bonnette  
Robert and Gayle Williams  
First National Bank & Trust  
of Oklahoma City

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 11  
CASE NO. 7367

A.A.P.L. FORM 610 - 1977

# MODEL FORM OPERATING AGREEMENT

## OPERATING AGREEMENT

DATED

1 SEPTEMBER, 1980 ,

OPERATOR ANADARKO PRODUCTION CO.

CONTRACT AREA N/2 Section 12, T-19-S, R-25-E

COUNTY ~~OKLAHOMA~~ EDDY STATE OF NEW MEXICO

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 12

CASE NO. 7367

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AMERICAN ASSOCIATION OF PETROLEUM LANDMEN  
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED  
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER  
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

INTERESTS OF PARTIES TO AGREEMENT

✓ Anadarko Production	58.0456 %
✓ Yates Petroleum Corporation	20.4688 %
✓ Marshall & Winston	10.9375 %
✓ S.P. Yates & Martin Yates III	5.2083 %
✓ T. J. Sivley	2.6042 %
✓ Richard L. Moore	.4102 %
✓ Michael Moore	.4102 %
✓ Stephen Moore	.4102 %
✓ Steve Helbing	.1758 %
✓ Joe Bohannon	.0992 %
✓ Marianne B. Jost	.0992 %
✓ Sally A. Ellis	.0781 %
Outstanding Interest	<u>1.0527 %</u>
	100.0000 %

of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the

premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties in the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, assume the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's rate not to exceed manual rates.

#### Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

### III. OVERHEAD

#### 1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- ( X ) Fixed Rate Basis, Paragraph 1A, or
- ( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (x ) be covered by the Overhead rates.

#### A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$	3,000.00
Producing Well Rate \$	330.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

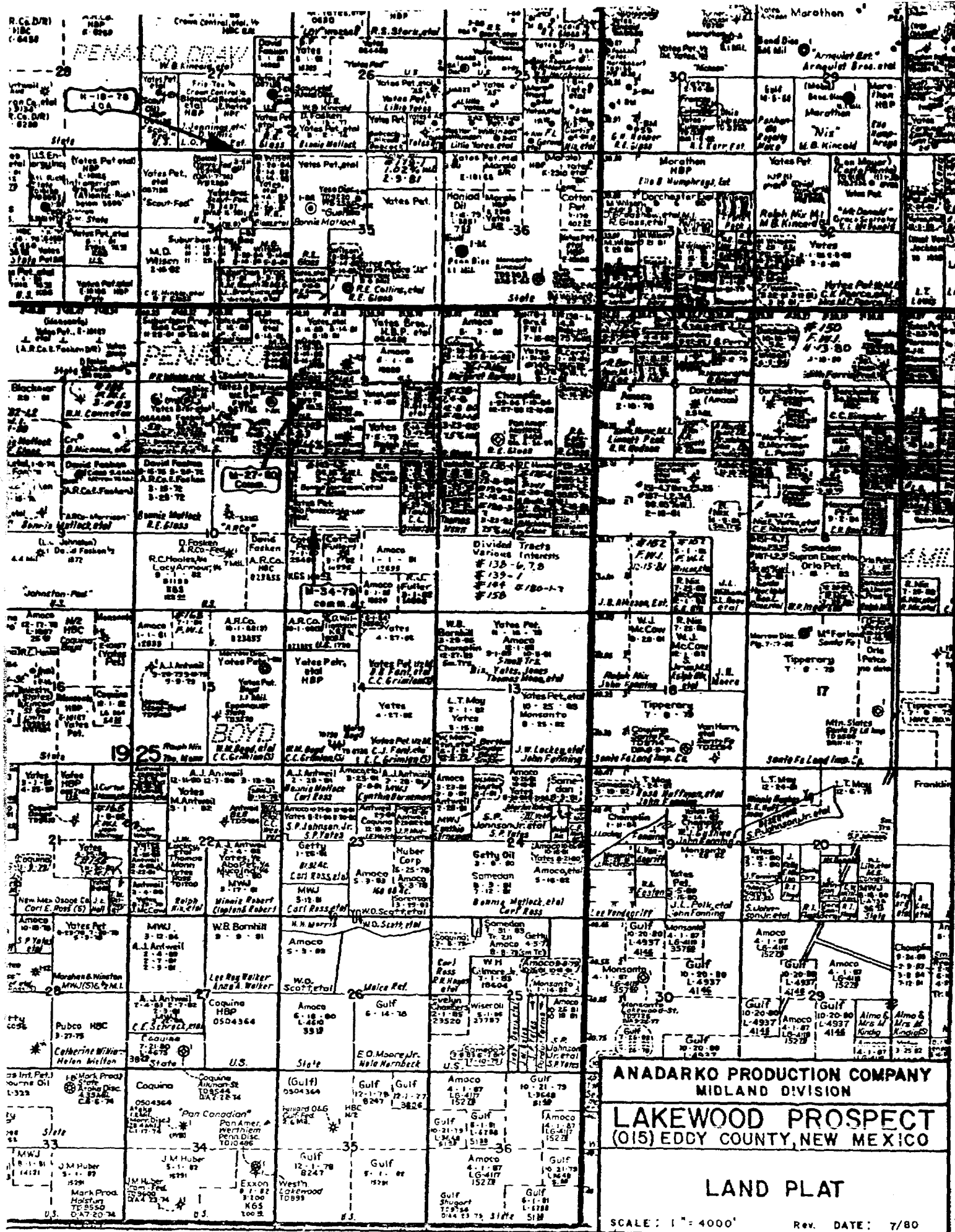
##### (a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

##### (b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7004  
Order No. R-6479

APPLICATION OF ANADARKO PRODUCTION  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 17, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 20th day of October, 1980, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Anadarko Production Company, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 12, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be

approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$3000.00 per month while drilling and \$330.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1981, the order pooling said unit should become null and void and of no effect whatsoever.



IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 12, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations.

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1981, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Anadarko Production Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and, within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$3000.00 per month while drilling and \$330.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition

thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.


(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY,  
Director

S E A L

dr/

CO. (2) DIV. (2) AFE NO. (4) LOCATION NO. (7) DATE-MO./DAY/YR (6)

WORK DES.(12)	WELL LOCATION NAME (20)	WELL NO.(5)	FIELD/PROSPECT (25)	STATE(5)	ST.CD(2)
D, C, & E	APC Glass	1	Lakewood	NM	30

**EXPLAIN PROJECT** Drill, complete & equip Morrow Development Well

O/S OPER. AFE #	SEC. - TWN. - RANGE - DES. OF LOC. (23)	COUNTY (13)	CO. CD (3)
12	19S 25E 1980' FNL & FWL	Eddy	015

FIELD CD.(3)	PROJ. CD.(4)	PROSP. CD.(3)	BUDGET(4)	T/B (3)	G/L (3)	AMOUNT AUTHORIZED(9)
000	6660	016	310	139	230	\$448,800

	OWNER NAME(24)	WORKING INT.(1.6)	OWNER NAME (24)	WORKING INT. (1.6)
OPER.	Anadarko Production Company	0.590983		
	Others (See attached sheet)	0.409017		
			CORPORATE REVENUE INTEREST	0.482976

<b>TYPE:</b>		<b>PROJECT SUBJECT TO:</b>
<input checked="" type="checkbox"/> DRILLING	<input type="checkbox"/> CONSTRUCTION	<input type="checkbox"/> CARRIED INTEREST
<input type="checkbox"/> EXPLORATION	<input type="checkbox"/> LHP	<input type="checkbox"/> NET PROFITS INTEREST
<input checked="" type="checkbox"/> DEVELOPMENT	<input type="checkbox"/> GEOPHYSICAL	<input type="checkbox"/> RIGHT TO CONVERT TO W.I.
<input type="checkbox"/> RECOMPLETION	<input type="checkbox"/> _____	<input type="checkbox"/> FARMIN
<input type="checkbox"/> PLUG & ABANDON		<input type="checkbox"/> DHC or BHC
<input type="checkbox"/> SALE		<input type="checkbox"/> _____

ORIGINATING OFFICE Midland Division  
PREPARED BY B. W. Griffin

**EXPLAIN:**

ACRES (Spacing Unit) \_\_\_\_\_, LSE EXP. DATE \_\_\_\_\_  
LSE NOS. IN UNIT \_\_\_\_\_

FOR DRILLING WELLS

EST. SPUD \_\_\_\_\_

DATE 12/17/80 EST. TD 9500

TYPE WELL (OIL, GAS, EST) Gas

DRILLING OBLG. DATE \_\_\_\_\_

EST. DAYS TO DRILL 25

EST. DAYS TO COMPLETE 5

DRILLING - DRY HOLE COST			
	TOTAL	JT. OWNERS	CO. NET
INTANGIBLE \$	<u>449,100</u>	\$ <u>183,700</u>	\$ <u>265,400</u>
TANGIBLE	<u>26,300</u>	<u>10,800</u>	<u>15,500</u>
TOTAL \$	<u>475,400</u>	\$ <u>194,500</u>	\$ <u>280,900</u>
LESS DRY HOLE CONT.(\$ _____)	(\$ _____)	(\$ _____)	(\$ _____)

RETIREMENT COST			
	TOTAL	JT. OWNERS	CO. NET
COST-REMOVAL \$	_____	\$ _____	\$ _____
SALVAGE/REC. _____	_____	_____	_____
NET COST (OR RECEIVED) \$	\$ _____	\$ _____	\$ _____

TOTAL	\$ 475,400	\$ 194,500	\$ 280,900
DRILLING COMPLETION COST			
TOTAL	JT. OWNERS	CO. NET	
INTANGIBLE	\$ 115,700	\$ 47,300	\$ 68,400
TANGIBLE	168,400	68,900	99,500
TOTAL	\$ 284,100	\$ 116,200	\$ 167,900
TOTAL COST	\$ 759,500	\$ 310,700	\$ 448,800

EXPLORATION AND OTHER PROJECTS COST		
TOTAL	JT. OWNERS	CO. NET
\$ _____	\$ _____	\$ _____
TOTAL \$ _____	\$ _____	\$ _____

See attached letter for explanation of supplemental expenditures.

REMARKS: Subject to negotiation and completion of joint operations Original AFE \$390,500  
contract and/or farmin arrangements, title examination and a 320 Supplement #1 \$ 58,300  
acre gas pooled unit. Total AFE \$448,800

APPROVAL \_\_\_\_\_ LEVEL \_\_\_\_\_  
☐ Division ☐ Region ☒ Gen'l Office APPROVALS

COMMITTEE ACTION  
☐ AUTHORIZED ☐ REJECTED

RECOMMENDED: *[Signature]* 7/23/81  
*[Signature]* 7/23/81

APPROVALS:

NON - OPERATORS		DATE
COMPANY		
BY		
TITLE		

## PROJECT ECONOMIC ASSUMPTIONS

RISKED ECONOMIC YARDSTICKS (AFIT)

CHANCE OF SUCCESS: EXPL. \_\_\_\_\_ % DEVEL. \_\_\_\_\_ %  
PRICES: \_\_\_\_\_ \$/BBL; \_\_\_\_\_ \$/MCF

DCF RATE OF RETURN \_\_\_\_\_ %  
 PROFIT - TO - INVESTMENT RATIO  
 UNDISCOUNTED \_\_\_\_\_  
 DISCOUNTED \_\_\_\_\_  
 PAYOUT \_\_\_\_\_ YRS.

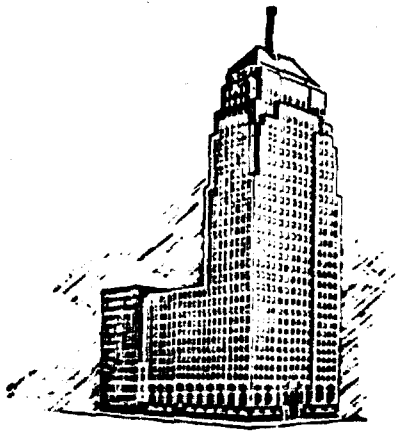
RESERVES -	THIS WELL		TOTAL PROSPECT	
	Gross	Ri	Gross	Ri
OIL, MMbbl.	_____	_____	_____	_____
GAS, MMCF.	_____	_____	_____	_____
FEB, MMbbl.	_____	_____	_____	_____
BUDGET STATUS: <input type="checkbox"/> ON BUDGET <input type="checkbox"/> NEW PROJECT				
APC INVESTMENT-UNRISKED \$ _____ RISKED \$ _____				
ACRFAGE COST (INCLUDING G & G) _____				

BY \_\_\_\_\_

REMARKS: \_\_\_\_\_

AUTHORITY OF EXPENDITURE

### APP DETAIL ESTIMATE



AUDRA BAXTER  
Trust Landman  
Assistant Cashier

*(1.74 - 6. Stroman)*

# The First National Bank and Trust Company of Oklahoma City

CAPITAL STRUCTURE OVER ONE HUNDRED MILLION DOLLARS  
ESTABLISHED 1889

July 28, 1978

Mr. R. F. Fort  
P.O. Box 2044  
Midland, Texas 79702

Re: Oil and gas leases, Eddy County,  
New Mexico, Sohlberg Estate and  
Robert and Gayle Williams Properties

Dear Mr. Fort:

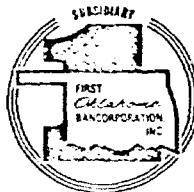
The Sohlberg Estate co-trustees have approved and executed the oil and gas lease. As soon as our lease clerk returns from vacation next week, she will forward the Sohlberg Trust's lease, rental division order and draft for collection.

The original oil and gas lease, rental division order and draft have been forwarded to the Williams family for their execution and endorsement. As soon as these are returned to us they will be forwarded for collection.

Yours very truly,

Audra Baxter  
Trust Landman

AB:sc



# OIL & GAS LEASE

THIS AGREEMENT made this 29th day of June, 1978, between  
Robert K. Williams & W. Gayle Williams  
c/o First National Bank & Trust, Trust Department  
P. O. Box 25189, Oklahoma City, Okla. of (Post Office Address)

herein called lessor (whether one or more) and ANADARKO PRODUCTION COMPANY, HOUSTON, TEXAS, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in EDDY County, New Mexico, to-wit:  
Township-19-South, Range-25-East, N.M.P.M.  
Section 12: E/2NE/4  
Township-19-South, Range-26-East, N.M.P.M.  
Section 7: Lot 1(39.34), 2(39.51), E/2NW/4, NE/4 & E/2SE/4  
Section 8: W/2SW/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 558.85 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of (3) years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the well or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the well the royalty shall be 3/16 of the amount realized from such sale; and on any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land or land pooled therewith, but gas and/or condensate is not being sold or used and such well is shut in, either before or after production therefrom, then on or before 60 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance amount equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and if the well is then producing, the advance payment shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties, which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 186.28 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the First National Bank & Trust Bank

at Oklahoma City, Oklahoma, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty, which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proportion unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee, and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals to be paid in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of ~~any~~ inability to obtain or use equipment, material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby ~~waives~~ agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the lease, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Notwithstanding any other terms to the contrary contained herein, the royalty on oil and gas shall be three-sixteenths (3/16) and whenever the word one-eighth (1/8) appears in this lease, the same is amended to read three-sixteenths (3/16).

Notwithstanding any wording herein contained to the contrary, it is understood and agreed that the lessor shall bear no costs of gas treatment, dehydration, or compression.

Notwithstanding any wording herein contained to the contrary, it is understood and agreed if a portion of the leased premises is included in a unit, unit production will maintain only the lands included in the unit and the remainder of the leased premises may be maintained as provided for otherwise in the lease.



Executed the day and year first above written.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

x

*Robert K. Williams*  
Robert K. Williams

x

*W. Gayle Williams* 8/4/78  
W. Gayle Williams

ATTACHMENT  
R.K.W.  
W.G.W.





...the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. ~~Rentals as used in this paragraph shall also include shut-in royalties.~~

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of ~~scarcity or inability to obtain or use equipment or material~~, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby ~~warrants and agrees to defend the title to said land~~ and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/heir successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, express or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Notwithstanding any other terms to the contrary contained herein, the royalty on oil and gas shall be three-sixteenths (3/16) and whenever the word one-eighth (1/8) appears in this lease, the same is amended to read three-sixteenths (3/16).

Notwithstanding any wording herein contained to the contrary, it is understood and agreed that the lessor shall bear no costs of gas treatment, dehydration, or compression.

Notwithstanding any wording herein contained to the contrary, it is understood and agreed if a portion of the leased premises is included in a unit, unit production will maintain only the lands included in the unit and the remainder of the leased premises may be maintained as provided for otherwise in the lease.

This instrument is executed by The First National Bank and Trust Company of Oklahoma City, Virginia Eason Weinmann and John G. Weinmann on condition that they shall have no liability in their individual capacity on any agreement, warranty or indemnity herein contained.

Rider Attached

Executed the day and year first above written.

ATTEST:

*Cecilia Carter*  
Assistant Cashier

X

X

The First National Bank and Trust Company of  
Oklahoma City, Trustee 8008741 - Sohlberg and  
8000238 - Weinmann

By:

*R. M. D. K.*  
Vice President and Trust Officer

x

*Virginia E. Weinmann*  
Virginia E. Weinmann, Co-Trustee

*John G. Weinmann*  
John G. Weinmann, Co-Trustee

This instrument is executed by The First National Bank and Trust Company  
Oklahoma City and designated Co-Executor(s)/Trustee(s) on condition  
that they shall have no liability in their individual capacity on any  
assent, warranty or indemnity herein contained.

STATE OF ~~NEW MEXICO~~ OKLAHOMA

County of Oklahoma

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 1st day of August  
19 78 by Virginia E. Weinmann and John G. Weinmann, Co-Trustees of the Virginia E. Weinmann  
Living Trust

My Commission expires 11-1, 19 90

Laurel R. Rogers  
Notary Public

STATE OF NEW MEXICO,

County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
19 \_\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19 \_\_\_\_\_

Notary Public

STATE OF NEW MEXICO,

County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
19 \_\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19 \_\_\_\_\_

Notary Public

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
19 \_\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19 \_\_\_\_\_

Notary Public

No. _____	
OIL AND GAS LEASE	
NEW MEXICO	
FROM	TO
Date _____, 19 _____	
Section _____, Township _____, Range _____	
No. of Acres _____	
County, New Mexico	
Term _____	
STATE OF NEW MEXICO	
COUNTY OF _____	
I hereby certify that this instrument was filed for	
record on the _____ day of _____,	
A. D., 19 _____, at _____ o'clock _____ m., and	
was duly recorded in Book _____ at Page _____	
of the Records of said County.	
By _____	County Clerk.
Deputy.	

STATE OF ~~NEW MEXICO~~ OKLAHOMA

County of Oklahoma

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_  
by Randolph D. Royse Vice President and  
Trust Officer of The First National Bank and Trust Company of Oklahoma City,  
on behalf of said corporation, as Trustee and Co-Trustee. Laurel R. Rogers  
My Commission Expires: June 13, 1981 Notary Public

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_  
by \_\_\_\_\_ President  
of \_\_\_\_\_ corporation  
on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public



January 15, 1981

First National Bank & Trust  
Oil & Gas Division Trust Department  
First National Center  
Oklahoma City, Oklahoma

Attention: William Davis

Re: APC Glass #1  
N/2 Sec. 12, T19S, R25E  
N.M.P.M.  
Eddy County, New Mexico

Gentlemen:

Please refer to the attached copy of an Oil & Gas Lease dated June 29, 1978 between the First National Bank and Trust Company of Oklahoma City, Trustee U/W of George Sohlberg and the First National Bank and Trust Company of Oklahoma City, Virginia E. Weinmann and John G. Weinmann, Co-Trustees of the Virginia Eason Weinmann Living Trust, as Lessor and Anadarko Production Company, as Lessee, covering the following described lands in Eddy County, New Mexico:

Township 19 South, Range 25 East, N.M.P.M.  
Section 12: E/2 NE/4

Township 19 South, Range 26 East, N.M.P.M.  
Section 7: Lot 1 (39.34), 2(39.51), E/2 NW/4, NE/4 & E/2 SE/4  
Section 8: W/2 SW/4

Anadarko Production Company at this writing is currently drilling at 8,200' with drilling operations to continue till we have reached a Total Depth of 9,500' or the Morrow Formation whichever is lesser. The drilling unit is comprised of the N/2, Sec. 12, T19S, R25E, N.M.P.M., Eddy County, New Mexico. Commercial production from these wells is usually in the form of gas and/or condensate if commercial production is established.

It has come to our attention that the subject lease does not provide for the well to be shut-in while awaiting a pipeline tie-in. Anadarko at this time is negotiating a contract with Northern Natural Gas who has a pipeline that is approximately 2½ to 3 miles from our location. Even though the well has not been completed at this time, Anadarko is proceeding with preliminary operations involving clearance of surface title for the immediate purchase of a pipeline right-of-way to our well.

We do not anticipate the negotiating procedure and right-of-way buying procedures to extend beyond the primary term of the above lease; however, as a precautionary measure, Anadarko Production Company respectfully requests that you

A Panhandle Eastern Company

First National Bank & Trust  
January 15, 1981  
Page 2

review and execute the attached amendment to an Oil & Gas Lease which provides for the deletions which you had previously made in the subject lease concerning and affecting Shut-in Royalty provisions and payments.

Should you have any questions concerning this matter, please do not hesitate to contact me. We are anticipating reaching Total Depth in approximately six (6) days; therefore your immediate consideration of this matter would be greatly appreciated.

Yours truly,



F. Neil Rucker  
Exploration Landman

FNR/gd  
Encl.



STATE OF NEW MEXICO )  
 )  
COUNTY OF EDDY )

KNOWN ALL MEN BY THESE PRESENTS

**Township 19 South, Range 25 East, N.M.P.M.**

Section 12: E/2 NE/4

Township 19 South, Range 26 East, N.M.P.M.

Section 7: Lot 1 (39.34), 2 (39.51), E/2 NW/4, NE/4 & E/2 SE/4

Section 8: W/2 SW/4

Now, therefore for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned do hereby amend said Oil and Gas Lease to add the following language to the below enumerated paragraphs being numerically identical to those contained in said Oil and Gas Lease:

(A) Paragraph 3:

(c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith but gas and/or condensate is not being so sold or used and such well is shut-in, either before or after production therefrom; then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and, for a period of one year, effective the date the well is shut-in, this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment or rentals.

(B) Paragraph 4:

Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such

error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

(C) Paragraph 8:

Rentals as used in this paragraph shall also include shut-in royalty.

The undersigned do hereby adopt, ratify, and confirm the above described Lease, as amended hereby, in all of its terms and provisions, and do hereby lease, demise and let said land and premises unto the Anadarko Production Company, its successors and assigns, and the undersigned does hereby agree and declare that said Lease in all of its terms and provisions, as amended hereby, is binding on the undersigned and is a valid and subsisting Oil and Gas Lease.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 1981.

ATTEST:

The First National Bank and Trust Company  
of Oklahoma City, Trustee 8000238 & 8008741

By:

Vice President and Trust Officer

Virginia E. Weinmann, Co-Trustee

John G. Weinmann, Co-Trustee

STATE OF OKLAHOMA )

INDIVIDUAL ACKNOWLEDGMENT

COUNTY OF OKLAHOMA )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1981 by Virginia E. Weinmann, Co-Trustee of the Virginia Eason Weinmann Living Trust.

Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA )

INDIVIDUAL ACKNOWLEDGMENT

COUNTY OF OKLAHOMA )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1981 by John G. Weinmann, Co-Trustee of the Virginia Eason Weinmann Living Trust.

Notary Public

My Commission Expires: \_\_\_\_\_



STATE OF OKLAHOMA )

COUNTY OF OKLAHOMA )

CORPORATION ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1981 by \_\_\_\_\_, \_\_\_\_\_ President and Trust Officer of The First National Bank and Trust Company of Oklahoma City, A National Banking corporation on behalf of said corporation, as Trustee U/W of George Sohlberg and Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_



**THE FIRST NATIONAL BANK  
AND TRUST COMPANY  
OF OKLAHOMA CITY**

Trust Division

April 9th, 1981

Anadarko Production Company  
P.O. Box 2497  
Midland, Texas 79702

ATTN: Bill Shackelford

Dear Mr. Shackelford:

Enclosed is a copy of the revised amendment. As I indicated to you on the phone, the Co-Trustee of this account wants a consideration of \$250.00 for executing the amendment, and the Trust Department would like an administrative fee of \$150.00 for the preparation and processing of the agreement.

Let me know if the amendment and these terms are acceptable to Anadarko.

Cordially,

*Todd Alexander*

Todd Alexander  
Manager of Land and Legal Department

TA/js

Enclosure: 1

AMENDMENT TO OIL AND GAS LEASE

STATE OF NEW MEXICO )  
COUNTY OF EDDY )

KNOWN ALL MEN BY THESE PRESENTS

Reference is made to that certain Oil and Gas Lease dated June 29, 1978, recorded in Volume 162, Page 911, Deed of Records, Eddy County, New Mexico, between The First National Bank and Trust Company of Oklahoma City, Trustee U/W of George Sohlberg and The First National Bank and Trust Company of Oklahoma City, Virginia E. Weinmann and John G. Weinmann Co-Trustees of the Virginia Eason Weinmann Living Trust, as Lessors, and Anadarko Production Company, as Lessee, covering the following described land in Eddy County, New Mexico, to-wit:

Township 19 South, Range 25 East, N.M.P.M.

Section 12: E/2 NE/4

Township 19 South, Range 26 East, N.M.P.M.

Section 7: Lot 1 (39.34), 2 (39.51), E/2 NW/4, NE/4 & E/2 SE/4  
Section 8: W/2 SW/4

Whereas certain deletions were made by Lessor in paragraphs 3, 4, and 8 of said Oil & Gas Lease relating to shut-in gas royalty provisions and payment thereof; whereas Lessor desires to amend said Oil & Gas Lease so as to provide for a shut-in gas royalty clause and for payment of shut-in gas royalty.

Now, therefore for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned do hereby amend said Oil and Gas Lease to add the following language to the below enumerated paragraphs being numerically identical to those contained in said Oil and Gas Lease:

(A) Paragraph 3:

(c) and, subject to the limitations set forth below, at any time this lease would terminate in accordance with its terms and provisions but there is a gas and/or condensate well on the land subject to this lease or on land pooled therewith which well is capable of production but shut-in, lessee may continue this lease in full force and effect for a period of 360 days from the date this lease otherwise would have terminated by the payment or tender to lessee of an advance shut-in royalty of \$250.00, such payment or tender to be made prior to the date this lease otherwise would have terminated, and for the period of the extension it will be considered under all clauses of this lease that gas is being produced from the leased premises; PROVIDED, HOWEVER a) if such shut-in well is situated on a pooled unit the above described 360 day extension shall be effective only as to that portion of the land subject to this lease which is located within such pooled unit, whether or not such shut-in well is situated on land subject to this lease or on land pooled with land subject to this lease, and as to the balance of the land subject to this lease and not located in such pooled unit this lease shall not be extended and shall terminate; and b) lessee's right to obtain such a 360 day extension shall expire in any event if not exercised on or before September 1, 1981.

(B) Paragraph 4:

Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

(C) Paragraph 8:

Rentals as used in this paragraph shall also include shut-in royalty.

The undersigned does hereby agree and declare that the above described Lease, in all of its terms and provisions, is amended hereby, and that this amendment is binding on the undersigned to the extent that the above described lease is a valid and subsisting Oil and Gas Lease.

EXECUTED this \_\_\_\_ day of \_\_\_\_\_, 1981.

The First National Bank and Trust Company  
of Oklahoma City, Trustee 8000238 & 8008741

ATTEST:

By: \_\_\_\_\_  
Vice President and Trust Officer

*Virginia E. Weinmann*  
Virginia E. Weinmann, Co-Trustee

*John G. Weinmann*  
John G. Weinmann, Co-Trustee

STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

INDIVIDUAL ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1981 by Virginia E. Weinmann, Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

INDIVIDUAL ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1981 by John G. Weinmann, Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

CORPORATION ACKNOWLEDGMENT

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1981 by \_\_\_\_\_, President and Trust Officer of The First National Bank and Trust Company of Oklahoma City, A National Banking Corporation on behalf of said corporation, as Trustee U/W of George Sohlberg and Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

7/23/81

Contacted Jack Statibus w/  
First Nat'l Bank OKC and explained  
situation - He will check with Mr.  
Weinmann about lease for 1 yr -  $\frac{3}{16}$  -  
\$1000 total consideration on E/2 NE/4  
Sec. 12 only and advise later. Will  
also check on banks handling of  
Robert K. & W. Gayle Williams interests.  
WFS



August 31, 1981

First National Bank & Trust  
Oil & Gas Division Trust Department  
P. O. Box 25189  
Oklahoma City, Oklahoma 73125

Attn: Mr. Jack Staibus

Re: E/2 NE/4 Section 12  
Township 19 South, Range 25 East  
Eddy County, New Mexico  
Lakewood Prospect

Gentlemen:

Please find enclosed two copies of the Deferred Bonus Agreement you requested along with our draft for \$100 as partial consideration for a lease on the George Sohlberg and Virginia Eason Weinmann Trust's interest in referenced land. If the agreement is in order and accomplishes your intent of deferring 90% of the bonus to 1982, please prepare the lease using June 29, 1981 as the date for said lease and reflecting the terms of 1 year primary term and 3/16 royalty. Once the lease is prepared and fully executed and acknowledged, please have both copies of the Deferred Bonus Agreement executed and acknowledged and deposit them along with the lease and the draft for collection. When we receive them we will make sure everything is in order, pay off the draft and return one copy of the Deferred Bonus Agreement to you as executed by Anadarko. We will both have an originally executed agreement for our files by following this procedure.

In addition to the above, I am still waiting on word from you as to how I might contact Robert K. and W. Gayle Williams.

Thank you for your continued cooperation in these matters.

Very truly yours,

W. F. Shackelford

enclosures

WFS:sjh

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey

KELLAHIN and KELLAHIN  
*Attorneys at Law*  
300 Don Gaspar Avenue  
Post Office Box 1769  
Santa Fe, New Mexico 87501

Telephone 982-4285  
Area Code 505

September 10, 1981

Mr. Joe Ramey  
Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501

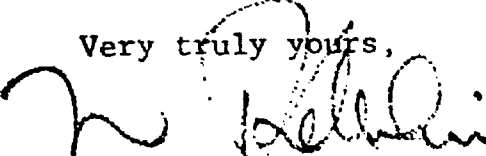
RE: Anadarko Production Company

Dear Joe:

Please set the enclosed application for compulsory pooling for hearing on October 7, 1981.

A copy of this letter and application have been sent to the parties against whom compulsory pooling is sought.

Very truly yours,



W. Thomas Kellahin

WTK:jm  
Enclosures  
cc: Mr. Dan Kernaghan  
Mr. Irley Bonnette  
Robert and Gayle Williams  
First National Bank & Trust  
of Oklahoma City



A.A.P.L. FORM 610 - 1977

# MODEL FORM OPERATING AGREEMENT

## OPERATING AGREEMENT

DATED

1 SEPTEMBER, 1980 ,

OPERATOR ANADARKO PRODUCTION CO.

CONTRACT AREA N/2 Section 12, T-19-S, R-25-E

\_\_\_\_\_

\_\_\_\_\_

COUNTY OR PARISH OF EDDY STATE OF NEW MEXICO

COPYRIGHT 1977 — ALL RIGHTS RESERVED  
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN  
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED  
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER  
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

INTERESTS OF PARTIES TO AGREEMENT

✓ Anadarko Production	58.0456 %
✓ Yates Petroleum Corporation	20.4688 %
✓ Marshall & Winston	10.9375 %
✓ S.P. Yates & Martin Yates III	5.2083 %
✓ T. J. Sivley	2.6042 %
✓ Richard L. Moore	.4102 %
✓ Michael Moore	.4102 %
✓ Stephen Moore	.4102 %
✓ Steve Helbing	.1758 %
✓ Joe Bohannon	.0992 %
✓ Marianne B. Jost	.0992 %
✓ Sally A. Ellis	.0781 %
• Outstanding Interest	<u>1.0527 %</u>
	100.0000 %

of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the

premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workers Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, assume the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's rate not to exceed manual rates.

**Other Expenditures**

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

### III. OVERHEAD

**1. Overhead - Drilling and Producing Operations**

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- ( ☒ ) Fixed Rate Basis, Paragraph 1A, or  
(     ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall (     ) shall not ( ☒ ) be covered by the Overhead rates.

**A. Overhead - Fixed Rate Basis**

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 3,000.00  
Producing Well Rate \$ 330.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

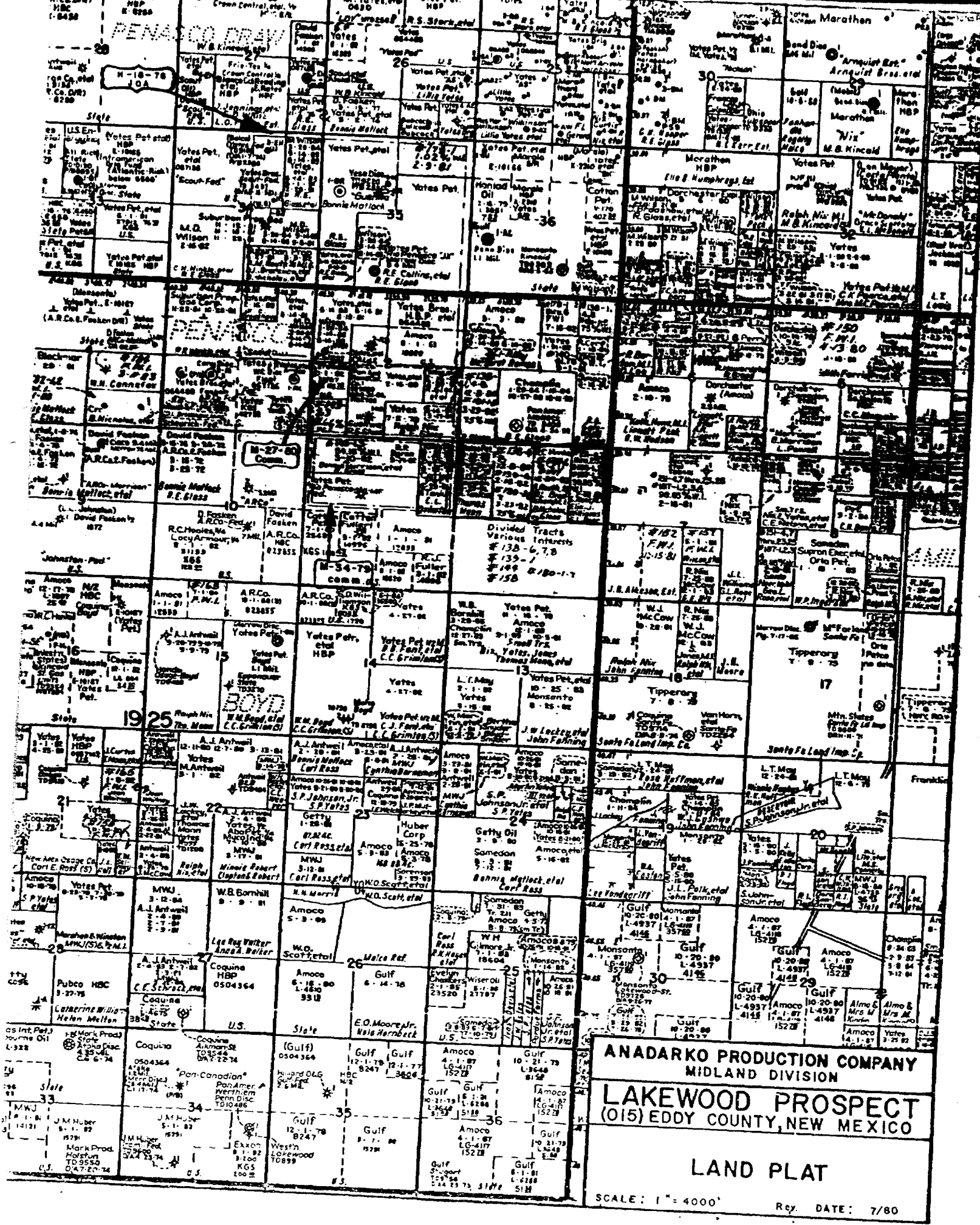
**(a) Drilling Well Rate**

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

**(b) Producing Well Rates**

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7004  
Order No. R-6479

APPLICATION OF ANADARKO PRODUCTION  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 17, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 20th day of October, 1980, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Anadarko Production Company, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 12, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be

approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$3000.00 per month while drilling and \$330.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before January 1, 1981, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 12, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of January, 1981, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations.

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of January, 1981, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Anadarko Production Company is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and, within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$3000.00 per month while drilling and \$330.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition



thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY,  
Director

S E A L

dr/

CO. (2)	DIV. (2)	AFE NO. (4)	LOCATION NO. (7)	DATE-MO./DAY/YR(6)
03	48	4200		7/22/81

WORK DES (12)	WELL LOCATION NAME (20)	WELL NO.(5)	FIELD/PROSPECT (25)	STATE (5)	ST.CD(12)
D, C, & E	APC Glass	1	Lakewood	NM	30

EXPLAIN PROJECT. Drill, complete & equip Morrow Development Well

O/S OPER. AFE #	SEC. - TWN. - RANGE - DES. OF LOC. (23)	COUNTY (13)	CO. CD (3)
	12 19S 25E 1980' FNL & FWL	Eddy	015

FIELD CD.(3)	PROJ. CD.(4)	PROSP. CD.(3)	BUDGET(4)	T/B (3)	G/L (3)	AMOUNT AUTHORIZED(9)
000	6660	016	310	139	230	\$448,800

[illegible]

TYPE:		PROJECT SUBJECT TO:
<input checked="" type="checkbox"/> DRILLING	<input type="checkbox"/> CONSTRUCTION	<input type="checkbox"/> CARRIED INTEREST
<input type="checkbox"/> EXPLORATION	<input type="checkbox"/> LHP	<input type="checkbox"/> NET PROFITS INTEREST
<input checked="" type="checkbox"/> DEVELOPMENT	<input type="checkbox"/> GEOPHYSICAL	<input type="checkbox"/> RIGHT TO CONVERT TO W.I.
<input type="checkbox"/> RECOMPLETION	<input type="checkbox"/> _____	<input type="checkbox"/> FARMIN
<input type="checkbox"/> PLUG&ABANDON		<input type="checkbox"/> DHC or BHC
<input type="checkbox"/> SALE		

ORIGINATING OFFICE Midland Division  
PREPARED BY B. W. Griffin

FOR DRILLING WELLS

EST. SPUD \_\_\_\_\_

DATE 12/17/80 EST. TD 9500

TYPE WELL (OIL, GAS, EST) Gas

DRILLING OBLG. DATE \_\_\_\_\_

EST. DAYS TO DRILL 25

EST. DAYS TO COMPLETE 5

**EXPLAIN:**

ACRES (Spacing Unit) \_\_\_\_\_, LSE EXP. DATE \_\_\_\_\_  
LSE NOS. IN UNIT \_\_\_\_\_

DRILLING - DRY HOLE COST			
	TOTAL	JT. OWNERS	CO. NET
INTANGIBLE \$	<u>449,100</u>	<u>\$ 183,700</u>	<u>\$ 265,400</u>
TANGIBLE	<u>26,300</u>	<u>10,800</u>	<u>15,500</u>
TOTAL \$	<u>475,400</u>	<u>\$ 194,500</u>	<u>\$ 280,900</u>
LESS DRY HOLE CONT. (\$	<u>          )</u>	<u>          )</u>	<u>          )</u>

	RETIREMENT COST		
	TOTAL	JT. OWNERS	CO. NET
COST-REMOVAL \$	_____	\$ _____	\$ _____
SALVAGE/REC. _____	_____	_____	_____
NET COST			
(OR RECEIVED) \$	\$ _____	\$ _____	\$ _____

TOTAL	\$ 475,400	\$ 194,500	\$ 280,900
DRILLING COMPLETION COST			
	TOTAL	JT. OWNERS	CO. NET
INTANGIBLE	\$ 115,700	\$ 47,300	\$ 68,400
TANGIBLE	168,400	68,900	99,500
TOTAL	\$ 284,100	\$ 116,200	\$ 167,900
TOTAL COST	\$ 759,500	\$ 310,700	\$ 448,800

EXPLORATION AND OTHER PROJECTS COST		
TOTAL	JT. OWNERS	CO. NET
\$ _____	\$ _____	\$ _____
TOTAL \$ _____	\$ _____	\$ _____

See attached letter for explanation of supplemental expenditures.

REMARKS: Subject to negotiation and completion of joint operations	Original AFE	\$390,500
contract and/or farmin arrangements, title examination and a 320	Supplement #1	\$ 58,300
acre gas pooled unit.	Total AFE	\$448,800

APPROVAL LEVEL  
☐ Division ☐ Region ☒ Gen'l Office APPROVALS

RECOMMENDED: W. J. [Signature] DATE 7/23/81  
W. J. [Signature] W. J. [Signature] 7/23/81

APPROVALS:

COMMITTEE ACTION  
☐ AUTHORIZED ☐ REJECTED \_\_\_\_\_  
DATE \_\_\_\_\_

NON - OPERATORS		DATE
COMPANY		
BY		
TITLE		

## PROJECT ECONOMIC ASSUMPTIONS

RISKED ECONOMIC YARDSTICKS (AFIT)

CHANCE OF SUCCESS: EXPL. \_\_\_\_\_ % DEVEL. \_\_\_\_\_ %  
PRICES: \_\_\_\_\_ \$/BBL; \_\_\_\_\_ \$/MCF

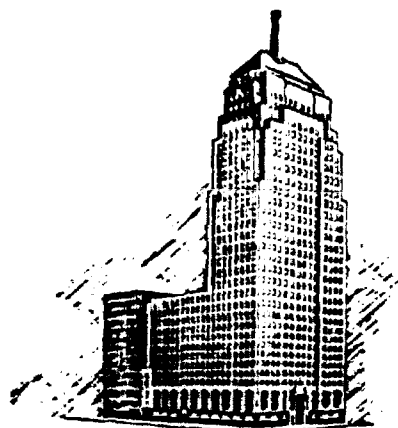
DCF RATE OF RETURN \_\_\_\_\_ %  
 PROFIT - TO - INVESTMENT RATIO  
 UNDISCOUNTED \_\_\_\_\_  
 DISCOUNTED \_\_\_\_\_  
 PAYOUT \_\_\_\_\_ YRS.

RESERVES -	THIS WELL		TOTAL PROSPECT	
	Gross	Ri	Gross	Ri
OIL, MMbbl.	_____	_____	_____	_____
GAS, MMCF.	_____	_____	_____	_____
EEB, MBbl.	_____	_____	_____	_____
BUDGET STATUS: <input type="checkbox"/> ON BUDGET <input type="checkbox"/> NEW PROJECT				
APC INVESTMENT-UNRISKED \$_____ RISKED \$_____				
ACREAGE COST (INCLUDING G & G) _____				

BY \_\_\_\_\_  
REMARKS: \_\_\_\_\_

AUTHORITY OF EXPENDITURE

### AIR DETAIL ESTIMATE



AUDRA BAXTER  
Trust Landman  
Assistant Cashier

*City - G. Sherman*

# The First National Bank and Trust Company of Oklahoma City

CAPITAL STRUCTURE OVER ONE HUNDRED MILLION DOLLARS  
ESTABLISHED 1889

July 28, 1978

Mr. R. F. Fort  
P.O. Box 2044  
Midland, Texas 79702

Re: Oil and gas leases, Eddy County,  
New Mexico, Sohlberg Estate and  
Robert and Gayle Williams Properties

Dear Mr. Fort:

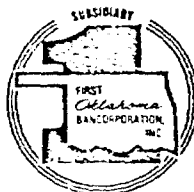
The Sohlberg Estate co-trustees have approved and executed the oil and gas lease. As soon as our lease clerk returns from vacation next week, she will forward the Sohlberg Trust's lease, rental division order and draft for collection.

The original oil and gas lease, rental division order and draft have been forwarded to the Williams family for their execution and endorsement. As soon as these are returned to us they will be forwarded for collection.

Yours very truly,

Audra Baxter  
Trust Landman

AB:sc



# OIL & GAS LEASE

THIS AGREEMENT made this 29th day of June 1978, between

Robert K. Williams & W. Gayle Williams  
c/o First National Bank & Trust, Trust Department  
P. O. Box 25189, Oklahoma City, Okla. of (Post Office Address)

herein called lessor (whether one or more) and ANADARKO PRODUCTION COMPANY, HOUSTON, TEXAS, lessee:  
 1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in EDDY County, New Mexico, to-wit:  
Township-19-South, Range-25-East, N.M.P.M.  
Section 12: E/2NE/4  
Township-19-South, Range-26-East, N.M.P.M.  
Section 7: Lot 1(39.34), 2(39.51), E/2NW/4, NE/4 & E/2SE/4  
Section 8: W/2SW/4

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 558.85 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of (3) years from this date (called "primary term"), and as long thereafter as oil or gas, or both, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the well or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; not and at one time when this lease is not validated by other premises hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rental provided for in this lease for the escape then held under this lease by the party making such payment or tender, and as long as this shut-in royalty is paid on a continuing basis, this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or to be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 186.28, which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the First National Bank & Trust Bank

at Oklahoma City, Oklahoma, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. ~~Any timely payment or tender of rental or shut-in royalty, which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.~~

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard production unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners hereunder, ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. ~~Rentals as used in this paragraph shall also include shut-in royalty.~~

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of ~~an act of God, or inability to obtain necessary equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.~~

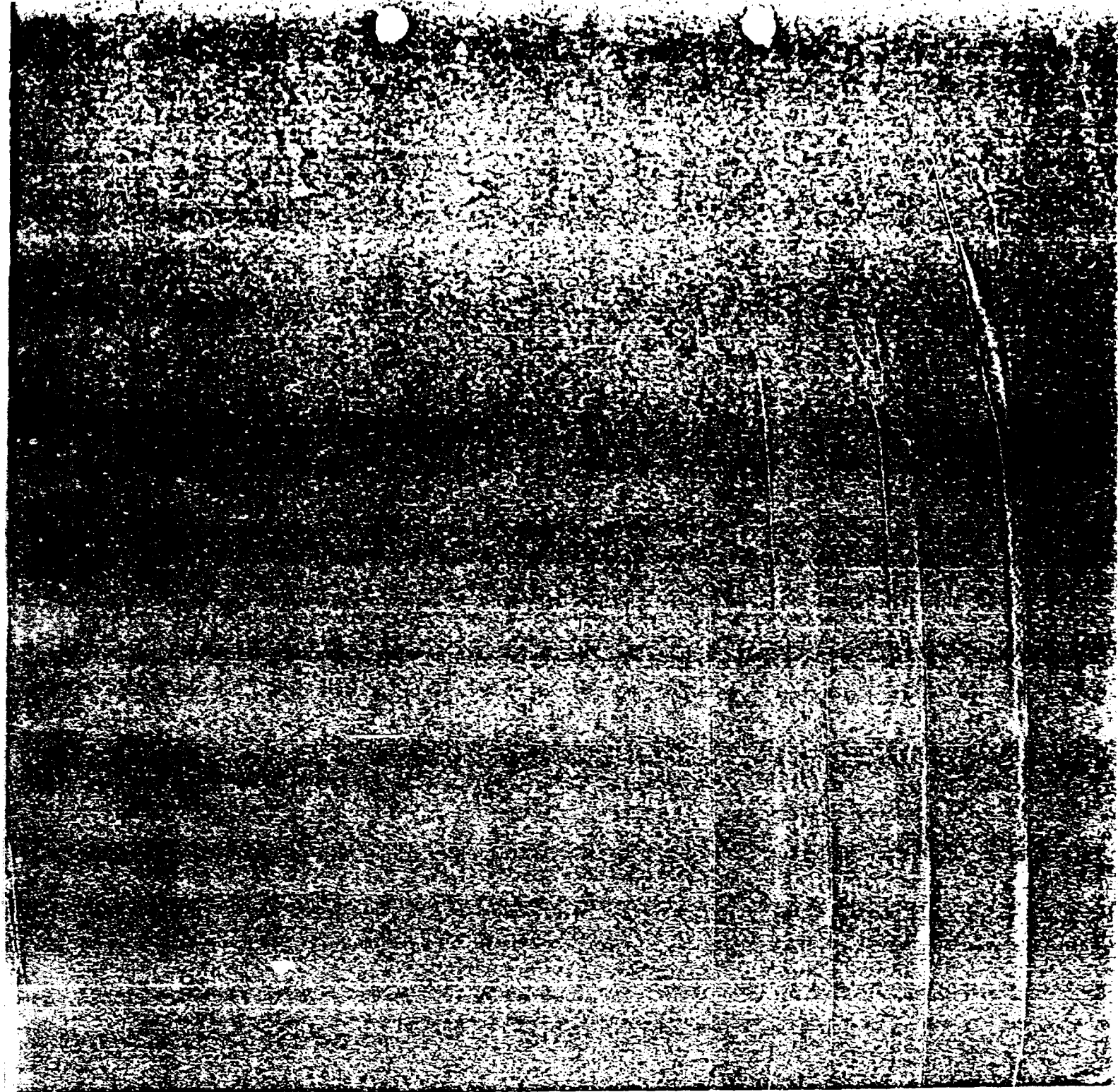
10. Lessor hereby waives and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/heir successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Notwithstanding any other terms to the contrary contained herein, the royalty on oil and gas shall be three-sixteenths (3/16) and whenever the word one-eighth (1/8) appears in this lease, the same is amended to read three-sixteenths (3/16).

Notwithstanding any wording herein contained to the contrary, it is understood and agreed that the lessor shall bear no costs of gas treatment, dehydration, or compression.

Notwithstanding any wording herein contained to the contrary, it is understood and agreed if a portion of the leased premises is included in a unit, unit production will maintain only the lands included in the unit and the remainder of the leased premises may be maintained as provided for otherwise in the lease.



Executed the day and year first above written.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

x

*Robert K. Williams*  
Robert K. Williams

x

*W. Gayle Williams* 8/4/78  
W. Gayle Williams

ATTACHMENT  
RKW  
W. G. W.









Rider Attached

Executed the day and year first above written.

ATTEST: Audra Baxter  
Assistant Cashier

X

X

This instrument is executed by The First National Bank and Trust Company  
Oklahoma City and designated Co-Executor(s)/Trustee(s) on condition  
that they shall have no liability in their individual capacity on any  
agreement, warranty or indemnity herein contained.

The First National Bank and Trust Company of  
Oklahoma City, Trustee 8008741 - Sohlberg and  
8000238 - Weinmann

By: R. M. D. K.  
Vice President and Trust Officer

x Virginia E. Weinmann  
Virginia E. Weinmann, Co-Trustee

John G. Weinmann  
John G. Weinmann, Co-Trustee

STATE OF NEW MEXICO &amp; OKLAHOMA

County of Oklahoma

**INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)**

The foregoing instrument was acknowledged before me this 15<sup>th</sup> day of August 19 78 by Virginia E. Weinmann and John G. Weinmann, Co-Trustees of the Virginia E. Weinmann Living Trust

My Commission expires 11-1 1980

Notary Public

STATE OF NEW MEXICO.

County of \_\_\_\_\_

**INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)**

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_

**Notary Public**

**STATE OF NEW MEXICO.**

County of \_\_\_\_\_

**INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)**

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_

**Notary Public**

STATE OF \_\_\_\_\_

County of \_\_\_\_\_

**INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)**

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
19\_\_\_\_ by \_\_\_\_\_

My Commission expires \_\_\_\_\_, 19\_\_\_\_

**Notary Public**

Oil and Gas Lease  
New Mexico

FROM

TO

Date \_\_\_\_\_, 19\_\_\_\_

Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_

No. of Acres \_\_\_\_\_

County, New Mexico

Term \_\_\_\_\_

STATE OF NEW MEXICO

COUNTY OF \_\_\_\_\_

I hereby certify that this instrument was filed for record on the \_\_\_\_\_ day of \_\_\_\_\_

A. D., 19\_\_\_\_, at \_\_\_\_\_ o'clock \_\_\_\_\_ M., and was duly recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_ of the Records of said County.

County Clerk.

By \_\_\_\_\_ Deputy.

STATE OF ~~NEW MEXICO~~ OKLAHOMA

County of Oklahoma

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_ Randolph D. Royce \_\_\_\_\_ Vice President and Trust Officer of \_\_\_\_\_ The First National Bank and Trust Company of Oklahoma City, \_\_\_\_\_ a National Banking corporation on behalf of said corporation, as Trustee and Co-Trustee. \_\_\_\_\_

My Commission Expires: June 13, 1981

Notary Public

STATE OF MISSISSIPPI

County of \_\_\_\_\_

**CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)**

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_  
by \_\_\_\_\_, \_\_\_\_\_ President

of \_\_\_\_\_ a \_\_\_\_\_ corporation  
on behalf of said corporation.

My Commission Expires: \_\_\_\_\_ Notary Public



January 15, 1981

First National Bank & Trust  
Oil & Gas Division Trust Department  
First National Center  
Oklahoma City, Oklahoma

Attention: William Davis

Re: APC Glass #1  
N/2 Sec. 12, T19S, R25E  
N.M.P.M.  
Eddy County, New Mexico

Gentlemen:

Please refer to the attached copy of an Oil & Gas Lease dated June 29, 1978 between the First National Bank and Trust Company of Oklahoma City, Trustee U/W of George Sohlberg and the First National Bank and Trust Company of Oklahoma City, Virginia E. Weinmann and John G. Weinmann, Co-Trustees of the Virginia Eason Weinmann Living Trust, as Lessor and Anadarko Production Company, as Lessee, covering the following described lands in Eddy County, New Mexico:

Township 19 South, Range 25 East, N.M.P.M.  
Section 12: E/2 NE/4

Township 19 South, Range 26 East, N.M.P.M.  
Section 7: Lot 1 (39.34), 2(39.51), E/2 NW/4, NE/4 & E/2 SE/4  
Section 8: W/2 SW/4

Anadarko Production Company at this writing is currently drilling at 8,200' with drilling operations to continue till we have reached a Total Depth of 9,500' or the Morrow Formation whichever is lesser. The drilling unit is comprised of the N/2, Sec. 12, T19S, R25E, N.M.P.M., Eddy County, New Mexico. Commercial production from these wells is usually in the form of gas and/or condensate if commercial production is established.

It has come to our attention that the subject lease does not provide for the well to be shut-in while awaiting a pipeline tie-in. Anadarko at this time is negotiating a contract with Northern Natural Gas who has a pipeline that is approximately 2½ to 3 miles from our location. Even though the well has not been completed at this time, Anadarko is proceeding with preliminary operations involving clearance of surface title for the immediate purchase of a pipeline right-of-way to our well.

We do not anticipate the negotiating procedure and right-of-way buying procedures to extend beyond the primary term of the above lease; however, as a precautionary measure, Anadarko Production Company respectfully requests that you

A Panhandle Eastern Company

First National Bank & Trust  
January 15, 1981  
Page 2

review and execute the attached amendment to an Oil & Gas Lease which provides for the deletions which you had previously made in the subject lease concerning and affecting Shut-in Royalty provisions and payments.

Should you have any questions concerning this matter, please do not hesitate to contact me. We are anticipating reaching Total Depth in approximately six (6) days; therefore your immediate consideration of this matter would be greatly appreciated.

Yours truly,



F. Neil Rucker  
Exploration Landman

FNR/gd  
Encl.

AMENDMENT TO OIL AND GAS LEASE

STATE OF NEW MEXICO    )  
                              )  
COUNTY OF EDDY        )                    KNOWN ALL MEN BY THESE PRESENTS

Reference is made to that certain Oil and Gas Lease dated June 29, 1978, recorded in Volume 162, Page 911, Deed of Records, Eddy County, New Mexico, between The First National Bank and Trust Company of Oklahoma City, Trustee U/W of George Sohlberg and The First National Bank and Trust Company of Oklahoma City, Virginia E. Weinmann and John G. Weinmann Co-Trustees of the Virginia Eason Weinmann Living Trust, as Lessors, and Anadarko Production Company, as Lessee, covering the following described land in Eddy County, New Mexico, to-wit:

Township 19 South, Range 25 East, N.M.P.M.

Section 12:   E/2 NE/4

Township 19 South, Range 26 East, N.M.P.M.

Section 7:   Lot 1 (39.34), 2 (39.51), E/2 NW/4, NE/4 & E/2 SE/4  
Section 8:   W/2 SW/4

Whereas certain deletions were made by Lessor in paragraphs 3, 4, and 8 of said Oil and Gas Lease relating to shut-in gas royalty provisions and payment thereof; whereas Lessor desires to amend said Oil and Gas Lease so as to provide for a shut-in gas royalty clause and for payment of shut-in gas royalty.

Now, therefore for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned do hereby amend said Oil and Gas Lease to add the following language to the below enumerated paragraphs being numerically identical to those contained in said Oil and Gas Lease:

(A) Paragraph 3:

(c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith but gas and/or condensate is not being so sold or used and such well is shut-in, either before or after production therefrom; then on or before 90 days after said well is shut-in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and, for a period of one year, effective the date the well is shut-in, this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment or rentals.

(B) Paragraph 4:

Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such

error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

(C) Paragraph 8:

Rentals as used in this paragraph shall also include shut-in royalty.

The undersigned do hereby adopt, ratify, and confirm the above described Lease, as amended hereby, in all of its terms and provisions, and do hereby lease, demise and let said land and premises unto the Anadarko Production Company, its successors and assigns, and the undersigned does hereby agree and declare that said Lease in all of its terms and provisions, as amended hereby, is binding on the undersigned and is a valid and subsisting Oil and Gas Lease.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 1981.

ATTEST:

The First National Bank and Trust Company  
of Oklahoma City, Trustee 8000238 & 8008741

By:

Vice President and Trust Officer

Virginia E. Weinmann, Co-Trustee

John G. Weinmann, Co-Trustee

STATE OF OKLAHOMA )

INDIVIDUAL ACKNOWLEDGMENT

COUNTY OF OKLAHOMA )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1981 by Virginia E. Weinmann, Co-Trustee of the Virginia Eason Weinmann Living Trust.

Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA )

INDIVIDUAL ACKNOWLEDGMENT

COUNTY OF OKLAHOMA )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1981 by John G. Weinmann, Co-Trustee of the Virginia Eason Weinmann Living Trust.

Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA )

CORPORATION ACKNOWLEDGMENT

COUNTY OF OKLAHOMA )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1981 by \_\_\_\_\_, \_\_\_\_\_ President and Trust Officer of The First National Bank and Trust Company of Oklahoma City, A National Banking corporation on behalf of said corporation, as Trustee U/W of George Sohlberg and Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_



**THE FIRST NATIONAL BANK  
AND TRUST COMPANY  
OF OKLAHOMA CITY**

Trust Division

April 9th, 1981

Anadarko Production Company  
P.O. Box 2497  
Midland, Texas 79702

ATTN: Bill Shackelford

Dear Mr. Shackelford:

Enclosed is a copy of the revised amendment. As I indicated to you on the phone, the Co-Trustee of this account wants a consideration of \$250.00 for executing the amendment, and the Trust Department would like an administrative fee of \$150.00 for the preparation and processing of the agreement.

Let me know if the amendment and these terms are acceptable to Anadarko.

Cordially,

*Todd Alexander*

Todd Alexander  
Manager of Land and Legal Department

TA/js

Enclosure: 1



AMENDMENT TO OIL AND GAS LEASE

STATE OF NEW MEXICO )  
 )  
COUNTY OF EDDY )

KNOWN ALL MEN BY THESE PRESENTS

Reference is made to that certain Oil and Gas Lease dated June 29, 1978, recorded in Volume 162, Page 911, Deed of Records, Eddy County, New Mexico, between The First National Bank and Trust Company of Oklahoma City, Trustee U/W of George Sohlberg and The First National Bank and Trust Company of Oklahoma City, Virginia E. Weinmann and John G. Weinmann Co-Trustees of the Virginia Eason Weinmann Living Trust, as Lessors, and Anadarko Production Company, as Lessee, covering the following described land in Eddy County, New Mexico, to-wit:

Township 19 South, Range 25 East, N.M.P.M.

Section 12: E/2 NE/4

Township 19 South, Range 26 East, N.M.P.M.

Section 7: Lot 1 (39.34), 2 (39.51), E/2 NW/4, NE/4 & E/2 SE/4  
Section 8: W/2 SW/4

Whereas certain deletions were made by Lessor in paragraphs 3, 4, and 8 of said Oil & Gas Lease relating to shut-in gas royalty provisions and payment thereof; whereas Lessor desires to amend said Oil & Gas Lease so as to provide for a shut-in gas royalty clause and for payment of shut-in gas royalty.

Now, therefore for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned do hereby amend said Oil and Gas Lease to add the following language to the below enumerated paragraphs being numerically identical to those contained in said Oil and Gas Lease:

(A) Paragraph 3:

(c) and, subject to the limitations set forth below, at any time this lease would terminate in accordance with its terms and provisions but there is a gas and/or condensate well on the land subject to this lease or on land pooled therewith which well is capable of production but shut-in, lessee may continue this lease in full force and effect for a period of 360 days from the date this lease otherwise would have terminated by the payment or tender to lessee of an advance shut-in royalty of \$250.00, such payment or tender to be made prior to the date this lease otherwise would have terminated, and for the period of the extension it will be considered under all clauses of this lease that gas is being produced from the leased premises; PROVIDED, HOWEVER a) if such shut-in well is situated on a pooled unit the above described 360 day extension shall be effective only as to that portion of the land subject to this lease which is located within such pooled unit, whether or not such shut-in well is situated on land subject to this lease or on land pooled with land subject to this lease, and as to the balance of the land subject to this lease and not located in such pooled unit this lease shall not be extended and shall terminate; and b) lessee's right to obtain such a 360 day extension shall expire in any event if not exercised on or before September 1, 1981.

(B) Paragraph 4:  
Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

(C) Paragraph 8:  
Rentals as used in this paragraph shall also include shut-in royalty.

The undersigned does hereby agree and declare that the above described Lease, in all of its terms and provisions, is amended hereby, and that this amendment is binding on the undersigned to the extent that the above described lease is a valid and subsisting Oil and Gas Lease.

EXECUTED this \_\_\_\_ day of \_\_\_\_\_, 1981.

The First National Bank and Trust Company  
of Oklahoma City, Trustee 8000238 & 8008741

ATTEST:

By: \_\_\_\_\_  
Vice President and Trust Officer

*Virginia E. Weinmann*  
Virginia E. Weinmann, Co-Trustee

*J. G. Weinmann*  
John G. Weinmann, Co-Trustee

STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

INDIVIDUAL ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1981 by Virginia E. Weinmann, Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA )  
COUNTY OF OKLAHOMA )

INDIVIDUAL ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1981 by John G. Weinmann, Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

STATE OF OKLAHOMA )  
 )  
COUNTY OF OKLAHOMA )

CORPORATION ACKNOWLEDGEMENT

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_,  
1981 by \_\_\_\_\_, President and Trust  
Officer of The First National Bank and Trust Company of Oklahoma City, A  
National Banking Corporation on behalf of said corporation, as Trustee U/W  
of George Schilberg and Co-Trustee of the Virginia Eason Weinmann Living Trust.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

7/23/81

Contacted Jack Statibus w/  
First Nat'l Bank OKC and explained  
situation - He will check with Mr.  
Weinmann about lease for 1 yr -  $\frac{3}{16}$  -  
\$1000 total consideration on E/2 NE/4  
Sec. 12 only and advise later. Will  
also check on banks handling of  
Robert K. & L. Gayle Williams' interests.  
WFS



August 31, 1981

First National Bank & Trust  
Oil & Gas Division Trust Department  
P. O. Box 25189  
Oklahoma City, Oklahoma 73125

Attn: Mr. Jack Staubus

Re: E/2 NE/4 Section 12  
Township 19 South, Range 25 East  
Eddy County, New Mexico  
Lakewood Prospect

Gentlemen:

Please find enclosed two copies of the Deferred Bonus Agreement you requested along with our draft for \$100 as partial consideration for a lease on the George Sohlberg and Virginia Eason Weinmann Trust's interest in referenced land. If the agreement is in order and accomplishes your intent of deferring 90% of the bonus to 1982, please prepare the lease using June 29, 1981 as the date for said lease and reflecting the terms of 1 year primary term and 3/16 royalty. Once the lease is prepared and fully executed and acknowledged, please have both copies of the Deferred Bonus Agreement executed and acknowledged and deposit them along with the lease and the draft for collection. When we receive them we will make sure everything is in order, pay off the draft and return one copy of the Deferred Bonus Agreement to you as executed by Anadarko. We will both have an originally executed agreement for our files by following this procedure.

In addition to the above, I am still waiting on word from you as to how I might contact Robert K. and W. Gayle Williams.

Thank you for your continued cooperation in these matters.

Very truly yours,

W. F. Shackelford

enclosures

WFS:sjh

KELLAHIN and KELLAHIN

*Attorneys at Law*

500 Don Gaspar Avenue

Post Office Box 1769

Santa Fe, New Mexico 87501

Telephone 982-4285

Area Code 505

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey

September 10, 1981

Mr. Joe Ramey  
Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501

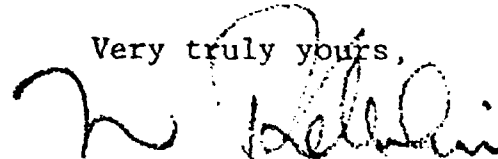
RE: Anadarko Production Company

Dear Joe:

Please set the enclosed application for compulsory pooling for hearing on October 7, 1981.

A copy of this letter and application have been sent to the parties against whom compulsory pooling is sought.

Very truly yours,



W. Thomas Kellahin

WTK:jm

Enclosures

cc: Mr. Dan Kernaghan  
Mr. Irley Bonnette  
Robert and Gayle Williams  
First National Bank & Trust  
of Oklahoma City

A.A.P.L. FORM 610 - 1977  
MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

1 SEPTEMBER, 1980 ,

OPERATOR ANADARKO PRODUCTION CO.

CONTRACT AREA N/2 Section 12, T-19-S, R-25-E

COUNTY ~~OF~~ EDDY STATE OF NEW MEXICO

INTERESTS OF PARTIES TO AGREEMENT

✓ Anadarko Production	58.0456 %
✓ Yates Petroleum Corporation	20.4688 %
✓ Marshall & Winston	10.9375 %
✓ S.P. Yates & Martin Yates III	5.2083 %
✓ T. J. Sivley	2.6042 %
✓ Richard L. Moore	.4102 %
✓ Michael Moore	.4102 %
✓ Stephen Moore	.4102 %
✓ Steve Helbing	.1758 %
✓ Joe Bohannon	.0992 %
✓ Marianne B. Jost	.0992 %
✓ Sally A. Ellis	.0781 %
Outstanding Interest	<u>1.0527 %</u>
	100.0000 %



of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the

premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workers' Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, assume the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

**Other Expenditures**

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

### III. OVERHEAD

**1. Overhead - Drilling and Producing Operations**

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- ( ☒ ) Fixed Rate Basis, Paragraph 1A, or  
(     ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall (     ) shall not ( ☒ ) be covered by the Overhead rates.

**A. Overhead - Fixed Rate Basis**

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 3,000.00  
Producing Well Rate \$ 330.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

**(a) Drilling Well Rate**

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

**(b) Producing Well Rates**

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
- [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

A.A.P.L. FORM 610 - 1977

# MODEL FORM OPERATING AGREEMENT

## OPERATING AGREEMENT

DATED

1 SEPTEMBER, 1980 ,

OPERATOR ANADARKO PRODUCTION CO.

CONTRACT AREA N/2 Section 12, T-19-S, R-25-E

COUNTY ~~OR PARISH OF~~ EDDY STATE OF NEW MEXICO

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AMERICAN ASSOCIATION OF PETROLEUM LANDMEN  
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED  
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER  
KRAFTBILT PRODUCTS, BOX 600, TULSA 74101

INTERESTS OF PARTIES TO AGREEMENT

✓ Anadarko Production	58.0456 %
✓ Yates Petroleum Corporation	20.4688 %
✓ Marshall & Winston	10.9375 %
✓ S.P. Yates & Martin Yates III	5.2083 %
✓ T. J. Sivley	2.6042 %
✓ Richard L. Moore	.4102 %
✓ Michael Moore	.4102 %
✓ Stephen Moore	.4102 %
✓ Steve Helbing	.1758 %
✓ Joe Bohannon	.0992 %
✓ Marianne B. Jost	.0992 %
✓ Sally A. Ellis	.0781 %
✓ Outstanding Interest	<u>1.0527 %</u>
	100.0000 %

of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the

premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workers Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's not to exceed manual rates.

#### Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

### III. OVERHEAD

#### 1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- ( X ) Fixed Rate Basis, Paragraph 1A, or  
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (X ) be covered by the Overhead rates.

#### A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 3,000.00 /  
Producing Well Rate \$ 330.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

##### (a) Drilling Well Rate

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  - [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
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- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

KELLAHIN and KELLAHIN

Attorneys at Law

500 Don Gaspar Avenue

Post Office Box 1769

Santa Fe, New Mexico 87501

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey

Telephone 982-4285  
Area Code 505

September 10, 1981

Mr. Joe Ramey  
Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Case 7367

RE: Anadarko Production Company

Dear Joe:

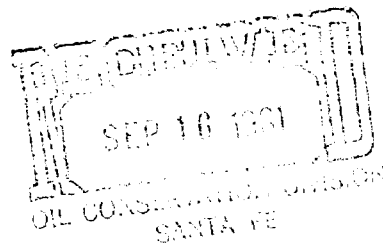
Please set the enclosed application for compulsory pooling for hearing on October 7, 1981.

A copy of this letter and application have been sent to the parties against whom compulsory pooling is sought.

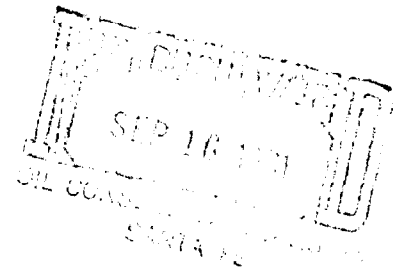
Very truly yours,

  
W. Thomas Kellahin

WTK:jm  
Enclosures  
cc: Mr. Dan Kernaghan  
Mr. Irley Bonnette  
Robert and Gayle Williams  
First National Bank & Trust  
of Oklahoma City



STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION



IN THE MATTER OF THE APPLICATION OF  
ANADARKO PRODUCTION COMPANY FOR  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

Case 7367

A P P L I C A T I O N

COMES NOW ANADARKO PRODUCTION COMPANY and applies to the New Mexico Energy and Minerals Department, Oil Conservation Division, for a compulsory pooling order pooling the mineral interests in the Wolfcamp and the Pennsylvanian formations, in the N/2 of Section 12, T19S, R25E, NMPM, Eddy County, New Mexico, and in support thereof would show the Division:

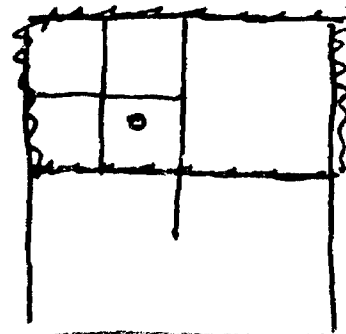
1. Applicant is the owner of the right to drill and develop the N/2 of Section 12, T19S, R25E, NMPM, Eddy County, New Mexico and has drilled its Glass #1 Well at a location 1830 feet from the North line and 1980 feet from the West line of said section to test the Morrow Formation but now completed in the Atoka formation.

2. Applicant proposes to dedicate the entire N/2 of said section to the subject well.

3. Applicant has obtained the right to all mineral interests underlying the 320 acre tract in said section for the purposes of drilling the proposed well with the exception of the following:

First National Bank & Trust	26.67%
of Oklahoma City	
P.O. Box 25189	
Oklahoma City, Oklahoma 73125	
Attn: Jack Staubus	

Robert K. and W. Gayle Williams	26.67%
c/o First National Bank & Trust	
of Oklahoma City	
P.O. Box 25189	
Oklahoma City, Oklahoma 73125	



4. In order to form a standard unit, to prevent waste, and to protect correlative rights, the above lands and mineral interest should be pooled.

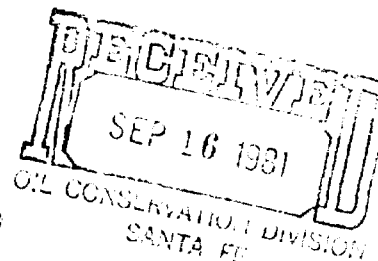
WHEREFORE, Applicant prays that this matter be set for hearing before the Division's duly appointed Examiner, and that after notice and hearing as required by law, the Division enter its order pooling the above-described acreage, together with provision for applicant to recover its costs of drilling, together with provision for applicant to recover its costs of drilling, together with provision for a risk factor for the risk assumed in drilling, completing and equipping the proposed well, for his costs of supervision, and for such other and further relief as may be proper.

KELLAHIN & KELLAHIN

By: 

W. Thomas Kellahin  
P.O. Box 1769  
Santa Fe, New Mexico 87501  
(505) 982-4285

ATTORNEY FOR ANADARKO PRODUCTION  
COMPANY



STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF  
ANADARKO PRODUCTION COMPANY FOR  
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1. Applicant is the owner of the right to drill and develop the N/2 of Section 12, T19S, R25E, NMPM, Eddy County, New Mexico and has drilled its Glass #1 Well at a location 1830 feet from the North line and 1980 feet from the West line of said section to test the Morrow Formation but now completed in the Atoka formation.

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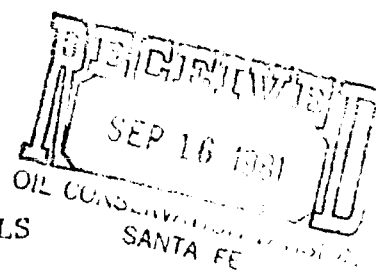
KELLAHIN & KELLAHIN

By: 

W. Thomas Kellahin  
P.O. Box 1769  
Santa Fe, New Mexico 87501  
(505) 982-4285

ATTORNEY FOR ANADARKO PRODUCTION  
COMPANY

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION



IN THE MATTER OF THE APPLICATION OF  
ANADARKO PRODUCTION COMPANY FOR  
COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

Case 7367

A P P L I C A T I O N

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1. Applicant is the owner of the right to drill and develop the N/2 of Section 12, T19S, R25E, NMPM, Eddy County, New Mexico and has drilled its Glass #1 Well at a location 1830 feet from the North line and 1980 feet from the West line of said section to test the Morrow Formation but now completed in the Atoka formation.

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First National Bank & Trust of Oklahoma City P.O. Box 25189 Oklahoma City, Oklahoma 73125 Attn: Jack Staubus	26.67%
Robert K. and W. Gayle Williams c/o First National Bank & Trust of Oklahoma City P.O. Box 25189 Oklahoma City, Oklahoma 73125	26.67%

4. In order to form a standard unit, to prevent waste, and to protect correlative rights, the above lands and mineral interest should be pooled.

WHEREFORE, Applicant prays that this matter be set for hearing before the Division's duly appointed Examiner, and that after notice and hearing as required by law, the Division enter its order pooling the above-described acreage, together with provision for applicant to recover its costs of drilling, together with provision for applicant to recover its costs of drilling, together with provision for a risk factor for the risk assumed in drilling, completing and equipping the proposed well, for his costs of supervision, and for such other and further relief as may be proper.

KELLAHIN & KELLAHIN

By: 

W. Thomas Kellahin  
P.O. Box 1769  
Santa Fe, New Mexico 87501  
(505) 982-4285

ATTORNEY FOR ANADARKO PRODUCTION  
COMPANY

DRAFT

dr/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7367

Order No. R- 6479-A

APPLICATION OF ANADARKO PRODUCTION  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 7,  
19 81, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of October, 19 81, the Division  
Director, having considered the testimony, the record, and the  
recommendations of the Examiner, and being fully advised in the  
premises,

FINDS:

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

(2) That the applicant, Anadarko Production Company,  
seeks an order pooling all mineral interests in the Wolfcamp and  
Pennsylvanian formations underlying the N/2  
of Section 12, Township 19 South, Range 25 East,  
NMPM, \_\_\_\_\_, Eddy County, New  
Mexico.

(3) That the applicant has the right to drill and <sup>has</sup> ~~proposes~~  
~~drilled its Glass Well No. 1~~  
~~to drill a well~~ at a standard location thereon.

(4) That there are interest owners in the ~~proposed~~ proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of ~~estimated~~ well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner who does not pay his share of ~~estimated~~ well costs should have withheld from production his share of the reasonable well costs plus an additional 150 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that ~~paid~~ estimated well costs exceed reasonable well costs.

(11) That \$ 3000.00 per month while drilling and \$ 330.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

~~(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before \_\_\_\_\_, the order pooling said unit should become null and void and of no effect whatsoever.~~

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 19, Township 19 South, Range 25 East, NMPM, \_\_\_\_\_, Eddy County, New Mexico, are hereby pooled to form a standard 320 - acre gas spacing and proration unit to be dedicated to <sup>the</sup> ~~a~~ well <sup>which applicant has</sup> ~~to be drilled~~ at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the \_\_\_\_\_ formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

(13) That Order No. R-6479, previously entered in Case No. 7004 and concerning the lands subject to ~~the~~ <sup>the</sup> instant case and order, should be rescinded.

~~PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded?~~

(2) That Anadarko Production Company is hereby designated the operator of the subject well and unit.

(3) That <sup>within 30 days</sup> after the effective date of this order, ~~and within 90 days prior to commencing said well,~~ the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of <sup>actual</sup> ~~estimated~~ well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of <sup>actual</sup> ~~estimated~~ well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of <sup>actual</sup> ~~estimated~~ well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That ~~the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well, that if~~ no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of <sup>actual</sup> ~~estimated~~ costs in advance as provided

-5-  
Case No.  
Order No. R-

above shall ~~pay to the operator his pro rata share of the amount~~  
~~that reasonable well costs exceed <sup>actual</sup> estimated well costs, and shall~~  
~~receive from the operator his pro rata share of the amount that~~  
~~<sup>actual</sup> well costs exceed reasonable well costs.~~

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of <sup>actual</sup> ~~estimated~~ well costs within 30 days from the date the schedule of <sup>actual</sup> ~~estimated~~ well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 150 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of <sup>actual</sup> ~~estimated~~ well costs within 30 days from the date the schedule of <sup>actual</sup> ~~estimated~~ well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$ 3000.00 per month while drilling and \$ 350.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.



-6-  
Case  
Order No.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

(14) That Order No. R-6479 is hereby rescinded.

Rough  
Draft

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

JAR

CASE NO. 7367  
Order No. R-6479-B

APPLICATION OF ANADARKO PRODUCTION  
COMPANY FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.

NUNC PRO TUNC ORDER

BY THE DIVISION:

It appearing to the Division that Order No. R-6479-A, dated  
November 18, 1981, does not correctly state the intended order of  
the Division,

IT IS THEREFORE ORDERED:

(1) That Order No. (1) on Page 3 of Order No. R-6479-A be and  
the same is hereby corrected to read as follows:

"(1) That all mineral interests, whatever they may be,  
in the Wolfcamp and Pennsylvanian formations underlying the  
N/2 of Section 12, Township 19 South, Range 25 East, NMPM,  
Eddy County, New Mexico, are hereby pooled to form a standard  
320-acre gas spacing and proration unit to be dedicated to  
the well which applicant has drilled at a standard location  
thereon."

(2) That the correction set forth in this order be effective  
nunc pro tunc as of November 18, 1971.

DONE at Santa Fe, New Mexico, on this \_\_\_\_\_ day of December,  
1981.

MS