

MICHAEL CUNNINGHAM, P. A.

MICHAEL CUNNINGHAM

ATTORNEY AT LAW
LAW OFFICE
P. O. BOX 1000
TATUM, NEW MEXICO 88267

(505) 398-5181

January 14, 1997

BR 60.0

James Strickler, Senior Staff Landman
Burlington Resources
P.O. Box 4289
Farmington, NM 87499-4289

RE: GLA-46

Dear James:

You asked us to review GLA-46 and the numerous amendments to determine if the Operating Agreement dated November 27, 1951 applies to depths below the Mesa Verde Formation. Our review of the complete Instrument file of GLA-46 indicates the above mentioned Operating Agreement covers all depths.

Section 5d2 of that operating agreement discusses how drilling costs will be determined "...In the event any well be drilled upon said acreage to a greater or lesser depth than a Mesa Verde well ..." The parties which have succeeded to the interests of the original parties have recognized the inclusion of the deep rights in the operating agreement as reflected by amendment dated November 30th, 1962 which amended Section 5d2 as to a specific Dakota Formation well. Most of the other amendments provided for methods of allocating or recouping drilling costs which were not specified in the operating agreement. As your GLA-46 Summary reflects, the subject operating agreement is definitely not the industry standard. That is, Burlington has complete control over the development of the acreage, but must provide for and then recoup the working interest owners' percentage of costs for all operations. Obviously that arrangement is not practical thereby resulting in the agreement being amended over 26 times to provide for other methods of cost sharing, non-consent, and well cost determination.

Please advise if you need further information or assistance in this matter.

Sincerely,


Michael Cunningham

Post-It™ brand fax transmittal memo 7671		# of pages »	
To	JAMES STRICKLER	From	CUTTER
Co.	BR	Co.	
Dept.	Land	Phone #	
Fax #	326-9781	Fax #	

050615