

Creation of Production Payment

NMOCD Examiner Hearing  
December 16, 1993  
Application of Merrion Oil & Gas  
Case No.: 10888  
Exhibit: 4



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
Land & Survey Office  
Santa Fe, New Mexico

In Reply Refer To:  
AD:HRH  
SF 079298-C O&G/L

April 2, 1953

Oil and Gas

**DECISION**

Lease dated 7-1-48

Assignor: Paul B. Horton

Assignment  
Filed ~~or~~ completed: 1-21-53

Assignee: Bert Fields

Assignment Approved

of Working Interest (Entire)

The above-captioned assignment of oil and gas lease is hereby approved, effective on the first day of the lease month following the date of its filing or completion.

The lease account is in good standing. Acceptable evidence of the qualifications and holdings of the assignee under the Mineral Leasing Act, as amended, has been filed. The showing as to overriding royalties and payments out of production conforms to the regulations.

Production payment of \$5,000 per acre out of 7 $\frac{1}{2}$ % of gross production reserved by assignor. (Stipulation conforming to 192.83 CFR 43 furnished).

5% overriding royalty heretofore reserved.

1.76 *MM*

Noted 4-10-53 by P.C.  
T/S - S/R - Plat

J. A. DeLany  
Manager

Orig. to: Assignor (with assgt)  
Assignee (with assgt)  
O&G Supv. (3)

mrg

9-7-93 Bureau of Land Management  
Date NMSO

I hereby certify that this reproduction is a copy of the official record on file in this office. Consists of one pages.

*Arce M. Davis*  
Authorized Signature

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Casper, Wyoming

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

NOT TO BE FILLED IN BY LESSEE  
Receipt No. \_\_\_\_\_  
The following to be filled in by land office  
when new serial number is required:  
New Serial No. \_\_\_\_\_

OFFICE STAMP

CORRECTION ASSIGNMENT

Office Santa Fe  
Serial No. SF 079298-C  
Date of Lease July 1, 1948

ASSIGNMENT AFFECTING RECORD TITLE TO OIL AND GAS LEASE

The undersigned, as owner of record title interest as hereinafter specified in the oil and gas lease designated above,

for good and valuable consideration does hereby assign to BERT FIELDS, a single man, whose  
(Name and address)  
address is 1211 Fidelity Union Life Bldg., Dallas, Texas

the right, title, and interest in and to the lands embraced in such lease as specified below, giving and granting to assignee rights and privileges as lessee in such lands, to the extent indicated, subject to the reservations of overriding royalties as herein noted:

1. Lands affected by this assignment:

Township 27 North, Range 7 West, N.M.P.M.

Section 24: N/2,

containing 320 acres, more or less.

RECEIVED  
BUREAU OF LAND MANAGEMENT  
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Interest of assignor in such lands All  
Extent of such interest conveyed to assignee All  
4. Overriding royalty reserved herein to assignor See attached reservation  
(See item 5 of Instructions.) (State percentage only)  
5. Overriding royalties previously reserved five percent (5%)  
(State percentage only)

It is hereby certified that the statements made herein are true, complete, and correct to the best of the undersigned's knowledge and belief, and are made in good faith.

"This form is submitted in lieu of official Form 4-1175 and contains all of the provisions thereof as of the date of filing of this assignment."

Executed and witnessed as of the 22nd day of May 19 52

WITNESS:

Mozelle Smith

Paul B. Horton  
(Assignor's signature)

Susan Diggle Horton  
(Address)

REQUEST FOR APPROVAL OF ASSIGNMENT

The undersigned hereby requests approval of the above assignment and certifies as follows:

1. Assignee is a citizen of the United States: Native Born X Naturalized \_\_\_\_\_  
Corporation or other legal entity (specify what kind) \_\_\_\_\_
2. Assignee's other interests direct and indirect in oil and gas leases and applications or offers therefor in the same State together with the acreage in this instrument do not exceed 15,360 chargeable acres.
3. Assignee is 21 years of age or over, or if a corporation or other legal entity, is qualified as shown by statements attached hereto.
4. Amount remitted: Filing fee, \$10.
5. Compliance with the requirements of 43 CFR 192.100 and item 6 of the Instructions is made by the attachments hereto.

The undersigned agrees to be bound by the terms and provisions of said lease, provided the assignment is approved by the signing officer of the Bureau of Land Management, and further agrees that the obligation to pay any overriding royalties or payments out of production created herein, which, when added to overriding royalties or payments out of production previously created, and to royalty payable to the United States, aggregate in excess of 17 1/2 percent, shall be suspended when the average production per well per day averaged on the monthly basis is (a) as to oil: 15 barrels or less and (b) as to gas: 500,000 cubic feet or less, and that such suspension will apply separately to any zone or portion of a lease segregated for computing Government royalty.

It is hereby certified that the statements made herein are true, complete, and correct to the best of the undersigned's knowledge and belief, and are made in good faith.

"This form is submitted in lieu of official Form 4-1175 and contains all of the provisions thereof as of the date of filing of this assignment."

Executed and witnessed as of the 22nd day of May 19 52

WITNESSES:

Mary L. Kaezel  
2122 Wm. Brewster, Irving, Texas  
(Address)

Joseph W. Culbertson  
7803 Purdue, Dallas, Texas  
(Name and address)

Bert Fields  
(Assignee's signature)

Bert Fields, a single man,  
1211 Fidelity Union Life Bldg.  
Dallas, Texas  
(Address)

Assignment approved effective \_\_\_\_\_

THE UNITED STATES OF AMERICA

By John R. Lang  
(Signing officer)

MANAGER  
(Title)

NOTE.—18 U. S. C. sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

## INSTRUCTIONS

1. *Use of Form.*—This form is to be used only for assignment of record title interests in oil and gas leases. It is not to be used for assignments of working or royalty interest, operating agreements or subleases. The assignor must fill in items 1 to 5 inclusive, and also insert in the appropriate spaces the office, serial number, and effective date of the lease involved in the assignment. If less than all of the lands in the lease are assigned, the specific subdivisions involved must be shown.

2. *Copies and Fees.*—All record title assignments must be filed in triplicate in the proper land office. If the land is in a State in which there is no land office they must be filed with the Bureau of Land Management, Washington 25, D. C. Where more than one assignment is made out of a lease a separate instrument of transfer for each assignment must be filed. An assignment may cover lands in only one lease. Assignments must be filed within 90 days from date of final execution and each must be accompanied by a fee of \$10. Such fee will not be returned even though the assignment later be withdrawn in whole or in part. Any assignment unaccompanied by the required fee will not be accepted.

3. *Citizenship.*—An individual must show that he is 21 years of age or over and will indicate whether a citizen by birth or naturalization. If production is obtained under the lease or allocated to it, the citizenship status of the assignee will be verified.

4. *Qualifications of Corporations.*—If assignee is a corporation it must show it is qualified with respect to the citizenship provision by filing a copy of its articles of incorporation, certified to by the Secretary of the State of incorporation and it must furnish a statement showing the percentage of each class of its stock which is owned or controlled by or on behalf of persons whom the corporation knows to be or who the corporation has reason to believe are aliens, or who have addresses outside of the United States, indicating which classes of stock have voting rights. If more than 10 percent of the voting stock or if all of the stock is owned or controlled by or on behalf of such persons, the corporation must give their names and addresses, the amount and class of stock held by each, and, to the extent known to the corporation, or which can be reasonably ascertained by it, the facts as to the citizenship of each such person. If any appreciable percentage of the stock of the corporation is held by aliens of the excepted class, its application will be denied. If 20 percent or more of the stock of any class is owned or controlled by or on behalf of any one stockholder, a separate showing of his citizenship and holdings must be furnished. A corporation also must furnish either the minutes of the meeting of the board of directors, or a copy of the bylaws indicating the officer signing the application has authority to do so, or a certificate of the Secretary or assistant secretary of the corporation to that effect over the corporate seal. Where a corporation has previously filed in any land office any of the documents required by this and the previous paragraph, a reference to that file by serial number may be made in lieu of the document together with a statement of any subsequent amendments. A single copy of any additional information required by the provisions of this and the preceding paragraph will be sufficient.

5. *Payment Out of Production.*—Any overriding royalties or payments out of production created by an assignment but not set out therein must be described in an accompanying statement. If payments out of production are reserved, outline in detail the amount, method of payment, and other pertinent terms.

6. *Bonds.*—Where an assignment is of an entire lease which is covered by an outstanding lease bond, it must be accompanied by a new bond or in lieu thereof the consent of the surety on the bond of record to remain bound thereunder with the assignee as the substituted principal. If an undivided lease interest is assigned, the assignment must be accompanied by the consent of the surety on the bond of the assignor to inclusion of the assignee as a joint-principal on the bond, or a new bond with assignor and assignee as joint-principals may be furnished. Any assignment which does not convey the assignor's record title in all of the lands in the lease must also be accompanied by consent of his surety to remain bound under the bond of record for the lease interest retained by said assignor, if the bond, by its terms, does not contain such consent. If a party to the assignment has previously furnished a Nation-wide bond on either form 4-1167 or 4-1168 applicable to the State and the act under which the lease issued, no additional showing is necessary by such party as to the bond requirement.

7. *Lease Account.*—All rentals and royalties due under a lease must be paid when an assignment is filed, or before the assignment is reached for action, otherwise the lease may be canceled.

8. *Assignment of Separate Zone or Deposit.*—An assignment of a separate zone or deposit or of a part of a legal subdivision will not be approved unless the necessity therefore is established by clear and convincing evidence which must accompany the request for approval of the assignment.

ILLEGIBLE

Attached to and made a part of that certain Correction Assignment affecting record title to Oil and Gas Lease SF 079298-C, entered into between Paul B. Horton and his wife, Susan Diggle Horton, as Assignors, and Bert Fields, as Assignee, dated as of May 22, 1952, Assignors reserve and retain unto themselves a production payment in the amount of Five Thousand Dollars (\$5,000.00) per acre payable out of seven and one-half per cent (7½%) of the gross production from said lease in so far as same covers the lands described in the attached Assignment, provided, however, that during any and all periods when the average production per well per day from said lease, averaged on a monthly basis, is as to oil fifteen (15) barrels or less per well per day, and as to gas five hundred thousand (500,000) cubic feet or less per well per day, said production payment shall automatically convert to a working interest, subject to its proportionate share of all operating costs and expenses incurred during such periods in the operation and development of the subject lands and lease.

STATE OF NEW MEXICO |

: KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF RIO ARRIBA |

WHEREAS, by Assignment Affecting Record Title to Oil and Gas Lease, dated May 22, 1952, Paul B. Horton and his wife, Susan Diggle Horton, assigned to Bert Fields all of their leasehold working interest in, to and under that certain United States of America Oil and Gas Lease bearing Serial Number Santa Fe 079298-C, entered into between the United States of America, as Lessor, and E. P. Ripley, as Lessee, under date of July 1, 1948, insofar as said Lease covers the following described lands situated in Rio Arriba County, New Mexico, to-wit:

Township 27 North, Range 7 West, N.M.F.M.

Section 24: N/2

containing 320 acres, more or less;

and

WHEREAS, by Decision dated April 2, 1953, said Assignment was approved by the District Land and Survey Office of the Bureau of Land Management at Santa Fe, New Mexico, effective as of February 1, 1953, as an Assignment of the Entire Working interest; and

WHEREAS, said Assignment and the Decision approving the same have created a hiatus as to the precise effect and intention of the parties thereto; and

WHEREAS, it was the intention of Paul B. Horton and his wife, Susan Diggle Horton, in executing said Assignment, and of the said Bert Fields, in accepting the same, that the said Paul B. Horton and his wife, Susan Diggle Horton, were assigning, and the said Bert Fields was acquiring, all and singular of the said Paul B. Horton's and Susan Diggle Horton's leasehold interest in, to and

under said lease insofar as same covers the above described lands, subject only to that certain overriding royalty in the amount of five percent (5%) of all oil, gas and other hydrocarbon substances produced, saved, marketed and sold from said lands and lease as theretofore reserved, and that certain production payment in the amount of Five Thousand Dollars (\$5,000.00) per acre payable out of seven and one-half percent (7-1/2%) of gross production from said lands and lease as reserved in said Assignment, said production payment to revert to a working interest when and in the event production from said lease should average, on a monthly basis, as to oil, fifteen (15) barrels or less per well per day, and, as to gas, five hundred thousand (500,000) cubic feet or less per well per day; and

WHEREAS, the undersigned, Paul B. Horton and his wife, Susan Diggle Horton, and Bert Fields, desire to clarify and stipulate as to the precise interest assigned by said Assignment dated May 22, 1952;

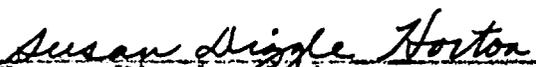
NOW, THEREFORE, for and in consideration of the premises and of the sum of One Dollar (\$1.00) by each of the parties to the other in hand paid, the full receipt and sufficiency of which are hereby acknowledged and confessed, the undersigned, Paul B. Horton and his wife, Susan Diggle Horton, and the undersigned, Bert Fields, avow, attest and declare that, in executing and accepting said Assignment dated May 22, 1952, it was their intention to assign to the said Bert Fields all and singular their entire leasehold interest in, to and under the above described lease insofar as same covers the above described lands, subject only to that certain five percent (5%) overriding royalty interest theretofore reserved as referred to hereinabove and further subject to the reservation of that certain production payment in the amount of Five Thousand Dollars (\$5,000.00) per acre payable out of seven and one-half percent (7-1/2%) of the gross production from said lease insofar as same covers the above described lands referred to hereinabove, and it was the intention of the said Bert Fields to accept the same.

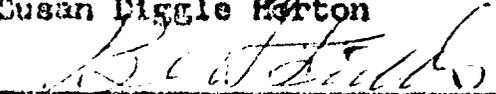
For the same consideration, the undersigned, Paul B. Horton and his wife, Susan Diggle Horton, do grant, bargain, sell, transfer, set over, convey and assign, and, by these presents, have granted, bargained, sold, transferred, set over, conveyed and assigned unto the said Bert Fields, his heirs, successors and assigns, forever all and singular their entire leasehold interest in, to and under the above described and referred to lease insofar as same covers the above described lands, subject, however, to that certain overriding royalty in the amount of five percent (5%) of all oil, gas and other hydrocarbon substances produced, saved, marketed and sold from the subject lands and lease as heretofore reserved, and further subject to the reservation to the said Paul B. Horton and his wife, Susan Diggle Horton, their heirs, successors, legal representatives and assigns, of a production payment in the amount of Five Thousand Dollars (\$5,000.00) per acre to be payable out of seven and one-half percent (7-1/2%) of the gross production from said lands and lease, provided, however, that during any and all periods when the average production per well per day from said lease, averaged on a monthly basis, should be, as to oil, fifteen (15) barrels or less per well per day, and, as to gas, five hundred thousand (500,000) cubic feet or less per well per day, said production payment shall automatically convert to a working interest subject to its proportionate share of all operating costs and expenses incurred during such periods in the operation and development of said lands and lease.

This Stipulation and Agreement shall be effective as of May 22, 1952. Except as herein modified and amended, said Assignment dated May 22, 1952, referred to hereinabove, shall be and remain in full force and effect as originally executed.

IN WITNESS WHEREOF, this Stipulation and Agreement has been executed in counterpart originals this 28<sup>th</sup> day of April, 1955.

  
\_\_\_\_\_  
Paul B. Horton

  
\_\_\_\_\_  
Susan Diggle Horton

  
\_\_\_\_\_  
Bert Fields

STATE OF TEXAS |  
COUNTY OF DALLAS |

On this 28<sup>th</sup> day of April, 1955, before me appeared PAUL B. HORTON and SUSAN DIGGLE HORTON, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged to me that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

*Louise M. Phillips*  
Notary Public in and for  
Dallas County, Texas

My Commission Expires:  
June 1, 1955.

STATE OF TEXAS |  
COUNTY OF DALLAS |

On this 3<sup>rd</sup> day of <sup>May</sup> April, 1955, before me personally appeared BERT FIELDS, a single man, to me known to be the person described in and who executed the foregoing instrument, and acknowledged to me that he executed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

*Mary S. Koegel*  
Notary Public in and for  
Dallas County, Texas

My Commission Expires:  
June 1, 1955.