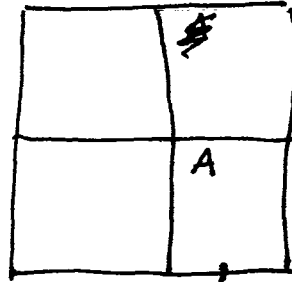
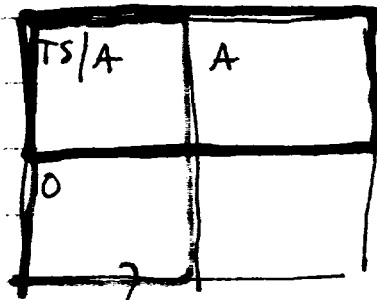


Amityton released APD's in § 23?
p. 2 response

Amityton will assign § 25 coverage
"change of operator" to whenever
p 2-3 grant's posting
app.

§ 25

§ 23



12816
(TMBR)

12841
(Ocean)

Arrington destination

Arrington : holds APD

Cases pending :

12731 de novo	TMBR requesting stay of Arrington's APDs
12744 de novo	TMBR appealing Hubbs District
12816	TMBR compulsory pooling
12841	Ocean compulsory pooling

Court Case :

Arrington has no interest in W/2 of § 25 based on Stokes/Hamilton Top Leases

TS: not req'd to ~~pool~~ pool before drilling - but small interests voluntary consent / op

neither Arrington nor Ocean had interests of record in N/2 § 25 on 8-7-01 when filed for APD

Texas cases ?

OK cases ?

Why shouldn't stay the cases until a ruling in Courts becomes final?

explain how can drill in NW/4 if no colorable title there -

Farmout says that if a title opinion indicates title requirements that are problematic, then must initiate forced pooling
is to lease dispute before Dist. Ct. that title requirement relied upon?

Copy of assignment from James, D. Huff to Amityton

Farmouts

briefs in Dist. Ct.

Amityton colorable title in NW?

3.26
OCC

write order that stresses
importance of communicating
w/ Division - no file

① 12758 re: Kersey & Co.

Haver "1" Well

not produced since before 1997

notified on 5.20.00, 9.8.00

put well back on production before Division order
issued - just didn't intend to correspond

Proaty - no production for five years - sporadic
reports

→ Division files - Administrative notice -

mitigating factors -

Division order - \$1,000

Report production
to TRD??
(June)

② 12733 re: General Minerals - write order that
Federal CCC Well No. 1 stresses failure to
not produced since 1997 report production (C-115)
owner hostile attitude towards Division - not currently
noticed on 9-8-00, 5.2000 - fine of \$1,000
not taken any action to remedy situation

~~TRD should be~~
Proaty - no production for five years - Division is
no production reportedly since 10-97 instructed
through 1-02 to provide
5-11-01 letter/questionnaire to all
persons on inactive well list
info. to TRD

2 notices given of pending action

Gum - Fed. CCC No. 1

30 years in o+g
here in 8 years
qualified

questionnaire not returned, not in Dist. file

Ex. 4 9-8-00 letter to GM

Ex. 5 12-26-00 " " misdirected

Feb. 2, 2002 - Inspector inspected Fed. CCC No. 1

Ex. 7 - Daily Field Trip Report - RBDMS

Ex. 8, 9, 10 (Photos)

belts not present and not in paper grooves
impossible - not capable of production

BLM very strict on TA wells - BLM will
permit activity 3-4 mos., well not in
TA status (BLM requires pressure test - and
wells would preclude such a test)

Navajo will only pick up large loads -
production could have been made
at any time until proper volume
accumulated -

Admin Notice Ex. 2, Ex. 6, Ex. 3

direct jurisdictional problem w/ failure to file reports ^{production}

(3) 12739

send transcript to
R. Lee

Coalhurst - 12 wells

draft order that
imposes fine so long

David Brooks - Division^{as} 4 wells plugged,
William F. Carr - Coalhurst Plan for waterflood
- TA done w/in

testimony of Charles Perrine on Oct. 13 180 days
admissible -

any repairs or plugging
expediently thereafter

Prouty - C-115s filed

- any well not in

no production since 1997 until compliance
1-2002 thereafter \$1,000/day

not continue
fake under
advisement

John Coalhurst -

Berkeley, CA

President, owner of Coalhurst Mgt + Invest.

holding company for oil + gas properties

has no other properties

BA, Economics Harvard (PA)

invested in LPs

Gene Wilson - NM geologist

1991 - S. San Luis pool (Noel Reynolds)

trying to develop properties

wells not producing

bring wells into compliance

plan to bring to production

plan - acquire & deepen - oil zone @ 600'
(waterflood)

11710

William Wise - Socorro

\$33, less 80 acres

\$28, Jenny - intends to plug

8 ancient wells - ~~with~~ different pool
6 new wells

14 in reservoir

12 inactive

plan - 2 good wells (working down)

implement a water flood

2 producing wells

need to plug 4 of old 8 wells

as soon as possible, use remaining
for water sources

20-40 years - 2000 bbl. total

once owned - 2000 bbl.

wells - 350 - 450 feet

new wells - 700 feet

using fresh water for stock water

surface federal

\$25K CD in BLM's name

BLM sent him a 30-day notice previously
talked w/ Pat Hester, Brian Davis (BLM)
- submitted written proposal to BLM -

drilling injection well in Fall

May 2, 2000 - had in file, bradshaws test,
respond in 30 days - didn't respond -
contacted w/ BLM

hearing last Sept. - learned about on
Thurs. 5pm before hearing - Perrin -
certified letter - didn't receive

couldn't get plugging program approved in
2 days from BLM

talked to pluggin - need to have BLM
firm

no extension granted

submitted written proposal to Division on
(Coalhurst No. 1)

"new"
Jerry No. 1
plug - no good

Dwain wells - 4
plug 16
keep rest as water source

Anne wells - 4
"old" wells
plug 5.6
3 - water source
15 - unknown

Aaron wells
"new" wells
3 + 4 water sources
1 - bad cement job?

\$12k fine, produce or plug

bet. plugging company and BLM

* integrity test 4 wells

* increased cementing, and perforating (BLM)

requirements for plugging - increased
cost dramatically - has asked BLM
to relax requirements

* Phoenix well service, Lindrita

* \$1,500/well plugging

\$5,000/well plugging

\$2,500/well for integrity testing

will plug 4 wells
begin waterflood

* Wants enough time to work out deal w/
BLM, Penn, Pat Hester → needs 6 mos.

* Division no knowledge of waterflood because
forms not filed w/ OCD - only filed w/
BLM

* will file forms for waterflood (Charlie?)

* Can't afford both to plug wells and do
waterflood

2 + 9
producing

production from Menifee

± bradenheads (TA status)

wells improperly cemented - fresh
water NOT protected -

1990 - hired Wise as consultant during
time he was a Commissioner -

④ 12731, 12744 TMBR/Sharp

Kellakin, Susan Richardson (Midland) - TMBR
Carroll - Arington & witnesses
Bruce - Ocean Energy & witnesses

Opening - Kellakin -
4 Apr -

Void arington opd
confirm TMBR apps.

Stoker/Hamilton lease held by production re 824
by Blue Fire well No. 1

filed for APD - denied

★ is top lease invalidated by Ct. action - because
TMBR lease good

Amhyton's APD predicated on assumption that
TMBR/Sharp

2- Top lease dated 2 days after TMBR spudded
0

R-11700 - denied TMBR's application

Q24 "colorable claim of title" in Amhyton

Q21 Division has no jurisdiction to determine title

Q25 Division may resolve APD

District ~~Amhyton~~ - Amhyton trust is title

TMBR- 8-24 litigation in Lee County
case 12-24 Dist. Ct. Amhyton - SJ against
top lease failed -
headed to trial

issue APDs w/out interference from Ocean
decision will resolve compulsory pooling
TMBR - 90% in N/2

pooling cases continued until common ruling

SV/4 - farmowner expires (one year total) - haven't
taken any action -

Letter agreement w/ Amhyton

Amhyton 15% interest in SW

Ocean proposes the same well!

assign an APD ???

Ocean attempting to substitute itself to
Amington -

"injunction" from District Ct.?

=

Correll - Amington

Why are we here -

§ 23, 25 → § 23

§ 25 - APD in § 25 granted ??? TMOR ???

this Comm'n first in time, first in right

R-10731-B

app. of KCS

Comm'n ruled geological evidence must imp. not
first in time

Amington, § 25
NE/4

also has farmouts in W/2

Amington "will" assign - no intent to drill well -

control an interest - farmout agreement
- AmI agreement

which comes first? Pooling or APD

What happens when 2 competing apps -
Should this be a hearing on geology and
suspend existing APD

=

Bruce -

(W/2)

Case #
11887

Ocean SW/4 § 25 will expire July 1
anticipated Armstrong would be operator -
Ocean sent out proposal

*** if APD determines pooling - and no one can
challenge - writes out pooling statute
[but - APD, then pooling; disputed pooling will
involve geology]
[pooling requires title
2 right to drill
proposes to drill
owner]

[but Bruce wants to write APD rules
out of book as well]

= Division precedent on
well location

TMBR -

Mark Nearburg - Ameristate Oil + Gas
Land man

work began as geologic study
1991 first lease

1994 § 23, 24 leases Stokes, Hamilton

1997 sold TMBR/Sharp
drilled 1st well in § 23

~~1999~~

dilling to Mississippian -

1999-2000 3d seismic
(Blue Fin well SW/4 §24)
March 29, 2001

focus on §24 at N/2 §25, E/2 23
(NW/4)

TAMR spent \$7.5 mil. since 1991 developing
this prospect

discussed prospect w/ Ocean Energy (Blue Fin)
at each time declined to join because of
the risk

Ocean - prospect low and wet

identified locations + units proposed

no confidentiality or non compete agreement
Ocean didn't disclose they were independently
pursuing prospects or possibly farm-out from
Armstrong

re: Stokes/Hamilton leases

1994 - first lease

1997 - ex. 6

re: A 5 - file written designations -
when drilled Blue Fish, attached
C-102, 320 ac. for unit

also filed ~~lease~~ notice to
third parties in County Clerk

lease originally scheduled to expire
12-00, 6 mos. ext. to 6-17-01

Huff agreed to p. leases from Stokes and
Hamilton -

Stokes/Hamilton
Lease had not expired - drilled well
designated acreage
produced
filed notice in County

filed suit

Dist. Ct. - base lease still valid - top
lease not effective

industry procedure to ask underlying ^(back) lessee
release - otherwise, Dist. Ct.

strategy of Arundelton to file APD
siding

filing of permit = public notice

TMBR intended to drill soon after APDs filed

Armington never intended to drill a well
"at this time"

normal practice - file permit and drill

=

Cross:

Carroll

made decision in conjunction w/ Phillips and
other working interest owners to file,
in OGD rather than County Clerk,
[but later filed in Lea County Clerk]

=

Bruce

=

Jeff Phillips

TMBR

7 years

President

APD - Blue #1, Ex. 8

DST - 5-15-2001

prolific gas interval - reservoir
(drilling 100)

6-29-01 = production begins

no idea about top leases in June

rec'd ^{communication} ~~letter~~ from Mike Cannon -
clients had top leased to an 'entity'
(DTS)

"entity" claimed top lease valid
disagreed that base lease invalid

7-24-01 - saw Amhyten in Midland:
knew Huff had taken to P lease
speculated that Amhyten involved
Amhyten said "don't enter me that right now"

"yes I did"

"didn't know it was you"

discussed merits -

"I know you won't be able to drill
on other 2"

180 day continuous drilling clause
180 days to ~~the~~ drill next well or lose
its lease

not aware of Amhyten's 7-17 APDs

became aware of permits when rec'd
notice in Anderson reports

filed competing apps on 8-6-01
as a result of expedited effort
(having learned of Armstrong's intentions)

Hobbs denied permits - competing permits

filed cases before OCD
filed lawsuit

~~***~~ Huff assigns interests to Armstrong (any
after APDs filed)

filed supplements (application recently in § 25
(ex. 17))

used same data - filed w/ motion for SJ
Signed by Paul F. Kantz

~~***~~

~~ADP~~ now 2 competing permits to drill on § 25

intended to get APD, drill then pool
so as to address the concerns - keep clock
running - more informed about what
want to pool (eg 160, 80 ac. upper horizons)

concern that if pooled, ~~the~~ lease might
expire before pooling proceedings concluded
→ Spud date 9-1-01

Ex. 2

Arrington Spud date - "ASAP"

[Contrary to attorney's representation]

re: Ocean Energy APDs?

no app. or permit re § 23 or 25

re: well proposal - "Triple Huckle Dragon"
same well name as used by Arrington

filed pooling app. because out of options
and aware of Ocean's impending app.

Ocean first acquired farmouts in 7-01

Ocean going to convey its interest in
top lease to Arrington

→ Blue Fish - producing, 1 mcf/d.

Huff acquired interest in top lease as an agent of Arrington

[No evidence]

=

Richardson -

vacate Arrington's APD

July permit - no title

no recording
nothing in County records

Arrington took top lease to block drilling, so as to make his top leases effective -

JMBR

taking - risk that we wrong about title

=

Carnoll -

pooling

real legal issues

\$\$

③

draft something -

grant TMBR

make clear how it's supposed to work

caution about going through pooling
process

direct pooling - to pooling cases

→