Case NO.

7367

Application

Transcripts.

Small Exhibits

ETC

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

December 9, 1981

Mr. Thomas Kellahin Kellahin & Kellahin Attorneys at Law Post Office Box 1769 Santa Fe, New Mexico	Re:	CASE NO. ORDER NO. Applicant	7367 R-6479-B
		Anadarko	Production Compa
Dear Sir:			
Enclosed herewith are two Division order recently e			
Pours very truly,	•		
JOE D. RAMEY Director		•	
	•		
JDR/fd			
Copy of order also sent t	:0:		
Hobbs OCD x Artesia OCD x Aztec OCD			
Other		-	

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, BCDY 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. Raney /

Director

SEAL

Memo

From

R. L. STAMETS Technical Support Chief

R. L. S. Techn Support

164798 Pon

1764798 Pon

176479 Pon

176

Error page 3
para 1 00 R6479-A
Says Section 19 instead

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 prorata 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 data 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 hereinabove designated.

STATE OF NEW MEXICO
OID CONSERVATION QIVISION

Director

SEAL

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:

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 Pennaylvanian 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.

+2-Case No. 7367 Order No. R-6479-A

- (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 but of production.
- (8) That any non-consenting working interest owner who lose 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 sonth 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.

-3-Case No. 7367 Order No. R-6479-A

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 epacing 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 rate 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 rate 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.

-4-Case No. 7367 Order No. R-6475-A

- (B) As a charge for the risk involved in the drilling of the well, 150 percent of the prorate share of reasonable well costs attributable to each non-moonsenting working interest owner who has not peid 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 present 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 hereinabove designated.

STATE OF NEW MEXICO

DI D. NAMEY

SENT

fd/



Other

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT

DIL CONSERVATION DIVISION

November 19, 1981

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE, NEW MEXICO B7501 ISOSI 827-2434

Mr. Thomas Kellahin Kellahin & Kellahin Attorneys at Law Post Office Box 1769 Santa Fe, New Mexico	Re:	CASE NO. ORDER NO	• <u>R-6479-A</u>	
•		Anddarko	Production	Company
Dear Sir:			,	
Enclosed herewith are two co Division order recently ente				nced
JOE D. RAMEY Director			·	
JDR/fd				
Copy of order also sent to:				
Hobbs OCD XArtesia OCD XAztec OCD X				

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ENERGY AND MOIL CONSESTATE LASSANTA E	OF NEW MEXICO MINERALS DEPARTMENT ERVATION DIVISION AND OFFICE BLDG. FE, NEW MEXICO ctober 1981	,
EXAMI	NER HEARING	
IN THE MATTER OF:		5
Application of An Company for compu- Eddy County, New 1		CASE 7367
BEFORE: Daniel S. Nutter		
· TRANSCR	IPT OF HEARING	
APPE	ARANCES	
For the Oil Conservation	W. Perry Pearce,	

For the Oil Conse Division:

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
2	INDEX	
3		
4	BILL SHACKLEFORD	
. 5	Direct Examination by Mr. Kellahin	3
6	Cross Examination by Mr. Nutter	13
7		
8	Dan Kermaghan	
9	Direct Examination by Mr. Kellahin	17
10	Cross Examination by Mr. Nutter	20
11		
12		
13	EXHIBITS	
14		
15	Applicant Exhibit One, Plat	4
16	Annlicant Exhibit Two, Order	5
17	Applicant Exhibit Three, AFE	7
18	Applicant Exhibit Four, History	7
19	· · · · · · · · · · · · · · · · · · ·	
20	Applicant Exhibit Five, Lease	7
21	Applicant Exhibit Six, Lease	8
	Applicant Exhibit Seven, Letter	9
22	Applicant Exhibit Eight, Reply	Š
23	Applicant Exhibit Nine, Note	9
24	Applicant Exhibit Ten, Letter	10
25	Applicant Exhibit Eleven, Letter	11

Applicant Exhibit Twelve, Pages

tion 4, 19 South, 25 East, and this is in Eddy County, New

Mexico, located approximately ten miles south of Artesia.

You're seeking to pool what formations?

Okay, it's the Wolfcamp and Pennsylvanian

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formations.

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.

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

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

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

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

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

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

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

Q Would you identify for the Examiner the

1 2 location of this well within the proration unit? 3 Okay, the well was drilled at a location of 1980 from the north and west lines of 3ection 12. 5 Let's continue through your exhibits, Mr. Shackleford. If you'll go to Exhibit Number Three and tell 7 us what that exhibit is? 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 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 Ckay, 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 All right, and Exhibit Number Five. 24 Okay, Exhibit Five is the lease from the 25 Williams. As you can see, it was sent to the bank.

again it is identical to the Williams lease.

MR. NUTTER: That's the underlined or

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

A. Yes, sir. And then down through the

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

Q All right, let's gc Exhibit Seven.

A. Okay, Exhibit Seven is the letter whereby January 15th of this year we tried to get an amendment to the lease from the bank, and the amendment is attached to the letter.

All right, sir, and Exhibit Number Eight

A And then Exhibit Number Eight is the
reply from the bank some four months later where they wanted
a bonus, or some payment to execute the agreement, and their

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

amended amendment attached to the letter there.

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

This is a note from your file in your

1		10
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
•	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
1	from the bank on t	his. I also inquired in my letter as to
2	the information as	to where I might be able to locate the
3	Williams and again	they have not given us any information on
4	that.	
5	Q.	All right, sir, no reply to the August
16	letter?	
7	A	None.
8	Ø.	In fact, the last conversation you had
9	with anyone with r	egards to this subject is back in July.
20	A.	Well, I did talk to them over the phone
21	on this and they s	aid that they would talk to Mr. Weinmann
22	and hold and ha	ve a meeting and see if it would be approved.
13		And then they came back and said that
4	they would probabl	y circulate the lease and get it back to
25	us if they did app	rove, and that's pretty much where it's been

1	11
2	since that day.
3	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
fo	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.

will be admitted in evidence,

MR. NUTTER: Exhibits One through Twelve

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BY MR. NUTTER:

Q. Mr. Shackleford, 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.

CROSS EXAMINATION

Were there uncommitted working interests at that time?

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

> Uh-huh, so this tabulation on --MR. KELLAHIN: Exhibit Twelve?

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

Yes, sir, the outstanding interests --But the outstanding interest at the bottom, those were the poolees in the original hearing.

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

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

> Yes, sir. A.

you, Tom, but here on the application, paragraph three, appli-

1	16
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 percentage
7	are in error. That is an acreage number.
8	MR. NUTTER: Yeah.
•	MR. KELLAHIN: And as Mr. Shackleford
10	MR. NUTTER: They've each got a they'
11	each got a third of 80.
12	A Yes, sir.
13	MR. NUTTER: That's what they've got.
L4	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	

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DAN KERNAGHAN

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

DIRECT EXAMINATION

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Q

have you not?

A.

Q.

BY MR. KELLAHIN:

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A My name is Dan Kernaghan. I'm employed

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by Anadarko Production Company as Division Operations Manager in Midland.

13

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Q You are a petroleum engineer by profes-

Mr. Kernaghan, for the record would you

Petroleum engineer, graduate from Colo-

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sion?

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Q Yes, sir, and you've testified as a

petroleum engineer before the Division on numerous occasions,

Yes, sir, I have.

rado School of Mines, with 25 years experience.

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

MR. NUTTER: Mr. Kernaghan is qualified.

Mr. Kernaghan, let me direct your at-

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

A. Yes.

Do you have an opinion at this time, Mr.

Kernaghan, as to whether a penalty factor of some percentage
is appropriate and ought to be entered against the non-consenting working interest in this case?

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

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

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

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

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

1	1	19
2	2 tion.	
3	3 Q All right,	sir, it confirms the risk in
4	4 the first order, doesn't it, Mr	. Kernaghan?
5	5 A Yes.	
6	6 Q Do you have	a percentage recommendation
7	to Mr. Nutter with regards to the	ne penalty?
8	8 A. Oh, I think	the 200 percent that we had
9	the first time is certainly as	reasonable as it was the firs
10	10 time.	
11	11 Q In your op	inion, Mr. Kernaghan, will
12	12 yes, sir, go ahead.	
13	13 A I think the	at the 200 percent is is in
14	my opinion, fair and equitable.	
15	15 Q All right.	Do you have in your
16	opinion will approval of this a	pplication, as requested, be
17	in the best interests of conservations	vation, the prevention of
18	waste, and the protection of co	rrelative rights?
19	19 A. Yes, it wi	ll be.
20	Q All right,	sir.
21	21 MR. KELLAH	IN: If the Examiner please,
22	we'd like to have the Examiner	take under administrative
23	notice the transcript and exhib	its with regards to the case
24	24 from which the first order was	entered, and it is Case Numbe

7004.

1		. 20
2		MR. NUTTER: We will incorporate the
3	record in Case Num	ber 7004 in this case.
4	·	MR. KELLAHIN: That concludes my examin-
5	ation of Mr. Kerna	ghan.
6		
7		CROSS EXAMINATION
8	BY MR. NUTTER:	
•	Q	Mr. Kernaghan, you don't expect the bank
10	to put up its shar	e 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 wil	ling to accept a lease also from them.
24	Q.	When was the well completed, Mr. Kerna-
25	ahan2	

ghan?

1		22
2	A.	Yes, there are.
3	Ø.	So the pipeline didn't have to go too
4	far; they just were	en't interested.
5	λ	We had a pipeline on the proration unit.
6		MR. NUTTER: Are there any other question
7	of Mr. Kernaghan?	
8		MR. KELLAHIN: No, sir.
\$		MR. NUTTER: He may be excused.
10		Do you have anything further, Mr. Kella-
11	hin?	
12	÷	MR. KELLAHIN: No, sir.
13		MR. NUTTER: Does anyone have anything
14	they wish to offer	in case 7367?
15		We'll take the case under advisement.
16		·
17		(Hearing concluded.)
18		
19		
20		
21		
22		
23		
24		
25		

CERTIFICATE

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.

SacryW. Boyd CSR

, Examiner 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.

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.

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 "JN" 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.

- 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. Antwell 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 AW 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, NRPM. Said pool would comprise:

> TOWNSHIP 21 SOUTH, RANGE 36 EAST, WHEN 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, RMPM 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

(1) CONTRACT the East Weir-Blinebry 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) EXTERD 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, PANGE 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 Blinebry Oil and Gas Pool in Lea County, New Mexico, to include therein:

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

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

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NNPM 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 Kemnitz-Morrow Gas Pool in Lea County, New Mexico, to include therein:

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

(dd) EXTERS 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, MRPM Section 5: S/2 Section 8: N/2

Section 9: W/2

(ff) EXTERD 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, NHPH

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

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

TOWNSHIP 18 SOUTH, PANCE 32 EAST, NWDM

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

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

TOMMSHIP 23 SOUTH, RANGE 31 EAST, NMPM Section 32: M/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, MMPM Section 14: S/2

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

TOWNSHIP 22 SOUTH, RANGE 35 EAST, NNPM 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) EXTERD the Tomahawk-San Andres Pool in Chaves County, New Mexico, to include therein:

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

(um) 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, NM?M 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

1 1 STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT 3 OIL CONSERVATION DIVISION STATE LAND OFFICE BLDG. SANTA FE, NEW MEXICO 7 October 1981 EXAMINER HEARING 7 IN THE MATTER OF: Application of Anadarko Production Company for compulsory pooling, CASE Eddy County, New Mexico. 7367 11 12 13 BEFORE: Daniel S. Nutter 14 15 TRANSCRIPT OF HEARING 16 17 APPEARANCES 18 W. Perry Pearce, Esq. For the Oil Conservation 19 Legal Counsel to the Division Division: State Land Office Bldg. 20 Santa Fe, New Mexico 87501 21 22 W. Thomas Kellahin, Esq. For the Applicant: 23

KELLAHIN & KELLAHIN 500 Don Gaspar Santa Fe, New Mexico 87501

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1		2
2	INDEX	
3		
4	BILL SHACKLEFORD	
5	Direct Examination by Mr. Kellahin	3
6	Cross Examination by Mr. Nutter	13
7		
8	DAN KERNAGHAN	
9	Direct Examination by Mr. Kellahin	17
10	Cross Examination by Mr. Nutter	20
11		
12		
13	EXHIBITS	
14		
15	Applicant Exhibit One, Plat	4
16	Applicant Exhibit Two, Order	5
17	Applicant Exhibit Three, AFE	7
18	Applicant Exhibit Four, History	7
19	Applicant Exhibit Five, Lease	7
20	Applicant Exhibit Six, Lease	. 8
21	Applicant Exhibit Seven, Letter	9
22	Applicant Exhibit Eight, Reply	9
23	Applicant Exhibit Nine, Note	9
24	Applicant Exhibit Ten, Letter	10
25	Applicant Exhibit Eleven, Letter	11

Applicant Exhibit Twelve, Pages

	A.	I	obtained	a	Business	deg	ree	from	the
University	of	Oklahoma,	majoring	ј i	n petrole	eum	land	mana	gement
in 1975.									

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

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.

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

A. Yes.

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

MR. NUTTER: Mr. Shackleford is qualified.

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.

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.

Q You're seeking to pool what formations?

A. Okay, it's the Wolfcamp and Pennsylvanian

2 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.

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

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

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

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

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

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

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

Would you identify for the Examiner the

location of this well within the proration unit?

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

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

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

Do I need to explain the dry hole?

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

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

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

Q All right, and Exhibit Number Five.

A. Okay, Exhibit Five is the lease from the

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

1		8
2	address is under the	under the lessors names and is identi-
3	cal to the lease obta	ined from the bank.
4	Q.	Now this is the lease that doesn't have
5	the shut-in gas provi	sion, 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
•	A.	Right, that was our
10	۵	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 loca	ate any other address for the Williams
15	other than through th	nis First National Bank?
16	A.	No, and they haven't been provided that
17	information, either.	
18	Q	They have not?
19	Α.	They have not.
20	Q	All right, sir. Let's go to Exhibit
21	Six. Tell me what t	hat is?
22	A.	Okay, that's a lease from the bank; again
23	the shut-in provisio	n has been stricken from the lease, and
24	again it is identica	l to the Williams lease.
25		MR. NUTTER: That's the underlined or

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the scratched out portion in paragraph three, isn't it? Yes, sir. And then down through the A.

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

All right, let's go Exhibit Seven.

Okay, Exhibit Seven is the letter whereby January 15th of this year we tried to get an amendment to the lease from the bank, and the amendment is attached to the letter.

All right, sir, and Exhibit Number Eight?

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

All right, and after Exhibit Eight, then Exhibit Nine.

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

This is a note from your file in your

1		10
2	handwriting	
3	A.	Yes.
4	Q	a telephone conversation you had with
5	the bank?	
6	A.	Yes, that's true.
7	a	All right, Exhibit Number Ten.
8	A.	Okay, that's a letter dated August 31st
9	of this year. The ba	nk asked us to send the information on
10	the lease to them, wh	ich 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 th	ey 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 rega	erds 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 o	circulate the lease and get it back to
25	us if they did approv	ve, and that's pretty much where it's been

11 1 2 since that day. All right, sir, and Exhibit Number Q. 3 Eleven. Okay, this is our letter to the bank 5 telling them about this hearing. All right, it indicates that at the time 7 the application was filed, the bank and the Williams also received a copy of the application and an indication of the date of the hearing. That's right. 11 All right, sir, let's go to Exhibit 12 13 Number Twelve and have you tell me about that, please. 14 Okay, Exhibit Number Twelve are some 15 pages taken from our operating agreement under which this well was drilled. The second page sets out the interest, who 16 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 That's correct, they were leased. 23 MR. NUTTER: So that's not listed here 24 as working interest owners. 25 No, sir.

	12
1	MR. NUTTER: Okay. At that time what did the working interest owners commit their interests to with regards to overhead charges? Okay, that's there on page three, which
6 7 8 9	A Okay, that solve is also page three to the COPAS, and drilling well rate was \$3000 and producing well rate was \$330. All right, are those charges consistent with the charges adopted and made a part of the compulsory
10 11 12 13	pooling in the first A yes, sir. A time around? All right. C shackelford, except for the
15 16 17 18	correspondence indicated in the file that's authored by someone other than yourself, is the information contained herein prepared by you or compiled under your direction and supervision?
19	Yes, sir, it was. MR. KELLAHIN: That concludes our exam-
	ination of Mr. Shackleford. We'd move the introduction of Exhibits We'd move the introduction of Exhibits One through Twelve.
	MR. NUTTER: Exhibits one so will be admitted in evidence.

CROSS EXAMINATION

BY MR. NUTTER:

Mr. Shackleford, 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.

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1		14					
2	Q.	In that 80-acre tract.					
3	P.	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	õ	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 t	ime around provided that after the effective					
22	date of the order a	nd within 90 days prior to commencing					
23	the well, you'd sub	mit an AFE to the poolees and then they					
24	would have thirty d	ays in which to respond and put up their					
25	share of the money	for drilling the well or to decide to					

15 take it out of production and be subject to the penalty. 1 Now how are you going to send them an AFE before you spud the 2 3 well? MR. KELLAHIN: What we'd like to propose, Mr. Nutter, is that the standard compulsory pooling order be 5 modified in such a way to take care of this particular instance. 6 It would require us to send them a copy of the order, a copy 7 8 of our latest estimate of the actual costs, which --MR. NUTTER: The actual costs, which 10 were an exhibit here. 11 MR. KELLAHIN: That's right, Exhibit Three, as I understand it, and give them a thirty day period 12 with appropriate notice that they can tender their check for 13 their share of the costs or in the event they do not, then 14 15 they would be subject to the penalty. And my second witness will talk to you 16 17 about whether or not that penalty is still applicable in 18 cases where we've actually completed the well. 19 MR. NUTTER: Okay, you're going to go 28 into that --21 MR. KELLAHIN: Yes, we will. 22

MR. NUTTER: -- with your next witness.

Now, maybe I ought to direct this to

you, Tom, but here on the application, paragraph three, appli

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DAN KERNAGHAN

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

BY MR. KELLAHIN:

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

DIRECT EXAMINATION

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

You are a petroleum engineer by profession?

Petroleum engineer, graduate from Colorado School of Mines, with 25 years experience.

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

Yes, sir, I have.

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

MR. NUTTER: Mr. Kernaghan is qualified.

Mr. Kernaghan, let me direct your at-

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

A Yes.

Do you have an opinion at this time, Mr.

Kernaghan, as to whether a penalty factor of some percentage
is appropriate and ought to be entered against the non-consenting working interest in this case?

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

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

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

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

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

19 2 tion. All right, sir, it confirms the risk in the first order, doesn't it, Mr. Kernaghan? Yes. Do you have a percentage recommendation to Mr. Nutter with regards to the penalty? Oh, I think the 200 percent that we had the first time is certainly as reasonable as it was the first time. In your opinion, Mr. Kernaghan, will --11 12 yes, sir, go ahead. I think that the 200 percent is -- is in 13 14 my opinion, fair and equitable. All right. Do you have -- in your 15 16 opinion will approval of this application, as requested, be in the best interests of conservation, the prevention of 17 18 waste, and the protection of correlative rights? 19 Yes, it will be. 20 All right, sir. Q. MR. KELLAHIN: If the Examiner please, 21 22 we'd like to have the Examiner take under administrative 23

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.

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2 MR. NUTTER: We will incorporate the 3 record in Case Number 7004 in this case. MR. KELLAHIN: That concludes my examination of Mr. Kernaghan. CROSS EXAMINATION BY MR. NUTTER: 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 No, sir, I don't. No. 13 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 No, sir. 19 But they will be paid royalty. 20 Yes, they will. 21 They will participate in the royalty. 22 If the bank tendered us a lease, I 23 think we'd be willing to accept a lease also from them. 24 When was the well completed, Mr. Kerna-Q. 25 ghan?

		21
1		About April.
_ \		About April. And how long was it before it was con-
2		and how long was It
1		Line in the contract of the co
3		d? It was connected the first part of Sep-
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	1	the length of time I
	1 to	The poor quality do with the length of time it took to connect it. And when did those leases with Williams
		And When
9	1	ì
	1	d the bank expire? As I remember, it was in July.
10	and	a the bar
	1	A. A.
11	1	t's it's shown on the exhibits.
	_	his it's shown on the earn
1	2 I	MR. SHACKLEFORD. June 29th.
_	. \	
]	13	Okay ·
	14	A cosh?
	177	June 29th?
	15	MR. SHACKLEFORD: Yeah.
	16	g so the leases expired in grant the time the well was completed until it was connected. That is correct.
		So the
	17	11 was completed until
	1	the time the Well Was
	18	from the time that is correct.
	\	A outstanding
	19	Had the Well Book
	20	Had the well been and Had the leases expired. That is what we
	20	in all probability among that is what we
	21	we could have in an anges expired.
		the time that the 1933-
	22	we could have in all probability have gotten prior to the time that the leases expired. That is what we
		prior to the standard anticipated. There are other wells in the near vici-
	23	anticipated.
		Q.
	24	
		: 177
	25	nity.

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1			
2		A.	Yes, there are.
3		Ď.	So the pipeline didn't have to go too
. 4	far; the	ey just were	n't interested.
5		A.	We had a pipeline on the proration unit.
6		e.	MR. NUTTER: Are there any other questions
7	of Mr.	Kernaghan?	
•			MR. KELLAHIN: No, sir.
•			MR. NUTTER: He may be excused.
10			Do you have anything further, Mr. Kella-
11			
12	2		MR. KELLAHIN: No, sir.
1			MR. NUTTER: Does anyone have anything
1	4 they V	wish to offe	r in case 7367?
1	15		We'll take the case under advisement.
1	16		
1	17		(Hearing concluded.)
•	18		
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CERTIFICATE

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

Sacry W. Boyd CSE

I do hereby certify that the foregoing is a complete revers of the proceedings in the Examiner hearing of Case o. 7367 heard by me on 10/7 1981.

Examiner Oil Conservation Division

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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

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BEFORE EXAMINER NUTTER
OIL CONSERVATION DIVISION
EXHIBIT NO. X
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 lowner 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

Case No. /UU4 Order No. R-6479 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 JÖE D. RAMEY Director SEAL dr/

120 1/81	Production Compar	Supplemen	t #1
	21 AFE NO. (4)	LOCATION NO. (7)	DATE-MO/DAY/YRIGI 7/22/81
WORK DES. (12) WELL LOCATION NAME , D, C, & E , APC Glass	(20) WELL NO.(5) F	ELD/PROSPECT (25) Lakewood	STATE (5) ST.CD(2)
EXPLAIN PROJECT Drill, complete & ed	uip Morrow Develo	pment Well	
0/S OPER. AFE # SEC TWN RANGE - D			
FIELD CD.(3) PROJ.CD.(4) PROSP.CD.(3, 000 016		7/B(3) G/L(3) 139230	
OWNER NAME(24) OPER Anadarko Production Company	WORKING INT (1.6) OWN	ER NAME (24)	WORKING INT. (1.6)
Others (See attached sheet)	0.409017		
	COME	ANY REVENUE INTERES	0.482976
TYPE: PROJECT DONSTRUCTION CARRIED	T SUBJECT TO: C	PREPARED BY B	. W. Griffin
DEXPLORATION DLHP DET P. DEVELOPMENT DECOPHYSICAL DRIGHT	ROFITS INTEREST	FOR DRILLING	G WELLS
RECOMPLETION FARMIT	ŧ [`]	EST. SPUD	1
☐PLUGB ABANDON ☐ DHC or ☐ SALE ☐	BHC	DATE 12/17/80 TYPE WELL (OIL,GAS,E	
EXPLAIN:		DRILLING OBLG. DATE EST. DAYS TO DRILL	
ACRES (Spacing Unit) ,LSE EXP. D	ATE	EST. DAYS TO COMPLET	E5
LSE. NOS. IN UNIT		RETIREM	ENT COST
TOTAL JT. OWNERS		TOTAL	IT. OWNERS CO. NET
INTANGIBLE \$ 449,100 \$ 183,700 \$ TANGIBLE 26,300 10,800	15,500 SALVAGE	MOVAL \$ \$ _ /REC	*
TOTAL \$ 475,400 \$ 194,500 \$	280,900 NET C	OST CEIVEDIS\$	\$
HOLE CONT.(\$) (\$)(\$		*	
TOTAL \$ 475,400 \$ 194,500	280,900		•
DRILLING COMPLETION COST TOTAL JT. OWNERS	CO. NET		OTHER PROJECTS COST JT. OWNERS CC. NET
INTANGIBLE \$ 115.700 \$ 47.300 \$ TANGIBLE 168,400 68,900	6° 400 <u> </u>	\$\$_	<u> </u>
	7		
TOTAL \$ 284,100 \$ 116,200	167,900	TAL \$\$ _	J
TOTAL COST \$ 759,500 \$ 310,700 See attached letter for ex		lemental expenditu	res.
REMARKS: Subject to negotiation and	completion of jo	int operations Ori	ginal AFE \$390,500
contract and/or farmin arrangements. acre gas pooled unit.		Tot	al AFE \$448,800
APPROVAL LEVEL Sen'i Office	APPROVALS COMMITS		
REGO! MENDED: 11 Change	DATE DAUTHO	DRIZED PREJECTED _	DATE
125 Walis 1/ Bula	7/23/21		
?!\$?\$\\ -\\ -\\ -\\ -\\ -\\ -\\ -\\ -\\ -\\	COMP	NON-OPERATORS ANY	DATE
APPROVALS:	· •		
	TITL	Ε	
PROJECT ECONOMIC ASSUMPTIONS		RISKED ECONO	MIC YARDSTICKS (AFIT
CHANCE OF SUCCESS; EXPL % DEVEL		DCF RATE OF RET	URN%
	PROSPECT	UNDISCOUNTED	
RESERVES - Gross Ri Gross	Ri		YRS.
OIL, MMbl.	J		
BUDGET STATUS! ON BUDGET ONEW P		ARKS:	
APC INVESTMENT-UNRISKED \$ RISKE			
ACREAGE COST (INCLUDING 6 8 6)			

		Production	n Company .		
	CO. (2) DIV.	7. (2) AFE. NO. (4 48 4200	LOCATION N	0. (7)	DATE - MO. / DAY/YR. 16) 7/22/81
ىف.	C. & E APC Glass AIN PROJECT Drill, complete & e		Lakewood	T (25)	STATE (5) ST. CO.(2
	PER. AFE # SEC TWN RANGE - DES.		VEINTAIN III III III	COUNTY (13) Eddy	CO. CD. (3) 015
	D CD. (3) PROJ. CD. (4) PROSP. CD. (10) 016	(3) BUDGET (4) 310	T/B (3) 139	G/L (3) 230	AMOUNT AUTHORIZED (9) \$448,800
OPER	OWNER NAME (24) Anadarko Production Company	0.590983	OWNER NAME (24)		WORKING INT. (I.6)
	Others (See attached sheet)	0.409017			
			COMPANY REVENUE	INTEREST	

		TOTALS				
CODE	INTANGIBLE DRILLING COSTS	DRY HOLE	COMPLETION	N COMPLETE		
2010	ROAD AND LOCATION	\$. 23300	\$	\$, 2930		
2020	CONTRACT RIG COSTS	, 295000		. 29500		
2030	MUD AND CHEMICALS	17,500		17,50		
2040	CEMENT AND CEMENTING	, 9300				
2050	FORMATION EVALUATION	. 31.300		. 31.30		
2080	COMPLETION					
2070	OTHER TOOLS AND RENTALS					
			4400			
2080	TRANSPORTATION, TRUCKING, AND HAULING	8200				
2090	COMPANY SUPERVISION	3000				
2100	MISCELLANEOUS INTANGIBLES	5000				
2150			1 0000			
2200	ADMINISTRATIVE OVERHEAD					
5600	IDC - NON OPERATED	\$ 449100	\$.115700	\$ 56490		
_	TOTAL INTANGIBLE DRILLING COSTS	V 443100	A 117300	y		
2900	SPECIAL CREDITS - DRY AND BOTTOM HOLE	, ,	,	e e		
	CONTRIBUTIONS-RECIEVABLE	\$ 440100	\$.115700	\$ 56400		
	TOTAL NET INTANGIBLE DRILLING COSTS	9 A45100	4 117000	3 . 20401		
	LEASE AND WELL EQUIPMENT					
		1				
	WELL CASING	0700		076		
	400 FT., 13-3/8 O.D., 48# H-40 ST&C 1200 FT., 8-5/8 O.D., 24# K-55 ST&C	9700		970		
	1200 FT., 8-5/8 O.D., 241 K-55 51&C	11600	((000	1160		
	9500 FT., 4-1/2 O.D., 11.6# K-55 & N-80		. 66000	6600		
	FT.,0.0.,	, 21300	66000	0726		
3010	TOTAL WELL CASING	, 21300	. 66000	87.30		
	WELL TUBING	!	22022	2000		
	9500 FT., 2-3/8 O.D., 4.7# N-80 EUE		, 33,800	3380		
	F T., O.D.,					
!	FT.,0.0.,					
3020	TOTAL WELL TUBING		33800	3380		
3070	OTHER CONTROLLABLE SUBSURFACE WELL EQUIPMENT					
3080	NON-CONTROLLABLE SUBSURFACE WELL EQUIPMENT		4500			
3110	WELLHEAD EQUIPMENT.		, 28800	, 3380		
3120	PUMPING EQUIPMENT					
3170	OTHER CONTROLLABLE SURFACE WELL EQUIPMENT					
3180	NON-CONTROLLABLE SURFACE WELL EQUIPMENT	3 1				
3190	INSTALLATION COSTS - SURFACE EQUIPMENT	h	300	30		
3210	l	1				
,,,,	TREATING AND SALES EQUIPMENT		30000	3000		
3220	COMPRESSOR STATIONS					
3230	ELECTRICAL SYSTEMS AND TRANSMISSION LINES					
3240	BUILDINGS					
3240 3250	LEASE LINES					
32.70 32.70	OTHER CONTROLLABLE SURFACE LEASE EQUIPMENT					
	NON- CONTROLLABLE SURFACE LEASE EQUIPMENT	1	, .			
3280	INSTALLATION COSTS-SURFACE LEASE EQUIPMENT	4	5000	500		
3290						
3400	DRILLING AND/OR PRODUCTION PLATFORMS					
3800	LAW-NON OPERATED	26200	\$ 169700	6 10/30		
	TOTAL LEASE AND WELL EQUIPMENT	\$ 26300	\$,168400	3 174/		
		6 475400	£ 20/100	F 25050		
	TOTAL AFE COST ESTIMATE	3 472800	\$,284100	13 1333C		



The First National Bank and Trust Company of Oklahoma City

(17.1 - 6 Starriso

CAPITAL STRUCTURE OVER ONE NUMBER MILLION BOLLARS 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

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION EXHIBIT NO. 4

CASE NO.



120 NORTH ROBINSON AVENUE . P. O. COX 25189

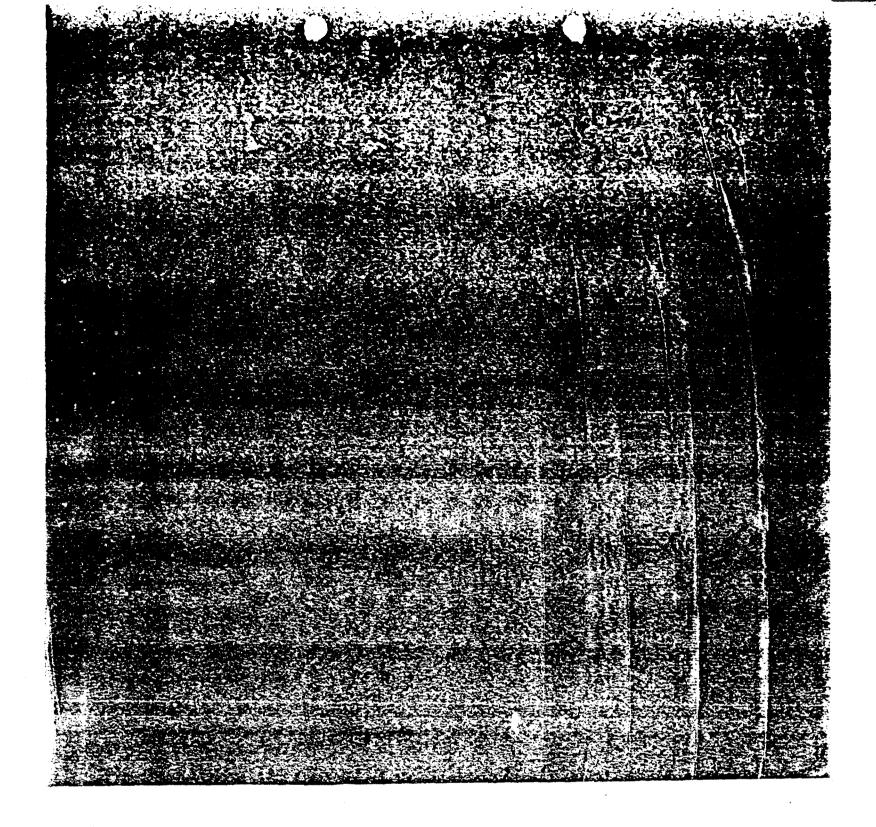
OKLAHOMA CITY, OKLAHOMA 73125 • 405-272-4000

OIL & GAS LEASE

Robert K. Williams & W. Gayle Williams c/o Fisrt National Bank & Trust, Trust Department
clo Fiert National Bank & Truet Truet Department
Old type nactainet haus tradel stage mehatement
P. O. Box 25189, Oklahoma City, Okla. of (Post Office Address)
rein called lessor (whether one or more) and ANADARKO PRODUCTION COMPANY, HOUSTON, TEXAS
rein called lessor (whether one or more) and ANDARRO I ROBOUT TON CONTAIN; INSUSTING ADARD , lesser 1. Lessor, in consideration of TEN AND OTHER DOLLARS in the agreements of the lessee herein contained, hereby grants, lesses and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting illing, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface atrata, laying pipe lines, atoring oil, building also, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the
Howing discribed 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 is comprise 558.85 acres, whether it actually supplies more or less.
2. Subject to the other provisions herein contained, this lense shall remain in force for a term of (3) years from this date (called "primary term"), and long thereafter as oil or gas, is produced from said land or land with which said land is pooled. 3. The reputities 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 me so be delivered at the wells or to the credit of lessor is the pipe line to which the wells may be connected: (b) on gas, including casinghead gas and all gas us substances, produced from said land and sold or used off the premises or in the manufacture of gasaline or other product therefrom, the market value at a 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 the said and the said and the said and the said land, or land sold and the said and the said and the said land, or land sold land are said and the said land, or land sold limit to at here of a gas and/or condensate well on said land, or land sold and the said in about its actions. Thereforem, these on or before 80 days results that you made you descale is not being so dealy and sold and the said in about its actions. Thereforem, then on or before 80 days
to add not in the day and thoughter at annual internals, beam may pay or lender an advance assume shut in revety, again to the amount of dainy mentals
adered this leave that not terminate and it will be considered under all clauses hereof that use is being produced from the leaved premiers in prying quantified in the produced to the party or parties which would be produced to the party or parties which would be produced to the party or parties in the depository basic and in the manage
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
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
all 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, inually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment
tender may be made to the lessor or to the credit of the lessor in the First National Bank & Trust Bank
Oklahoma City, Oklahoma , which bank, or any successor thereof, shall
intinue 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, 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 strument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender 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
te. Any simily payment or tender of restal or shut-in-royalty-which is made in a hous fide attempt to make propose payment, but which is extensions in hele or in part as to parties, mounts or depositories shall nevertheless be sufficient to prevent termination of this lesse is the same manner as though or in part as to parties mounts or depositories shall never be unficient to prevent termination of this lesse is the same manner as though or payment had been made, provided, however, leaves shall never be accessed by the parties of the parties of the parties of the payment had been made, provided, however, leaves shall never the access within thirty (10) days after leaves has received within notice thereof by
solding mail from becaus together with such instruments as are necessary to enable lesses to make proper payment. 8. Lesses is hereby granted the right and power, from time to time, to pool or combine this lesse, the land covered by it or any part or horizon thereof
ith 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 pro- tion 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 Subgrange of 18%. Leases shall file written unit designations in the county in which the premises are located and such units may be designated from time to
me 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 pur- ne, 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 wered 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
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 it. 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 one 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.
one the portion of and isne covered never methods in said unit the same instrument of the country where the land is sit- need at any time after the completion of a dry hole or the constition of production on said unit.
S. If prior to the discovery of oil or gas hereunder, leases should drill and abandon a dry hole or holes bereunder, or if after discovery of oil or gas the oduction thereof should cease for any cause, this lease shall not terminate if lesses commences reworking or additional drilling operations within 60 days executes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences.
erations 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 y hole or holes or the cossation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations
e 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 meseutive 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 its 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
ith due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long ereafter 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 and all be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lesse to remove all property and attures 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
nds 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 con- nt. 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 ereon, but of any complie gas not needed for operations hereunder.
2. The rights of either party hereunder may be assigned in whole or in part and the provisions bereaf shall extend to the heirs, executors, administrators, excessors 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, hunches
complished 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 pur- se until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies ereof 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
nder any rentals, toy this or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with idence satisfactory to lessee as to the pursons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the
ntals payable herrunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental ymen, by one shall not affect the rights of other lensehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such signment, 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
the proportionate part of the rentals due from such lessee or assignce or fail to comply with any other provision of the lease, such default shall not affect this use in so far as it covers a part of said lands upon which lessee or any assignce thereof, shall so comply or make such payments. Pentals as used in this regards shall also include that in regards.
2. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations here ider, or from producing oil or gas hereunder by reason of expetye or inability to obtain or use equipment or material or by operation of force majeure, or
any Federal of state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee all not be liable for failure to comply therewith; and this lesse shall be extended while and so long as lessee is prevented by any such cause from conducting illing or remorking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, ything in this lesse to the contrary notwithstanding.
10. Lessor hereby material agrees to defend the title to wid land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other in upon said land, and in the event lessee does so, it shall be subjugated to such lien with the right to enforce same and apply rentals and royalties according reunder toward satisfying same. Without impairment of lessee's rights under the materially, it this lesse covers a less interest in the oil or gas in all or any
rt of said land than the entire and undivided for simple relate (whether lessor's interest is herein specified or not) then the royalties, shut in royalty, rental, d other payments, if any, accruing from any part as to which this lesse covera less than such full interest, shall be paid only in the proportion which the lerest therein, if any, covered by this lesse, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as sora fail to execute this lesse, it shall revertheless be binding upon the party or parties executing the same.
11. Lessee, its/his auccessors, heirs and assigns, shall have the right at any time to surrender this lesse, in whole or in part, to lessor or his heirs, success, 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; treupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and unit noyalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.
withstanding any other terms to the contrary contained herein, the royalty on oil
I gas shall be three-sixteenths (3/16) and whenever the word one-eighth(1/8) pears in this lease, the same is amended to read three-sixteenths (3/16).
the same is amended to read faree-statecating (2) 10).
111.

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.



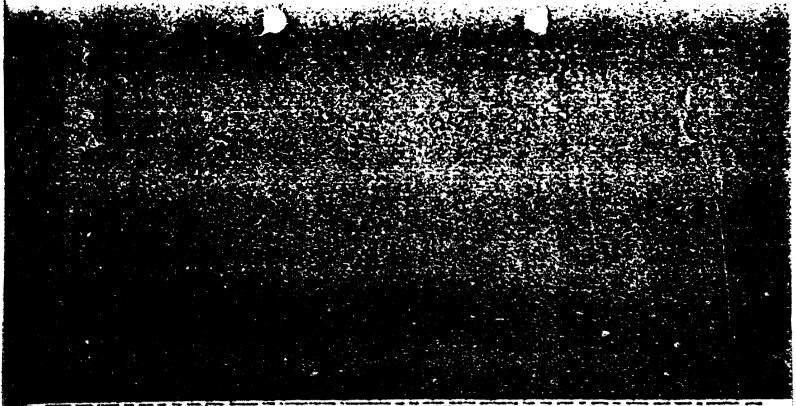
<u> </u>	
Executed the day and year first above written.	× Robert K. Williams X - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 -
	W. Gayle Williams 8/4/78

S CAC LEASE

OIL O GAS LEASE	
THIS AGREEMENT made this 29th day of June	19 78, 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	
John G. Weinmann Co-Trustees of the Virginia Eason Weinman	_
Oklahoma City, Oklahoma 73125	(Post Office Address)
herein called lessor (whether one or more) and ANADARKO PRODUCTION COMPANY,	HOUSTON, TEXAS
2. Lesser, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here of the agreements of the lessee herein contained, hereby grants, lesses and lets exclusively unto lessee for drilling, and operating for and producing oil and gran injecting gas, waters, other fluids, and air into su tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of,	r the purpose of investigating, exploring, prospecting, absurface strata, laving mine lines, storing all, building
following discribed land in County, New Mexico, to-wit:	
Township-19-South, Range-25-East, N.M. (Section 12: E/2NE/4	.P.H.
Township-19-South, Range-26-East, N.M.	
Section 7: Lot. 1 (39.34), 2 (39.51), E/2 Section 8: W/2SW/4	NW/4, NE/4 & E/2SE/4
For the purpose of calculating the rental payments hereinafter provided for said land is estimated to	558.85 SANGE
for the purpose of extrasting the restal payments hereinatter provided for and said said settinated to comprise more or less. 2. Subject to the other provisions herein contained, this leave shall remain in force for a term of (countries acres, whether it accounty
as long thereafter as oil or gar, 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 we same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be conne	il. 3/16 of that produced and saved from said land.
some substances, produced from said land and sold or used off the premises or in the manufacture of gaso the mouth of the well of 3/1 Dof the gas no sold or used, provided that on gas sold at the wells the	dine or other product therefores the survivat walnut at
such sale; (a) and at any time where this frame is not collidated by other particles because the cut and there is a share that the particle and one condensate is not being no tall or und one well in that imposition of the form of the particle and the particle a	- after production the time of sever then on the before the January
promised for in this less for the arrange than held under this hear by the party making such payment to	render, and the long as said shutely royally is paid as 704
Each such payment shall be paid or tendered to the party or parties also shall time or such payment we paid under this lease if the well were in fact producing, a be paid or tandered to the military such parties.	Will be writted to seeing the south in the little will be
A. If operations for drilling are not commenced on said land or on land pooled therewith on or before	÷
as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lesson	r a rental of \$ 186.28 which
shall cover the privilege of deferring commencement of such operations for a period of twelve (12) month annually, the commencement of said operations may be further deferred for successive periods of twelve	Or 10 list mender and anon list balandin of resident.
or tender may be made to the lesser or to the credit of the lessor in the First National	Bank & Trust Bank
at Oklahoma City, Oklahoma continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail limidate or he successor thereof, shall
or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (36 instrument making provision for another acceptable method of payment or tender, and any depository cha) days after lessor shall deliver to lessee a recordable are 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 less date. Any timely payment or tender of rental or abut in rayalty which is made in a bone file attempt whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termin	to make proper payment, but which is erroncous in-
proper payment had been made; provided, however leases that correct such error within thirty (20) de certified mail from lessor together with such instruments as are necessary to enable leases to make proper	yp-after leases has received written notice thereof by
6. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, t with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Unit	ts moded hereunder shall not exceed the standard non-
ration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority a colorance of 10%. Letter aball sile written units sense and efficient about the commission of the colorance are time and either before or after the commission will be presented to the colorance of the colora	for the poor of area in which said land is situated, plus located and such units suspend designated from things? part of any such unit shall be considered for all nur-
poses, except the payment of royalry, as operations conducted upon or production from the land describe covered by this lesse included in any such unit that portion of the total production of pooled minerals fro	ed in this lease. There shall be allocated to the land on 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. The production so allocated shall be considered for all purposes, including the payment or delivery of from the portion of said land covered hereby and included in said unit in the same manner as though productions.	royalty, to be the entire production of pooled minerals
Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appro- uated at any time after the completion of a dry hole or the constitution of production on said unit.	priate instrument in the County where the land is sit-
6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or he production thereof should cease for any cause, this lesse shall not terminate if lesse commences rework thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resure.	king or additional drilling operations within 60 days
dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not	n of three months from date of abandonment of said
for drilling or reworking of any well, this lease shall remain in force so long as such operations are dili- consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or jur-	igently prosecuted with no cessation of more than 60 mks 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 with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in produc thereafter as oil or gas is produced hereunder.	Resee may commence another well and drill the same tion, then this lease shall remain in full force so long
7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells shall be computed after deducting any so used. Lessee shall have the right at any time during or after to lixtures placed by lessee on said land, including the right to draw and remove all casing. When required	he expiration of this lease to remove all property and

shall be computed after educting and the desired of the second and activated. Lessee that he spire at an extraction of the periods hereinder, and the right at an extraction of the periods have the remove all property and firstly be computed after education of the lease to the periods and activated. Lessee that he have the right at an extraction of the periods and activated and activate the privilege, at his risk and expense, of using agas from any gas well on said land for atoves and inside lights in the principal dwelling thereon, out of any susplus gas not needed for operations becomed.

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 sessions; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, regalties 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 class of the certified the decision of the extent of the department of 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 part or parts hereof shall be apportioned as between the aeveral leasehold owners nationally 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 of part or parts hereof shall be apprenticed. In the payments, and the payments, and



8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heira, executors, administrators, occasions 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 complished 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 purse until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies recof 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 order 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 riddence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lesses as to a segregated portion of said land, the intals payable hereunder shall be apportioned as between the several lessehold owners ratably according to the surface area of each, and default in rental syment by one shall not affect the rights of other lessehold owners hereunder. An assignment of this lesse, in whole or in part, shall, to the extent of such signment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignment of this lesse, in whole or in part, shall, to the extent of such signment, relieve and discharge lessee of any obligations hereunder, and if lessee or assignment of this lesse, in whole or in part, shall, to the extent of such segment, relieve and discharge lessee of any obligations hereunder, and if lessee or assignment of the payment hereof shall fail or make default in the payment. The proportionate part of the rentals due from such lessee or any assignment of shall as comply or make such payments. Entits weapont shall als

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations here noder, or from producing oil or gas hereunder by reason of scarcity or inshifty 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 wearents and against a labout the title 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 wearents, 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 lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his 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.

11. Lessee, its/his successors, he shall nevertherees be binding upon the party or patties executing the same.

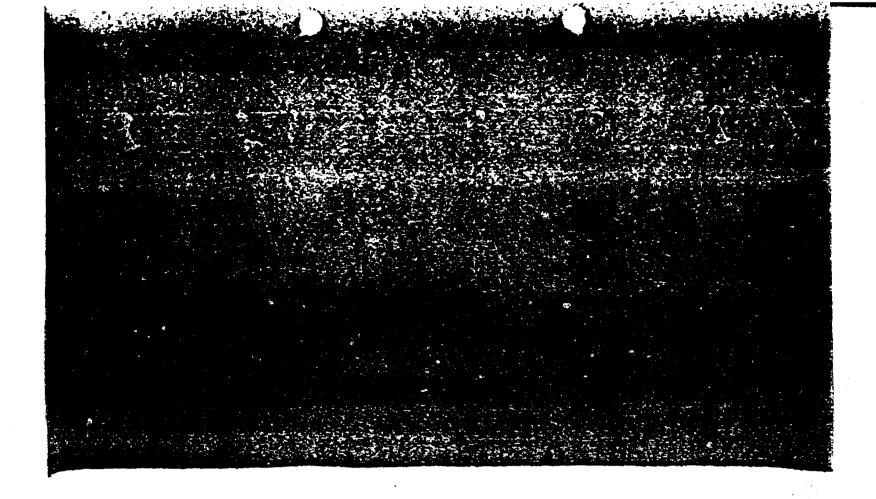
12. Lessee, its/his successors, he its and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expresse 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	The First National Bank and Trust Company of
	Oklahoma City, Trustee 8008741 - Sohlberg and
	8000238 ₇ - Weinmaxn
Executed the day and year first above written.	//////
ATTEST: (Sie fra Dutter)	By: K. M. W. Ky
Assistant Cashier	Vice President and Tryst Officer
X	* Thimman
	Virginia E Weinmann, Co-Trustee
X	John G. Weinmann, Co-Trustee
als instrument is executed by The First National Bank and Trust Company	
· Okidioma Oity and Congresco Co-Executor(s) Atrochasco on congress	•
at they shall have no liability in their individual capacity on any reament, warranty or indamnity herein contained.	

	1 19 90	Notary Public	us
-	,	AL ACKNOWLEDGMENT (New Mexico	·•
Commission expires		Notary Public	
		AL ACKNOWLEDGMENT (New Mexico	· ·
Commission expires		Notary Public	•
• •		JAL ACKNOWLEDGMENT (New Mexico	
Commission expires		Notary Public	
A. D., 19, att'clockm, and was duly recorded in Bookat Page of the Records of said County. County Clerk. ByDeputy.	Section, Township, Range, No. of Acres, County, New Mexico TermCounty, New Mexico STATE OF NEW MEXICO COUNTY OF I hereby certify that this instrument was filed for	FROM	OIL AND GAS LEASE NEW MEXICO
t Officer The First National Bank behalf of said corporation, as Tr	nowledged before me this	noma city, ANMIONO GINKIN	, 19 President
ATE OF	CORPORA	TION ACKNOWLEDGMENT (New Mexic	o Short Form)

(Arnaciamient

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 $2\frac{1}{2}$ 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

APanhandle 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 C)F 1	NEW MEXICO	}						
)	KNOWN	ALL	MEN	BY	THESE	PRESENTS
COUNTY	OF	EDDY)						

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.

	ou, or	, 1981.
attes t :		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
		ledged before me this day of ustee of the Virginia Eason Weinmann Living Tru
1981 by Virginia E. We	einmann, Co-Tru	ustee of the Virginia Eason Weinmann Living Tru
1981 by Virginia E. We My Commission Expires: STATE OF OKLAHOMA)	einmann, Co-Tru	Notary Public
My Commission Expires: STATE OF OKLAHOMA) COUNTY OF OKLAHOMA) The foregoing instrume	einmann, Co-Tru	Notary Public

STATE OF OKLAHOMA)				
COUNTY OF OKLAHOMA)	CORPORATION	acknowledg	MENT	
The foregoing insta	ument was acknowl	ledged before me			
1981 by		*	Presid	ent and Trust O	fficer
Co-Trustee of the \	'irginia Eason Wei	inmann Living Tr	ust.		
		Notary Public			



Trust Division

April 9th, 1981

CASE NO.

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

ATTN: Bill Shackelford

Anadarko Production Company

Dear Mr. Shackelford:

Midland, Texas 79702

P.O. Box 2497

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,

Told Wegenda 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.H.P.M.

Section 12: E/2 NE/4

Township 19 South, Range 26 East, K.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 0il & Gas Lease relating to shut-in gas royalty provisions and payment thereof; whereas Lessor desires to amend said 0il & 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 peoled 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, and as to the balance of the 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 lesse 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 _____ The First National Bank and Trust Company of Oklahoma City, Trustee 8000238 & 8008741 ATTEST: By: Vice President and Trust Officer STATE OF OKLAHOMA INDIVIDUAL ACKNOWLEDGEMENT 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 ACKNOWLEDGEMENT 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 ACKNOWLEDGEMENT)
1981 by Officer of The Firs National Banking Co	ument was acknowledged before me this day of President and Trust t National Bank and Trust Company of Oklahoma City, A rporation on behalf of said corporation, as Trustee U/W and Co-Trustee of the Virginia Eason Weinmann Living Trust.
	Notary Public
My Commission Expir	es:

7/23/51

Contacted Jack Stabbus W/

First Natil Bank OKC and applained

Situation He will check with Mr.

Whitenmann about lease for 147-9/10
41000 total Consideration on E/2 NEA

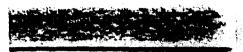
Sec. 12 only and adviso later. Will

also check on banks handling of

Robert K. & W. Gayle W. Hisms interests.

NES









BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 9

CASE NO. 7347



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

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 10

CASE NO.

フィノフ

A Panhandle Eastern Company

KELLAHIN and KELLAHIN Attorneys at Law 500 Don Gaspar Avenue Post Office Box 1769 Santa Fe, New Mexico 87501

lason Kellahin W. Thomas Kellahin Karen Aubrey

September 10, 1981

Telephone 982-4285 Area Code 505

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.

W. Thomas Kellahin

WTK:jm Enclosures

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

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OIL CONSERVATION DIVISION

EXHIBIT NO. //

7367 CASE NO.

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 GIVENSTRASHAVOR EDDY	STATE OF NEW MEXICO
•	BEFORE EXAMINER NUTTER OIL CONSERVATION DIVISION
	EXHIBIT NO. 12

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 KRAFIBILT PRODUCTS, BOX 800, TULSA 74101

INTERESTS OF PARTIES TO AGREEMENT

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

of every kind and nature assessed or levied upon or in connection with the Joint Property, the opera-

minums paid for insurance required to be carried for the Joint Operations for the protection of the Parin the event Joint Operations are conducted in a state in which Operator may act as self-insurer for WorkCompensation and/or Employers Liability under the respective state's laws, Operator may, at its election,
te 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

, ne

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.

HL 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] Λ 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 Werkers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly carnings 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.

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ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

IN THE HATTER 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

Order No. R-6479

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 towner 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.

-4-Case No. 7004 Order No. R-6479

- (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 perator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition

Case No. 7004
Order No. R-6479

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(10) That a considered a sever one-eighth (1/8) allocating costs

(11) That a paid out of producting interests charges shall be

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

SEAL

dr/

ADE 120 1/81	Production Compa	Supplement #1	
	(2) AFE NO. (4)	LOCATION NO. (7)	
WORK DES. (12) WELL LOCATION NAI	ME (20) WELL NO.(5) F	FIELD/PROSPECT (25) Lakewood	STATE (5) ST. CD.(2)
EXPLAIN PROJECT Drill, complete & O/S OPER. AFE # SEC TWN RANGE - 12 19S 25E) co. cp (3)
FIFTH CD (3) PROJECT (4) PROSP CD	(3) RUDGET (4)		AMOUNT AUTHORIZED(9)
OWNER NAME(24) OPER Anadarko Production Company	WORKING INT (1.6) OW	NER NAME (24)	
Others (See attached sheet)	0.409017		
	СОМ	PANY REVENUE INTEREST	0.482976
☑ DRILLING ☐ CONSTRUCTION ☐ CARE	ECT SUBJECT TO: RIED INTEREST PROFITS INTEREST	ORIGINATING OFFICE Mid PREPARED BY B. W.	land Division Griffin
MDEVELOPMENT ☐ GEOPHYSICAL ☐ RIGH	T TO CONVERT TO W.I.	FOR DRILLING WE	ELLS
PLUGBABANDON DHC		DATE 12/17/80 E TYPE WELL (OIL,GAS,EST)	
EXPLAIN:		DRILLING OBLG. DATE EST. DAYS TO DRILL 25	
ACRES (Spacing Unit) LSE EXP.	DATE	EST. DAYS TO COMPLETE	5
DRILLING - DRY HOLE COST		RETIREMENT	
TOTAL JT. OWNERS INTANGIBLE \$ 449,100 \$ 183,700	\$ <u>265.400</u> cost-R	EMOVAL\$\$	VNERS CO. NET
TANGIBLE 26,300 10,800 TOTAL \$ 475,400 \$ 194,500			
LESS DRY HOLE CONT.(\$) (\$)		ECEIVED1\$\$	\$
TOTAL \$ 475,400 \$ 194,500	\$ 280,900		
DRILLING COMPLETION COS TOTAL JT. OWNERS	CO. NET	EXPLORATION AND OTHE	R PROJECTS COST VNERS CO. NET
INTANGIBLE \$ 115,700 \$ 47,300 TANGIBLE 168,400 68,900		\$\$	\$
TOTAL \$ 284,100 \$ 116,200		OTAL \$\$	<u> </u>
TOTAL COST \$ 759,500 \$ 310,700		-1	
See attached letter for REMARKS: Subject to negotiation as	nd completion of jo	oint operations Origina	1 AFE \$390,500
contract and/or farmin arrangement: acre gas pooled unit.		Total A	
APPROVAL LEVEL! Sen'l Office	APPROVALS COMMIT	TEE ACTION	
REGOMMENDED:		ORIZED REJECTED	DATE
155 Unfix 1/2/2	7/23/8/	NON-OPERATORS	DATE
13/8)	сомя	PANY	
APPROVALS:			
	TITE	E	
PROJECT ECONOMIC ASSUMPTIONS	3	RISKED ECONOMIC	
CHANCE OF SUCCESS: EXPL % DEVE		DCF RATE OF RETURN PROFIT - TO - INVESTMENT UNDISCOUNTED	RATIO
	Ri	DISCOUNTEDPAYOUT	
GAS, MMCF.			
BUDGET STATUS: ON BUDGET NEW APC INVESTMENT-UNRISKED \$ RIS ACREAGE COST (INCLUDING G B G)	PROJECT REM	ARKS:	·
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Production Company

	_	1V. (2) 48		LOCATION N	0. (7)	DATE	-MO./DAY/YR. (6) 7/22/81 °
	DES. (12) WELL LOCATION NAME OF APC Glass		1	.(5) FIELD/PROSPEC	T (25)		TATE (5) ST. CD.(2 NM 30
-	AIN PROJECT <u>Drill, complete & Drill, complete & SECTWNRANGE-DI</u> 12 19S 25E	S. OF		velopment Well	COUNTY (13)	·	CO. CD. (3)
_0	D CD. (3) PROJ. CD. (4) PROSP. C	D. (3)	BUDGET (4)	T/B (3) 139	G/L (3) 230	\$44	T AUTHORIZED (9)
	OWNER NAME (24) Anadarko Production Company Cthers (See attached sheet)		0.590983 0.409017	OWNER NAME (24)			WORKING INT. (I.6)
		L		COMPANY REVENUE	INTEREST		0.462976

DETAIL OF DRILLING COST ESTIMATE

PAGE I OF ___

			TOTALS	
CODE	INTANGIBLE DRILLING COSTS	DRY HOLE	COMPLETION	COMPLETED
2010	ROAD AND LOCATION	\$ 23300	\$	\$. 29300
2020	CONTRACT RIG COSTS	, 295000		. 295000
2030	MUD AND CHEMICALS	, 17,500		, 17,500
2040	CEMENT AND CEMENTING	. 9300		28600
2050	FORMATION EVALUATION	31.300		31,300
2060	COMPLETION		. 80600	
2070	OTHER TOOLS AND RENTALS		21.22.62	
2080	TRANSPORTATION, TRUCKING, AND HAULING	50500		54900
2090	CONTRACT SERVICES	8200		8200
2100	COMPANY SUPERVISION	3000		5800
2150	MISCELLANEOUS INTANGIBLES	5000		. 13600
2200	ADMINISTRATIVE OVERHEAD.			
2600	IDC-NON OPERATED			
2000	TOTAL INTANGIBLE DRILLING COSTS	\$ 449100	\$.115700	\$.564800
2900	SPECIAL CREDITS - DRY AND BOTTOM HOLE	1		A
2900	CONTRIBUTIONS - RECIEVABLE	(, ,)	(,)	(
i i	TOTAL NET INTANGIBLE DRILLING COSTS	\$ 449100	\$.115700	\$.564800
	TOTAL NET INTANGIBLE DRILLING COSTS	1		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
	LEASE AND WELL EQUIPMENT			
	WELL CASING	1		
	400 FT., 13-3/8 O.D., 48# H-40 ST&C	9700		9700
1	1200 FT. 8-5/8 O.D. 24# K-55 ST&C	. 11600		. 11600
1	9500 FT., 4-1/2 O.D., 11.6# K-55 & N-80		, 66000	66000
	FT.,0.0.,			
3010	TOTAL WELL CASING	, 21300	, 66000	, 87,300
30.0	WELL TUBING			
1	9500 FT. 2-3/8 O.D. 4.7# N-80 EUE		33,800	. 33800
	FT.,0.D.,			
1	FT.,0.D.,			
3020	TOTAL WELL TUBING		33800	, 33800
1 0020				·
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.		1 2021	300
3210	TANK BATTERIES, SEPERATOR, HEATING	•	[1
	TREATING AND SALES EQUIPMENT	1	30,000	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	1	5000	5000
3400	DRILLING AND/OR PRODUCTION PLATFORMS			
3800	LAW-NON OPERATED			·
	TOTAL LEASE AND WELL EQUIPMENT	\$, 26300	\$ 168400	\$ 194700
1			1. 1	
		\$ 475400	LA 00/10/0	\$ 759500



AUDRA BAXTER Truet Landmen Lanistant Caphier

(174 - 6 Stornen

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

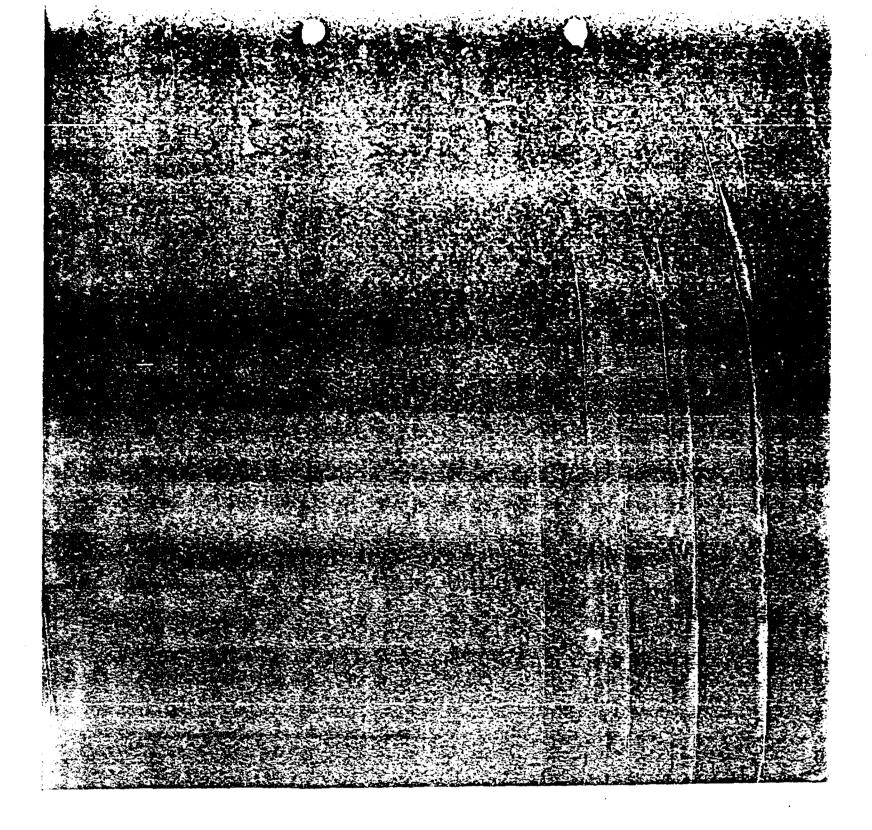
THIS AGREEMENT	made this _	29th	day of	J	une	19	78, between	
	Robert	t K.	Williams & V	V. Ga	ayle Williams	C		
				_	Trust, Trust	Departme	n t	
	r. U.	DOX	23109, UKTAI	тоща	City, Okla.	of	(Post Office Address)	
 Lensor, in consider of the agreements of the drilling, and operating for 	eration of T lessee herei or and prod	EN ANI in contai ucing oil l other si	D OTHER DOLLARS in ned, hereby grants, leased I and gas, injecting gas, tructures and things ther	hand pai and let waters,	s exclusively unto leasee for other fluids, and air into st	acknowledged, and r the purpose of obsurface strata, i	TEXAS I of the royalties herein pro- investigating, exploring, pr- aying pipe lines, storing oil, ore and transport said min-	ospecting, building
following discribed land	Town		-19-South, R	County	. New Mexico, to-wit: -25-East, N.M.	.P.M.		
			12: E/2NE/4 -19-South. R	ange	-26-East, N.M	.P.M.		
	Sect	ion			,2(39.51),E/2		/4 & E/2SE/4	•
comprises more or less	alculating th	be rental	payments hereinafter pr		-		3.85 acres, whether it	
2. Subject to the otless long thereafter us oil 3. The royalties to be a be delivered at the	or gas, w per paid by ide wells or from said l	produced more are: to the cre land and of the ga this loss	Irom said uned or land ; (a) on oil, and on othe edit of lessor in the pipe sold or used off the pre- is so sold or used, provide so is not validated by ath	r liquid I line to w nines or i d that or	ch said isno is puosed, hydrocarbons saved at the we shich the wells may be come in the manufacture of gaso is gas sold at the wells the i ions harper, and there is a s	tit. 3/16 of the cited; (b) on gas, pline or other proposity shall be the condens	his date (called "primary ter nat produced and saved from a including casinghead gas and duct therefrom, the market 3/16 of the amount real sale well on said land, or less therefrom, then on or below	anid land, d all gan- value at ized from
provided for in this lunes	- nad thead - Sur the aa - nat turning	Ster at.	nnnal intervals lesses in held under this lesse b	u the pa	or tender an advance passes rty making such payment of rea hereof that use is being	d_shut_in_roys.tv r_lander\and_edl r_vduced_from_the	onal to the emount of dele Surfail Stiff Shutde royalty is broad promise in serious	- restain (i)
Back such payment shall-	te paid or	tondessel ro_in_Sue	-to-the-party on parting. st-producing, or-be-paid		he time of such payment	w id be estiled te	recive the revolution which the depository bank and in the	manid he
4. If operations for				n land po	poled therewith on or before	one (1) year from	m this date, this lease shall t	lerminate
					I pay or tender to the lesso period of twelve (12) month accessive periods of twelve		86.28 r and upon like payments or during the primary term.	which tenders, Payment
or tender may be made to	the lessor (or to the	credit of the lessor in th	. Fi	rst National	Bank & Tr	cust	Bank
Oklahoma	City,	Okl:	ahoma	If such b	sank (or any auccessor bank	hall fail, liquid	h bank, or any successor ther ate, or be succeeded by anoth	er bank.
instrument making provid	sion for #70 v check or d	ther acco	eptable method of payme leasee, mailed or delivered	nt or ten to said	ider, and any depository cha bank or lessor, or any less	rge is a liability (for if more than	r shall deliver to lessee a r- of the lessor. The payment one, on or before the rents	or tender
whole or in usel se to n	arlies amou	DIS OF C	depositories shall neverthe	des be	ufficient to prevent termin	stion of this less	paument, but which is erro a in the same manner as a received written notice th	though a ~ /
estified mail from lessor	.togother.vi	doue_dti	instruments at are neces	-	<u>nable lesses to make proper</u>	. Day:manh	y it or any part or horizon	1/1/1
with any other land, leas ration unit fixed by law a tolerance of 10%. Less time and either before or poses, except the paymen, covered by this lesse incli- or unit operations, which tail. The production so a from the portion of said Any pooled unit designate	e, leases, m or by the N nee shall file r after the t of royalty uded in any the number llocated shal land covered d by leases,	ineral es iew Mexi e written completio , as oper such un r of surf ll be cons i hereby as provi	trates or parts thereof foice Oil Conservation Com- n unit designations in the of wells. Drilling operations conducted upon oit that portion of the totace acres in the land co- sidered for all purposes, and included in said uni-	r the promission of county rations of product all product vered by including to the level by	eduction of oil or gas. Unit or by other lawful authority in which the premises are less or production from any it tion from the land describe tion of pooled minerals from this lease included in the temporal of the the payment or delivery of same manner as though pro- easee by recording an appro-	ts pooled hereunde for the pool or are for the pool or are part of any such of in this lease. In wells in the unit bears to the royalty, to be the roduced from said	r shall not exceed the atands in which said land is situated in the said land is situated in the said land in the said land from unit shall be considered for There shall be allocated to it, after deducting any used total number of surface acre entire production of pooled land under the terms of the in the County where the lar	lard pro- tied, plus a time to all pur- the land in lease as in the minerals its lease.
6. If prior to the dis production thereof should thereafter and diligently in perations for drilling or fry hole or holes or the cor for drilling or reworking consecutive days. If during latth is unable to complete	cease for a prosecutes to reworking essation of a of any welling the drilling the drilling the drilling	il or gas any cause he same, on or be production , this les ng or rev ations the	hereunder, lessee should e, this lesse shall not te, or (if it be within the fore the rental paying d in. If at the expiration o are shall remain in force working of any well unde en within 30 days after t	drill and rminate i primary ate next (the prin so long r this pa he aband	l abandon a dry hole or hole term) commences rework ensuing after the expiration mary term oil or gas is not as such operations are dili- tragraph, lessee loses or jun honment of said operations l	ing or additional ness the payment n of three months being produced bu gently prosecuted its the hole or wa leasee may comme	if after discovery of oil or drilling operations within or tender of rentals or co from date of abandonment t lessee is then engaged in on with no cessation of more ell and after diligent efforts need another well and drill to se shall remain in full force	60 days mmences of said perations than 69 in good the same
thereafter as oil or gas is 7. Leasee shall have shall be computed after distures placed by lessee cands below ordinary plowent. Leasor shall have thereon, out of any surplusteron.	produced he free use of educting an on said land depth, and the privilege, a gas not ne	reunder. oil, gas y so used , includir no well at his ri eded for	and water from said la d. Lessee shall have the ng the right to draw and shall be drilled within ti isk and expense, of using operations hereunder.	nd, excepright at remove wo hundres from	ot water from lessor's wells any time during or after the all casing. When required red feet (200 ft.) of any resm any gas well on said land	and tanks, for all he expiration of the by lessor, lessee to idence or barn no d for stoves and in	operations hereunder, and the his lease to remove all prop- will bury all pipe lines on c is on said land without less naide lights in the principal	e royalty erty and ultivated or's con- dwelling
successors and assigns; buccomplished shall operate some until 30 days after hereof constituting the clerifier any rentals, may be existence satisfactory to levidence satisfactory to levidence by the proportion of the proportionate part of the proportionate part.	of no change to enlarge to enlarge to enlarge has h hain of titl ies or paym essee us to shall be a affect the ischarge less of the rents s a part of	or division the obligation for the person to the person rights of the person rights of the fights of	ion in the ownership of t gations or diminin the in- nished by certified mail the original lessor. If a the credit of the deceased ons entitled to such sum ed as between the several other lessehold owners by obligations hereunder, from such lessee or assign is more which lessee or assign	he land, lights of at lessee by such or his e s. In the lesseho hereunder and, if I lese or fai	or in the ownership of or re- lessee; and no auch change is principal place of busin change in ownership occurs state in the depository han be event of an assignment of old owners ratably according. An assignment of this le lessee or assignment of part or il to comply with any other.	ight to receive recordivision shall ness with accepta at through the dea ke until such time this lease as to a g to the surface case, in whole or parts hereof shall provision of the le	the heirs, executors, administrals, royalties or payments, be binding upon lessee for ible instruments or certifies the of the owner, lessee may e as lessee has been furnish segregated portion of said larea of each, and default in part, shall, to the extent fail or make default in the ase, such default shall not af payments. Rontole so wed	however any pur- d copies r pay or hed with land, he n restal of such payment feet this ALU
9. Should lessee be producing or from producing by any Federal or state la thall not be liable for fail filling or reworking oper	orevented from oil or gas aw or any ourse to compositions on or	om comp hereunde rder, rule ly therev r from p	olying with any express of measurity. The property of govern with; and tois lease shall producing oil or gas here	o <u>s inabili</u> mental a be exten under; as	its to obtain or use equipm uthority, then while so proded while and so long as lond the time while lesses is	ent or rostorial covented, lossee's disprevented is prevented in some prevented in s	Brilling or reworking operation by operation of force man buty shall be suspended, and by any such cause from co- hall not be counted against	ieure, or d lessee nducting L lessee, [4]
10. Lessor hereby we ien upon said land, and i sereunder toward satisfyin sert of said land than the nd other payments, if any, consors fail to execute this land. Lenere, its/his au ors, and assigns by delive hereupon lessee shall be	in the event of same. Wi of same. Wi of same. Wi y, accruing overed by to lease, it so common man relieved from	nerces to lessee dithout im a undivid from any his lesse hall never irs and a uning a remail oblimall oblimallo o	o defend the title to acid loes so, it shall be subro prairment of lessee's righ- led fee simple estate (w) y part as to which this I; bears to the whole and extremely a be binding upon assigns, shall have the ri- clease thereof to the less livations, excressed or im-	is under lessether lesse cove l'undivid the part, ght at an or, or by nolied, of	the warrents, if this lease sor's interest is herein speci re less than such full interest estate therein, y or parties executing the sory time to surrender this less placing a release thereof of	covers a less into filed or not) then rest, shall be pai Should any one or same, ase, in whole or in I record in the co- rage so surrender	charge any tax, mortgage, apply rentals and royalties, rest in the oil or gas in all the royalties, shut-in royalty d only in the proportion wir more of the parties named; n part, to lessor or his heim unty in which said land is a ed, and thereafter the rentals or releases.	or any Rkts, rental, hich the above as (1991), successionated;
nd gas shall be	three- lease,	sixte the s	enths (3/16) as ame is acended	nd who	contained hereir enever the word contained three-sixteer	one-eighth(nths (3/16)	(1/8)	Pro Will

that the lessor shall bear no costs of gas treatment, dehydration, or compression.

only the lands included in the unit and the remainder of the leased premises may be

caintained as provided for otherwise in the lease.

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 the leased premises may be



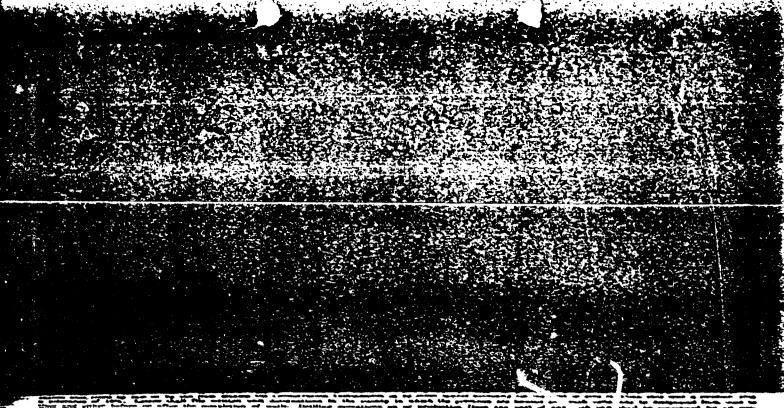
Executed the day and year first above written.	* Rober Fwilliams
•	Robert K. Williams * * * * * * * * * * * * *

OIL & GAS LEASE

THIS AGREEMENT made this 29th day of June 19 78, 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 Triving Trust P O Box 25189 Oklahoma City, Oklahoma 73125 (Post Office Address)	
ANADARKO PRODUCTION COMPANY HOUSTON TEXAS	
1. Lessor, in 'consideration of TEN AND OTHER DO'LLARS 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, lesses 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 sir into subsurface strats, 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	
(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 and 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 wells 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 3/1 bot the gas o sold or used, provided that on gas sold at the wells the royalty shall be 3/1 6 of the amount realized from such sale; (a) and of the gas of the sale is the sale of the s	ر درار
therewith but the and/or condensate it so being a soll or well and soll with the soll of t	Au:
Landar shall not demains and it will be considered under all demands because he can produce from the based promises are produced from the based promises are produced to be been produced from the based promises are produced to be party or parties who as Abortime to such payment within the control of anything which would be	
paid under this lease if the nell were is fact producing, as he raid or tendered to the could of each party or parties in the depository many and in the natural handlesfeet provided for the payment of remain.	~
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 \$\frac{186.28}{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 lesser or to the credit of the lessor in the First National Bank & Trust Bank	
at Oklahoma City, Oklahoma Oklahoma City, Oklahoma Oklahoma, which bank, or any successor thereof, ahall 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 vental or that in royally which is made in a bone fide attempt to make proper payment, but which is erroncoup in	
whole or in part as to parties, amounts, or depositorics shall acceptable be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; psecided, however, leases shall corroot such error within thirty (30) doys after leases has received written notice thereof by certified mail from leaser together with such instruments as are necessary to enable leaves to make proper payment.	
6. 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 proration unit fixed by law or by the New Mexico Oil Conservation or by other lawful authority for the pool or area in which said land is situated, plus	
a tolerance of 10%. Leafer shall discretize unit-designation in the country is, which the premises are located and are unitarities difficult of the 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 bereby 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.	
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 abundon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lesse shall not terminate if lessee commences reworking or additional drilling operations within 50 days 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 lesse 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 differst 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	
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 delil and abunden 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 ou 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 or permits the empirical production of or or determined 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	

sent. 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 assignar, but no change or division 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 lossor. If any such change in ownership occurs through the death of the owner, lessee may pay or the constitution of the lessee in the payment has a such acceptance of the owner, lessee and pay or original place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lossor. If any such change in ownership occurs through the death of the owner, lessee and pay or original place of the proposition of the lessee with the owner, lessee and pay or different constitutions that the owner, lessee and pay or different constitutions that the owner, lessee and any original place and the constitution of the lesses which are the constitution of and land the rental payable hereunder shall be apportioned as between the several less-should owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other lesseed of any obligations hereunder, and, if lessee or assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignment, relieve and discharge lessee of any obligations hereunder, and, if less



d at any time after the completion of a dry hole or the cessation of production on said unit.

8. 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 furtion thereof should cesse for any cause, this lesse shall not terminate if lessee commences reworking or additional drilling operations within eafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or constitution of drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment 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 or drilling or reworking of any well, this lesse shall remain in force so long as such operations are diligently prosecuted with no cessation of more secutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or justs the hole or well and after diligent efforts a due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lesse shall remain in full force eafter 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 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 computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lesse to remove all propures 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 the below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said lan

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 unccessors and assigns; but no change or division in the ownership of to 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 pur losse until 30 days after lessee has been furnished by certified copie hereof 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 of sender 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 ventals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental sayment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lesse, in whele or in part, shall, to the extent of and 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 of the rentals are used in the beauty and the rentals also much in the payment of this lesse, in which or in part, shall, to the extent of and beauty and the proportionate part of the rentals due from such lessee or assignee of part or parts hereof shall fail or make default shall not affect the proportionate part of the rentals due from such lessee or assignee of the rentals also mediate shall not affect the beauty shall not affect the proportionate part of the rentals due from such lessee or assignee of the rentals also comply or make such payments. Plantals as used in the beauty shall

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations under, or from producing oil or gas hereunder by reason of secretly or inability to obtain or use equipment or material, or by operation of force major 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 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 cond 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 anything in this lease to the contrary notwithstanding.

10. Lessor hereby wavestee and against the defeate the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or

anything in this lease to the contrany notwithstanding.

10. Leasor hereby were all and capture to deceal the site to said least 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 warrandy, 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 as it to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

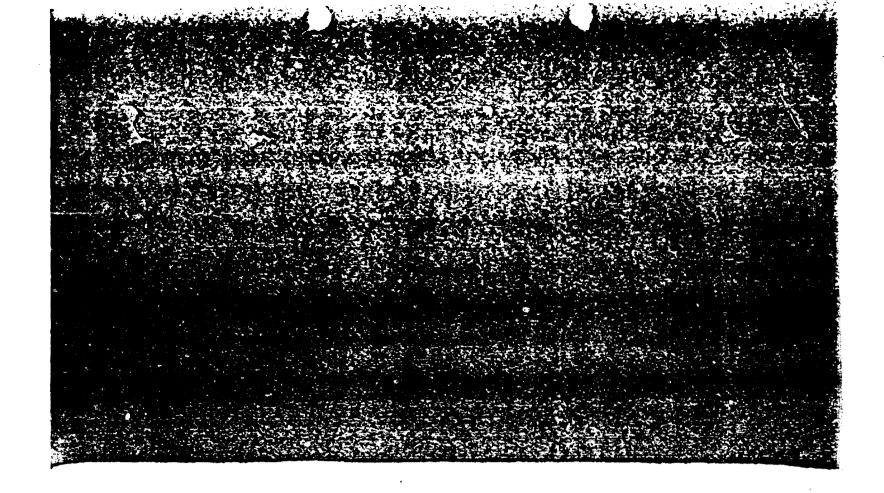
11. Lessee, its/his auccessors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expresse 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.

Rotwitnstanding 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.

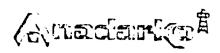
This instrument is executed by The First National Bank and Trust Company of Oklahoma City, Virginia Eason Weinmann and John G. Weinmann on condition that they shall have no liability in their individual capacity on any agreement, warranty or indemnity herein contained.



Rider Attached	The First National Bank and Trust Company of
	Oklahoma City, Trustee 8008741 - Sohlberg and
	80002387 - Weinmarm
Executed the day and year first shove written.	
ATTEST: (ludra Butter)	By: Kell D. Kr
Assistant Cashier	Vice President and Tryst Officer
X, , , , , , , , , , , , , , , , , , ,	X - Vergenge E. Winniam
	Virginia E Weinmann, Co-Trustee
Χ	John G. Wellmann, Co-Trustee
ils Instrument is executed by The First National Bank and Trust Company Oklahoma City and designated Co-Executor(s)/Trustee(s) on condition at they shall have no liability in their individual capacity on any reement, warranty or indemnity herain contained.	
- Control of the cont	

it, warranty or indemnity herein contained.

18 by Virginia E. Weir	mann and John G. F	<u>leinmann. Co-</u>	Trustees of the	Virginia	E. Weinmann
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A. D., 19, at	Term County, New Mexico STATE OF NEW MEXICO COUNTY OF	Date, 19, Section, Township, Range No. of Acres	70	FROM	OIL AND GAS LEASE NEW MEXICO
The foregoing instrument was ac Randolph I t Officer The First National Bank behalf of said corporation, as To	knowledged before me this D. Royse c. and Trust Company rustee and Co-Trust 13 1981	of Oklahoma		No No	, 19
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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 MEX	ICO)					
)	KNOWN	ALL MEN	BY	THESE	PRESENTS
COUNTY OF EDDY)					

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 Lessoe, 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.

	The First National Bank and Trust Company
TTEST:	of Oklahoma City, Trustee 8000238 & 800874
	By:
	Vice President and Trust Officer
	Virginia E. Weinmann, Co-Trustee
	John G. Weinmann, Co-Trustee
TATE OF OKLAHOMA)	· ·
COUNTY OF OKLAHOMA)	INDIVIDUAL ACKNOWLEDGMENT
OUNTY OF OKLAHOMA) he foregoing instrument was ac	cknowledged before me this day of
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OUNTY OF OKLAHOMA) he foregoing instrument was ac	cknowledged before me this day of
OUNTY OF OKLAHOMA) ne foregoing instrument was accepted by Virginia E. Weinmann, Commission Expires:	cknowledged before me this day of
OUNTY OF OKLAHOMA) he foregoing instrument was accepted by Virginia E. Weinmann, Commission Expires: TATE OF OKLAHOMA)	cknowledged before me this day of Co-Trustee of the Virginia Eason Weinmann Living T
The foregoing instrument was accepted by Virginia E. Weinmann, Contract of Oklahoma) COUNTY OF OKLAHOMA) The foregoing instrument was accepted to the contract of Oklahoma (country of Oklahoma)	cknowledged before me this day of

STATE OF OKLAHOMA)	
COUNTY OF OKLAHOMA) CORPORATION ACKNOWLEDGMENT	
of The First National corporation on behalf	ment was acknowledged before me this day of	Officer anking
	Notary Public	
My Commission Expire		



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,

Told Chrands

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 0il 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 0il & Gas Lease relating to shut-in gas royalty provisions and payment thereof; whereas Lessor desires to amend said 0il & 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 0il and Gas Lease to add the following language to the below enumerated paragraphs being numerically identical to those contained in said 0il 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 shutin 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.

above described lease is a valid an	d 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 acknown 1981 by Virginia E. Weinmann, Co-Trust.	ledged before me this day of, ustce of the Virginia Eason Weinmann Living
•	Notary Public
My Commission Expires:	
STATE OF OKLAHOMA) COUNTY OF OKLAHOMA)	INDIVIDUAL ACKNOWLEDGEMENT
The foregoing instrument was acknown 1981 by John G. Weinmann, Co-Truste	eledged before me this day of, te of the Virginia Eason Weinmann Living Trust.
	Notary Public
My Commission Expires:	article framework

STATE	OF	OKLAHOMA

CORPORATION ACKNOWLEDGEMENT

COUNTY OF OKLAHOMA)

The foregoing instrument was acknown

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 Staubus W/ First Natil Bank OKC and applained situation - He will check with Mr. Wednesday about lease for 147-3/16-\$1000 co total Consideration on E/2 NE/4 Sec. 12 only and advise later. Will also check on banks handling of Robert K. & C.J. Gayle Williams interests. 1.F5



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

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

September 10, 1981

Telephone 982-4285 Area Code 505

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.

W. Thomas Kellahin

WTK:jm Enclosures

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	ØX44ZKN44X	fx ED	DY	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 800, TULSA 74101

INTERESTS OF PARTIES TO AGPEEMENT

Anadarko Production	SR DATE A
✓ Yates Petroleum Corporation	58.0456
/Marshall & Winston	20.4688 %
	10.9375
S.P. Yates & Martin Yates III	5.2083 %
/T. J. Sivley	2.6042
- Richard L. Moore	
/Michael Moore	.4102 %
	.4102 %
Stephen Moore	.4102 *
/Steve Helbing	
√ Joe Bohannon	.1758 %
	.0992 %
Marianne B. Jost	.0992 %
Sally A. Ellis	0703
Outstanding Interest	.0781 %
- 100 called interest	1.0527 \$
	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

, are

miums paid for insurance required to be carried for the Joint Operations for the protection of the Par-In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Work-Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, tide the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's at 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.

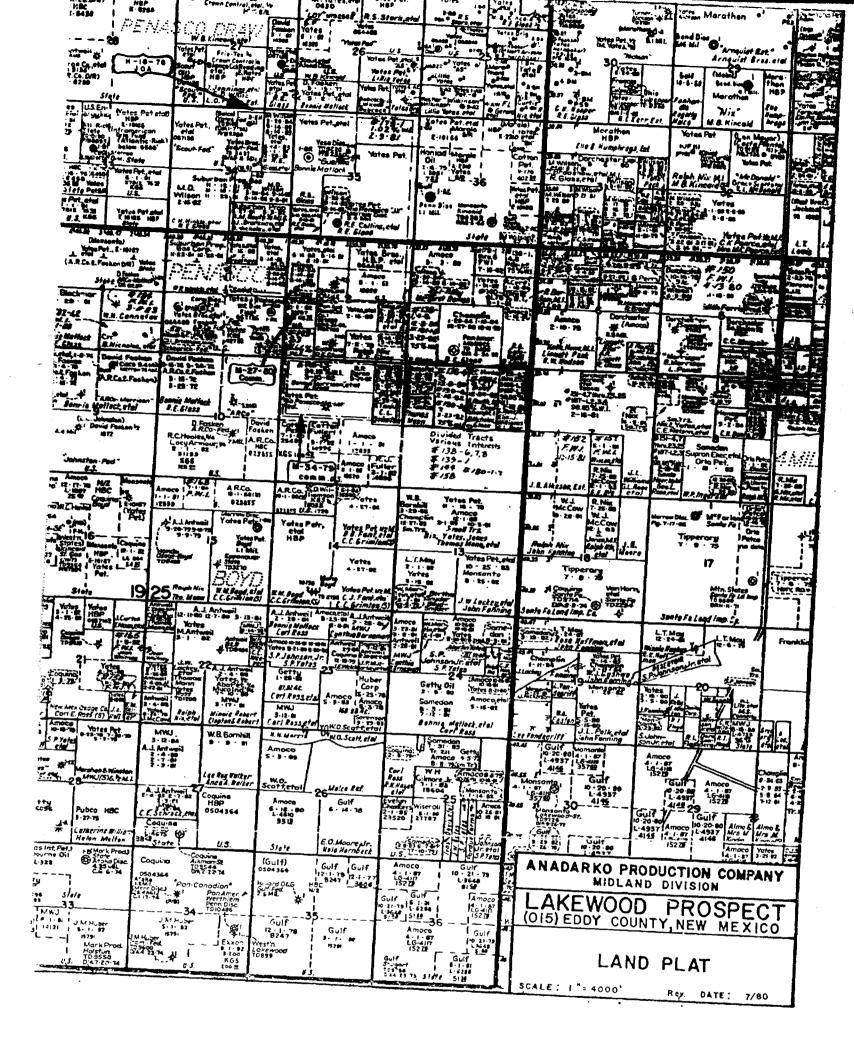
Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources 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 carnings 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.



ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE DIL 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, NNPM, 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 receive or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be

Case No. 7004 Order No. R-6479

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 \nadarko 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 lowner 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

Case No. 7004 Order No. R-6479 interest. royalty interests. first deposit with said escrow agent. above designated. STATE OF NEW MEXICO OIL CONSERVATION DIVISION Director SEAL dr/

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

- (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
- (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
- (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-

120 1/81	Aradari	Supplement	7 1
		LOCATION NO. (7)	
WORK DES. (12) WELL LOCATION NAME (20) WELL NO.(5) F	LELD/PROSPECT (25)	STATE (5) ST CD12
D, C, & EAPC Glass EXPLAIN PROJECT Drill, complete & equ	in Morrow Develo	Lakewood onment Well	<u></u>
O/S OPER. AFE # SEC TWN RANGE - DES			3) CO. CD (3)
FIELD CD.(3) PROJ. CD.(4) PROSP. CD.(3) 000 6660 016	BUDGET(4) 310	7/B(3) G/L(3) 139 230	AMOUNT AUTHORIZED(9
OWNER NAME(24)	ORKING INT (1.6) OWN	ER NAME (24)	WORKING INT. (1.6)
	0.590983		
ochers (bee actached sheet)	0.405017		
	COMF	ANY REVENUE INTEREST	0.482976
TYPE: PROJECT DOING CARRIED	SUBJECT TO:	PRIGINATING OFFICE MI	dland Division 7. Griffin
DEXPLORATION DLHP DINET PRO	FITS INTEREST	REPARED DI	
DEVELOPMENT GEOPHYSICAL RIGHT TO	CONVERT TO W.I.	FOR DRILLING Y	WELLS
RECOMPLETION D. FARMIN PLUGBABANDON DHC of BE	1C	EST. SPUD DATE12/17/80	EST.70_9500
SALE D		TYPE WELL (OIL,GAS,EST)	Gas
EXPLAIN:		DRILLING OBLG. DATE EST. DAYS TO DRILL 25	
ACRES (Spacing Unit) ,LSE EXP. DAT	E	EST. DAYS TO COMPLETE_	
LSE. NOS. IN UNIT			
DRILLING - DRY HOLE COST TOTAL JT. OWNERS C	A NET	RETIREMEN' TOTAL JT. (COST DWNERS CO.NET
TOTAL JT. OWNERS C INTANGIBLE \$ 449,100 \$ 183,700 \$ 2			
TANGIBLE 26,300 10,800	15,500 SALVAGE	/REC	
TOTAL \$ 475,400 \$ 194,500 \$ 2	OR RE	OST CEIVED)\$\$\$	
HOLE CONT.(\$) (\$)(\$))	VE(VEO)4: 4	!
	280,900		
DRILLING COMPLETION COST		EXPLORATION AND OTH	IER PROJECTS COST
. TOTAL JT. OWNERS C	O. NET		OWNERS CO. NET
INTANGIBLE \$ 115.700 \$ 47.300 \$ 68,900	99,500	\$\$	\$
TOTAL \$ <u>284,100</u> \$ <u>116,200</u> \$_1	167,900 TO	TAL \$\$	\$
TOTAL COST \$ 759,500 \$ 310,700 \$ 4	448,800		
See attached letter for expl	anation of supp		
REMARKS: Subject to negotiation and contract and/or farmin arrangements, t			
			AFE \$448,800
Approval		TE ACTION	
/\ /\//:	DATE DAUTHO	PRIZED PREJECTED	
REGONMENDED:	1.3 (8.)		DATE
75 - Wylie 1/3/2 7	23/21	NON - OPERATORS	DATE
1918)	COMP	ANY	
APPROVALS:	ВΥ		
APPROVACS:	. 1		
	TITL	ε	
PROJECT ECONOMIC ASSUMPTIONS		RISKED ECONOMIC	YARDSTICKS (AFIT)
	1		
CHANCE OF SUCCESS: EXPL. % DEVEL.		DCF RATE OF RETUR	
PRICES:\$/BBL;\$/	MUF PI	ROFIT - TO-INVESTMENT UNDISCOUNTED	
THIS WELL TOTAL P		DISCOUNTED	
RESERVES - Gross Ri Gross OIL, MMbl.	Ri	PAYOUT	YR\$.
GAS, MMCF.	·		
•	L		
EEB, MBbl	ВҮ .		
BUDGET STATUS: ON BUDGET NEW PRO	JECT REM	ARKS:	
·	JECT REM		

Considering Production Company

		PIOUCICION	COLLIBRIALIA		
		(2) AFE. NO. (4) 8 4200	LOCATION N	0. (7)	DATE-MO./DAY/YR. (6) 7/22/81
WORK DES. (12)	WELL LOCATION NAME		15) FIELD/PROSPEC	T (25)	STATE (5) ST. CO.(2
EXPLAIN PROJECT	Drill, complete & e	quip Morrow De	velopment Well		
O/S OPER. AFE #	SEC TWN RANGE - DES.			COUNTY (13)	CO. CD. (3)
FIELD CD. (3) PRO	DJ. CD. (4) PROSP. CD. 6660 016	(3) BUDGET (4) 310.	T/B (3) 139	G/L (3) 230	AMOUNT AUTHORIZED (9) \$448.800
OWNER NAME	(24)	WORKING INT. (I.6)	OWNER NAME (24)		WORKING INT. (I.6)
OPER Anadarko Pi	roduction Company	0.590983			
Cthers (Sec	e attached sheet)	0.409017			
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		┫┠───┤╏			
		4			:
·] [] [COMPANY REVENUE	INTEREST	0.482976

DETAIL OF DRILLING COST ESTIMATE

PAGE I OF __

. !			TOTALS	
CODE	INTANGIBLE DRILLING COSTS	DRY HOLE		COMPLETED
2010	ROAD AND LOCATION	\$. 23300		\$. 29300
2020	CONTRACT RIG COSTS	295000		. 295000
2030	MUD AND CHEMICALS	17,500		17,500
2040	CEMENT AND CEMENTING	9300	. 19300	. 28600
2050	FORMATION EVALUATION	. 31.300		31300
2060	COMPLETION		. 80600	
2070	OTHER TOOLS AND RUNTALS	.1		
2080	TRANSPORTATION, TRUCKING, AND HAULING	50500	4400	. 54900
2090	CONTRACT SERVICES	820 0		8200
2100	COMPANY SUPERVISION	3000		5800
2150	MISCELLANEOUS INTANGIBLES	5000	. 8600	13600
2200	ADMINISTRATIVE ON THEAD			
2600	IDC - NON OPERATED			
	TOTAL INTANGIBLE DRILLING COSTS	\$ 449100	\$.115700	\$.564800
2900	SPECIAL CREDITS - DRY AND BOTTOM HOLE			
	CONTRIBUTIONS-RECIEVABLE			()
	TOTAL NET INTANGIBLE DRILLING COSTS	\$ 449100	\$.115700	\$.564800
	LEASE AND WELL EQUIPMENT			
	LEASE AND WELL EQUIPMENT			
	WELL CASING			
	400 FT., 13-3/8 O.D., 48# H-40 ST&C	9700		9700
i i	1200 FT., 8-5/8 O.D., 24# K-55 ST&C	11600		11600
}	9500 FT., 4-1/2 0.0., 11.6/ K-55 & N-80		. 66000	66000
]	F T., 0.0.,	01000		07000
3010	TOTAL WELL CASING	, 21300	<u>. 66000</u>	87,300
]	WELL TUBING	1	22800	22000
	9500 FT. 2 3/8 0.5., 4.7# N-80 EUE		, 33,800	33800
1	FT.,0.D.,			
	FT.,O.D.,		33800	. 33800
3020	TOTAL WELL TUBING		<u> </u>	. 33600
3070	OTHER CONTROLLABLE SUBSURFACE WELL EQUIPMENT	1		
3080	NON-CONTROLLABLE SUBSURFACE WELL EQUIPMENT	3	, 4,500	4500
3110	WELLHEAD EQUIPMENT		, 28800	, 33800
3120	PUMPING EQUIPMENT			
3170	OTHER CONTROLLABLE SURFACE WELL EQUIPMENT			
3180	NON-CONTROLLABLE SURFACE WELL EQUIPMENT	1 ,		
3190	INSTALLATION COSTS - SURFACE EQUIPMENT	1 1	300	,300
3210	TANK BATTERIES, SEPERATOR, HEATING	1	Ì	
	TREATING AND SALES EQUIPMENT		30000	30000
3220	COMPRESSOR STATIONS	1		
3230	ELECTRICAL SYSTEMS AND TRANSMISSION LINES	A		
3240	BUILDINGS	1		
325 0	LEASE LINES	4 1		
3270	OTHER CONTROLLABLE SURFACE LEASE EQUIPMENT			
3280	NON-CONTROLLABLE SURFACE LEASE EQUIPMENT			
3290	INSTALLATION COSTS-SURFACE LEASE EQUIPMENT			5000
3400	DRILLING AND/OR PRODUCTION PLATFORMS	L I		
3800	L B W - NON OPERATED]		
1	TOTAL LEASE AND WELL EQUIPMENT	\$ 26300	\$.168400	\$,194700
		a	1 1	- 3
1 1		\$,475400		\$,759500



AUDRA BAXTER Trust Landman Ausistent Cashie

Copy - G Starrica

The First National Bank and Trust Company of Oklahoma City

CAPITAL STRUCTURE OVER ONE MUNDRED MILLION DOLLARS [5] ABL 15HED 1889

July 28, 1978

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

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

79702

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 10 78, between	
Robert K. Williams & W. Gayle Williams	
c/o Fisrt 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 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, lesses and it a sectionizely 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 strats, 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.	
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, anid land is estimated to comprise 558.85 acres, whether it actually	
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. 2. The royalties to be paid by leases 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 wells or to the credit of leasor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gas-some to be produced from said land and said or used off the premises or in the manufacture of gasoline or other product therefrom, the merket value at the mouth of the well of 3/1 bot the gas no sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; (b) red at any time when this because is not wilded by other provinces heaved, and there is no such sale, we land, or land,	K
tenders this lesse shall not terminate and it will be considered under all clauses harned that gue is being produced from the branch promises in paying quantities. When such payment shall be paid or tendered to the party or parties when at the time of such payment, muld be assisted to execute the respective which would be added to the party or paying the desired to the party or paying and the department of the desired to the party or paying the desired to the party or paying the desired to the party or paying the desired to the paying the payin	سنه
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 \$\frac{186.28}{280}\$ 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 auccessive 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	
ontinue 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 simply payment or tender, and any depository charge is a liability of the lessor. The payment of tender of restal now, shutch in covally which is, made in a boos, fide attempt to make propose, payment, but which is erroneous in whole or in part as in parties, amounts or depositories shall nearest such assets within thirty (30) days after lessor in the same manner as though a payment had been made; provided, however, lesses shall covered such assets within thirty (30) days after lessor shall nearest before by the	4
ration 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 18%. Leaves shall fike 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 or or production from any part of any such unit shall be considered for all purposes, accupit the production of production of the production 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 or any well, this lesses shall new paying date next ensuing after the expiration of the months from drilling 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 or any production of production. If at	4
under, or from producing oil or gas hereunder by reason of assistance institutes to obtain on use antifurent or material or by operation of force majeure, or by any Federai 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 lesse shall be retended 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 no prevented shall not be counsed against lessee, anything in this lesse to the contrary notwithstanding. 10. Lessor hereby werents and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lesser inposition and in the event lessee does no, it shall be subrogated to auch lien with the right to enforce same and apply rentals and rosalities accrosing hereunder toward satisfying same. Without impairment of lessee's rights under the marganty, if this leave covers a less interest in the oil or gas in all or any part of asid land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalities, shut-in royalty, rental, part of asid land than the entire and undivided fee simple estate 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/his 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 s	u u
otwithstanding any other terms to the contracy 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).	ンプレ

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.

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Robert K. Williams * ** ** ** ** ** ** ** ** *	Executed the day and year first above written,	W. Jane William 8/4/78
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OIL & GAS LEASE
THIS AGREEMENT made this 29th day of June 19 78, 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 Giving Trust P O Box 25189
Oklahoma City, Oklahoma 73125 (Post Office Address) herein called lessor (whether one or more) and ANADARKO PRODUCTION COMPANY, HOUSTON, TEXAS
herein called leasor (whether one or more) and ALLESCHEAN in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and est the agreements of the leases herein contained, hereby grants, leases and lets exclusively unto lesses for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and sir into subsurface strata, laying pipe lines, storing est, 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
(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 yea, 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 wells or to the credit of leasor 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 3/1 (b) 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; as least of the same of the same shall be added to the same of the same of the same shall be added to the same of the same of the same shall be added to the same of the same of the same shall be added to the same of the same shall be added to the same of the same shall be added to the
after each wall show in the second should be seen that the second should be seen to be seen the second should be seen to
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 \$\frac{186.28}{280}\$ 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 Oklahoma oklahoma, which bank, or any successor thereof, shall continue to be the agent for the leasor 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 mor: 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 bone fide attempt to make proper payment, but which is erroncous in whole or in part as to parties, ements, or depositories shall nevertheless be sufficient to prevent termination of this lesse in the same manner as though a
proper payment had been made; provided, however, lesses shall correct such error within thirty (20) days after lesses has received written notice thereof by certified mail from lesses together with such instruments as are necessary to enable lesses to make proper payment.
5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lesse, the land covered by it or any part or horizon thereof with any other land, lesse, lesses, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration 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%. Lesses shall also written unit designation the country is a which the premises are located and such unit shall be considered. Drilling operations on or production from any part of any such unit shall be considered for all pur-
poses, 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 aurface 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 leasee, 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, lesses should drill and shandon 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 lesses commences reworking or additional drilling operations within 60 days thereafter and diligntly 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 lesses 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, lesses loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days affect the abandonment of said operations lessee may commence another well and drill the same

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.

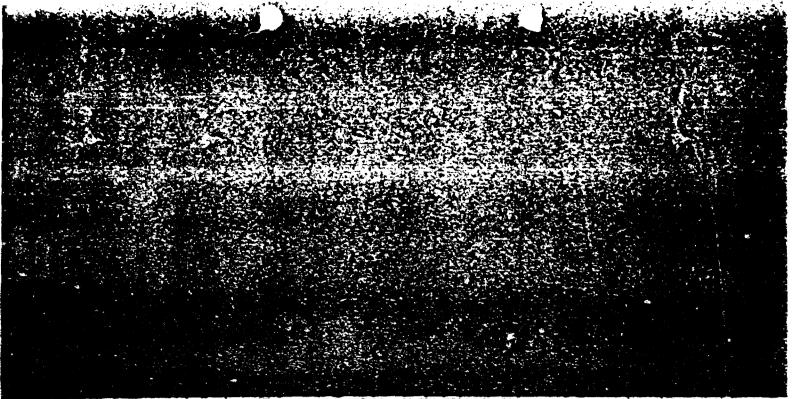
8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or 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

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conduct ng drilling or reworking operations here under, or from producing oil or gas hereunder by reason of sosseity or inability to obtain or new quipment 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 lesses aball 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.

anything in this lease to the contrary notwithstanding.

10. Lessor hereby more and success to defeat the still the sold land, and agrices that lessee, at its option, may discharge any tax, mortgage, or other lies 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 warrandy, if this lesse 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 lesse covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lesse, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as a si to execute this lesse, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/his successors, heirs and assigns, shall have the right at any time to sucrender this lesse, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof of record in the county in which said land is aituated; thereof on lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so sucrendered, 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 seleases.



the portion of anid land covered hereby and included in anid unit in the same nanner as though produced from anid land without the same and any pooled unit designated by lesses, as provided herein, may be dissolved by lesses 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, lesses should drill and shandon a dry hole or holes bereunder, or if after discovery of oil or gas the production thereof should cesse for any cause, this lesse shall not terminate if lessee commences reworking or additional drilling operations within 60 days therefore and diligently prosecutes the same, or if it be within the primary term) commences or resumes the payment or tender of rentals or commences or resumes the payment or tender of rentals or commences or resumes the payment or tender of rentals or commences or resumes the payment or tender of rentals or commences or resumes the payment or tender of rentals or commences or resumes the payment or tender of rentals or commences or resumes the payment or tender of rentals or commences or resumes the payment of the primary term oil or gas is not being produced both lessee is the engaged in correct or drilling or reworking of any well under this payagraph, lessee loses or sunks the hole or well and after diligent efforts in good faith is unable to complete said operations and the resume with due diligence. If any diling, additional drilling, or reworking operations hereunder result in production, then this lesse shall remain in full force so long therefore, and the payment of the deducting any so used, lesses shall have the right at any time during or after the expiration of this sease of the payment of the same with due diligence. If any diling, additional drilling, or reworking operations hereunder result in production, then this lesses that produced have the privilege, at his risk and expense, of using payment

anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the ditte to sold land, and agrees that lessee, at its option, may discharge any tax, mortgage, or of 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 accru 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, rent 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 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 lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

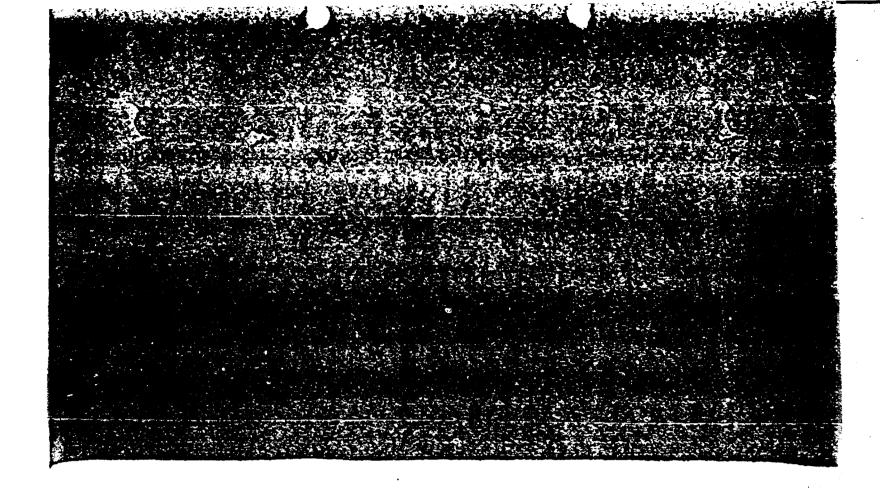
11. Lessee, its/his successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successor, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said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

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 Rider Attached Executed the day and year first pove written. ATTEST: (Wide Datter) Assistant Cashier X	The First National Bank and Trust Company of Oklahoma City, Trustee 8008741 - Sohlberg and 8000238 - Weinmann By: Vice President and Trust Officer X Virginia E Noinmann, Co-Trustee
ils Instrument Is executed by The First National Bank and Trust Company Oklahoma City and designated Co-Executor(s)/Trustee(s) on condition at they shall have no liability in their individual capacity on any reement, warranty or indemnity herein contained.	John G. Velimann, Co-Trustee

y Commission expires. ATE OF NEW MEXICO, Subty of. The foregoing instrument was acknowledged before me this by Y Commission expires. ATE OF NEW MEXICO, Subty of. INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form day of. INDIVIDUAL ACKNOWLEDG	18 by Virginia E. Weinma	ann and John G. W	einmann. Co-	-Trustees of th	e Virginia E. Weinman
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	The foregoing instrument was ackno	wiedgèd before me this Royse and Trust Company stee and Co-Trust	of Oklahoma	day of	Vice President Mione Officing corporation
The foregoing instrument was acknowledged before me thisday of, Presiden	ATE OF		CORPORATION	N ACKNOWLEDGME	ENT (New Mexico Short Form)

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 1	NEW	MEXICO)	•						
)	к	NWON	ALL	MEN	BŸ	THESE	PRESENTS
COUNTY	OF	EDI	Ϋ́	5							

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 nec-

essary 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.
attes t :		The First National Bank and Trust Company of Oklahoma City, Trustee 8000238 & 8008741
		By:
		By: Vice President and Trust Officer
	·	Virginia E. Weinmann, Co-Trustee
		John G. Weinmann, Co-Trustee
STATE OF OKLAHOMA) COUNTY OF OKLAHOMA)		INDIVIDUAL ACKNOWLEDGMENT
The foregoing instrum 1981 by Virginia E. W	ent was acknow ≥inmann, Co-Tr	ledged before me this day of ustee of the Virginia Eason Weinmann Living Tru
		Notary Public
My Commission Expires	:	
STATE OF OKLAHOMA)		
COUNTY OF OKLAHOMA)		INDIVIDUAL ACKNOWLEDGMENT
		ledged before me this day of
		Notary Public
My Commission Expires		

STATE OF OKLAHOMA	CORPORATION ACKNOWLEDGMENT
of The First Nation	ment was acknowledged before me this day of
	Notary Public
My Commission Expi	ces:



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,

Told Ungamba
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 0il & Gas Lease relating to shut-in gas royalty provisions and payment thereof; whereas Lessor desires to amend said 0il & 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 0il and Gas Lease to add the following language to the below enumerated paragraphs being numerically identical to those contained in said 0il 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 shutin 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.

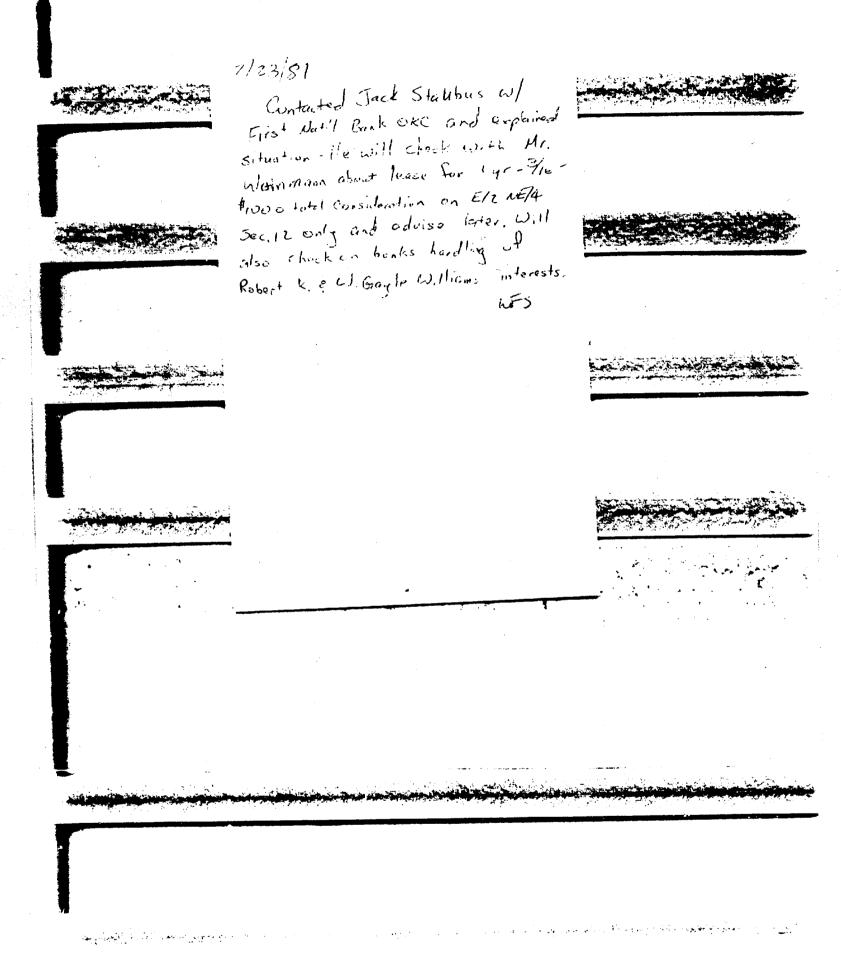
- (B) Paragraph 4: Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same 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 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.

described Lease, in all of its terms and provisions, is amended hereby, and EXECUTED this ____ day of _____ The First National Bank and Trust Company of Oklahoma City, Trustee 8000238 & 8008741 ATTEST: Vice President and Trust Officer STATE OF OKLAHOMA INDIVIDUAL ACKNOWLEDGEMENT 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 ACKNOWLEDGEMENT 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 ACKNOWLEDGEMENT
COUNTY OF OKLAHOMA The foregoing instr	ument was acknowledged before me this day of President and Trust Notice of the second
of George Schlberg	orporation on behalf of said corporation, as Itselector properties on behalf of said corporation, as Itselector properties and Co-Trustee of the Virginia Eason Weinmann Living Trust.
	Notary Public
My Commission Exp	res:





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, 4981 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.

ery truly yours,

W. F. Shackelford

enclosures

WFS:sjh

A Panhandle Eastern Company

KELLAHIN and KELLAHIN

Atterneys at Law

500 Don Gaspar Avenue
Post Office Box 1769

Santa Fe, New Mexico 87501

Jason Kellahin W. Thomas Kellahin Karen Aubrey

September 10, 1981

Telephone 982-4285 Area Code 505

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.

W. Thomas Kellahin

Very truly

WTK:jm Enclosures

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,

OPERATO:	R ANAD	ARKO PRODU	CTION CO.		
CONTRAC	T AREA_	N/2 Section	on 12, T-19	-S, R-25-E	
		,			
	v	•			
		·			
COUNTY	ZKITZTVNO	ił xolx	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 AGPEMENT

/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 %
<pre>/Michael Moore</pre>	.4102 %
✓Stephen Moore	.4102 %
✓ Steve Helbing	.1758 %
✓ Joe Bohannon	.0992 %
/Marianne B. Jost	.0992 %
✓ Sally A. Ellis	.0781 %
· Outstanding Interest	1.0527 %
	100.0000 %

Comments of the first of a

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

. nre

In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Work-m's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, lade the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's at 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 Werkers 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

OFERATING AGREEMENT

DATED

1 SEPTEMBER, 1980,

OPERATOR_	ANAD	ARKO PRODUC	TION CO.			
CONTRACT	AREA	N/2 Sectio	n 12, T-19	-S, R-25-E		
COUNTY Ø	ZKRZKKX	HXØlx	EDDY	STATE	OF NEW I	MEXICO

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AMERICAN ASSOCIATION OF PETROLEUM LANDMEN

APPROVED FORM. AA.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 %
VStephen Moore	.4102 %
✓ Steve Helbing	.1758 %
√Joe Bohannon	.0992 ₺
/Marianne B. Jost	.0992 %
/Sally A. Ellis	.0781 %
Outstanding Interest	1.0527 %
	100.0000 %

of every kind and nature assessed or levied upon or in connection with the Joint Property, the opera-

In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Work-is Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, tade the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's a 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.

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KELLAHIN and KELLAHIN

Attorneys at Law

500 Don Gaspar Avenue
Post Office Box 1769

Santa Fe, New Mexico 8750!

Jason Kellahin W. Thomas Kellahin Karen Aubrey

September 10, 1981

Telephone 982-4285 Area Code 505

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

RE: Anadarko Production Company

Case 7367

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.

W. Thomas/Kellahin

Very truly

WTK:jm Enclosures

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

TOUTE, CONSUMPRINT DE TOUT ON THE SERVICE SANTA TE

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

APPLICATION

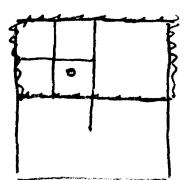
COMES NOW ANADARKO PRODUCTION COMPANY and applies to the New Mexico Energy and Minerals Department, Oil Conservation Division, for a compulsory pooling order pooling the mineral interests in the Wolfcamp and the Pennsylvanian formations, in the N/2 of Section 12, T19S, R25E, NMPM, Eddy County, New Mexico, 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 of Oklahoma City P.O. Box 25189 Oklahoma City, Oklahoma 73125 Attn: Jack Staubus

Robert K. and W. Gayle Williams c/o First National Bank & Trust of Oklahoma City P.O. Pox 25189 Oklahoma City, Oklahoma 73125 26.67%

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 & KELLAHU

Thomas Kellahin

P.O. Box 1769

Santa Fe, New Mexico 87501 (505) 982-4285

ATTORNEY FOR ANADARKO PRODUCTION COMPANY

SEP 16 1981

OIL CONSLAVATION DIVISION

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 >36>

APPLICATION

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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

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KELLAHIN & KELLAHI

W. Thomas Kellahin

P.O. Box 1769

Santa Fe, New Mexico 87501

(505) 982-4285

ATTORNEY FOR ANADARKO PRODUCTION COMPANY

STATE OF NEW MEXICO

OIL CONSERVATION DIVISION

DEPARTMENT OF ENERGY AND MINERALS

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

Case 7367

SANTA FE

APPLICATION

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.
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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%

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KELLAHIN & KELLAHIN

Thomas Kellahin

P.O. Box 1769

Santa Fe, New Mexico 87501 (505) 982-4285

ATTORNEY FOR ANADARKO PRODUCTION COMPANY

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.
1	Order No. R- <u>6479-A</u>
	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 Divisio
	Director, having considered the testimony, the record, and the
1	recommendations of the Examiner, and being fully advised in the
	premises,
	FINDS:
j	(1) That due public notice having been given as required by
	law, the Division has jurisdiction of this cause and the subject
İ	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

 Arilled its filese well no. /

 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 <u>150</u> 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.

\$ 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 Pennsylvanianformations 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 well to be drilled at a standard location thereon.
PROVIDED HOWEVER, that the operator of Laid unit Inall
The same of the same same same same same same same sam
commence the drilling of said well on or before theday of

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 sause 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 30 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.
- estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share alded 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.
- known working interest owner an itemised 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 actual has paid his share of estimated costs in advance as provided

-5-Case No. Order No. R-

above shall) per to the operator his pre rate share of the amount that reasonable well costs exceed estimated well costs; and shall receive from the operator his pre rate 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 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, 150 percent of the pro rate 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.
- 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.
- 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.

(1) That Order 70. R-6479 is hereby kessended.

Rough Draft

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION



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, onthis day of December,