

CASE 6875: MAURICE L. BROWN CO. FOR COM-  
PULSORY POOLING, LEA COUNTY, NEW MEXICO

CASE NO.

6875

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,

ETC.



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

**Mr. William F. Carr  
Campbell and Black  
Attorneys at Law  
Post Office Box 2208  
Santa Fe, New Mexico**

Re: CASE NO. 6875  
ORDER NO. R-6343

**Applicant:**

**Maurice L. Brown Co.**

Dear Sir:

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

Yours very truly,

JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	<u>  </u>

**Other**

**Tenneco Oil  
Exploration and Production**  
A Tenneco Company

Southwestern Division

6800 Park Ten Blvd. • Suite 200 North  
San Antonio, Texas 78213  
(512) 734-8161

May 25, 1979

Maurice L. Brown Company  
Suite 200 Sutton Place Building  
Wichita, Kansas 67202

Re: LCM Request (MR-3227)  
NW/4 Section 4, T9S-R34E  
Lea County, New Mexico  
Jenkins Area

Attn: Don Littell

Gentlemen:

Please be advised that Tenneco Oil Company will grant a Lease of Company Minerals Agreement covering the captioned acreage under the following terms:

1. M. L. Brown Company to commence the drilling of a San Andres test within ninety (90) days of a mutually acceptable agreement.
2. Upon completion of the test well as a commercial producer, Tenneco will execute and deliver to M. L. Brown Company an oil and gas lease subject to a 25% royalty. At such time as the test well shall reach a payout status, Tenneco shall then have the option to convert 1/2 of the 25% royalty to a 1/3 working interest, proportionately reducible. The lease shall be limited to 100' below deepest depth drilled.
3. Tenneco shall retain a call on production on the full 25% mineral interest.
4. Tenneco does not warrant title.
5. Any joint operations would be conducted under the terms of a mutually acceptable operating agreement, using an AAPL type form which would designate M. L. Brown Company as Operator.



Maurice L. Brown Company

Page Two.

If the aforementioned conditions meet with your approval, please execute and return one (1) copy of this letter to this office. Upon receipt, we shall prepare the formal agreement.

Yours very truly,

TENNECO OIL COMPANY

*M. M. Hinze*

M. M. Hinze  
Land Supervisor

Agreed and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 1979.

\_\_\_\_\_  
Maurice L. Brown Company

Accepted subject to the stipulation  
that the meaning of Paragraph 2  
above is as follows:

MMH:cs

Revenue  
Interest

- (A) Tenneco's interest in NW/4 Sec. 4 before payout;  
25% R.I. on 40 net acres = 25% x 25%
- (B) Tenneco's interest in NW/4 Sec. 4 after payout if  
Tenneco exercises the conversion option (Tenneco  
agrees to exercise such option within 90 days of the  
end of the month in which payout occurs):

.06250

Tenneco would keep  $\frac{1}{2}$  of .0625  
Tenneco would exchange other  $\frac{1}{2}$  for a working  
interest;  $\frac{1}{3} \times 25\%$  .08333  
Tenneco W.I. would be subject to its share  
of Royalty Interest; .08333 x .125 (.01042)

.03125

.07291  
.104167

**Tenneco Oil  
Exploration and Production**  
A Tenneco Company

Southwestern Division

6800 Park Ten Blvd. • Suite 200 North  
San Antonio, Texas 78213  
(512) 734-8161



**JUN 18 1979**

June 14, 1979

Maurice L. Brown Company  
Suite 200  
Sutton Place Building  
Wichita, Kansas 67202

Re: Lease of Company Minerals Request  
(MR-3227) NW/4 Section 4,  
T9S-R34E  
Lea County, New Mexico  
Jenkins Area

Attn: Don Littell

Dear Don:

Please be advised that since your request covers Tenneco minerals, we are unable to recommend granting a lease on the terms you requested, as per your letter of June 7, 1979. Therefore, the terms of my letter dated May 25, 1979, are the terms under which a possible agreement could be reached.

Yours very truly,

TENNECO OIL COMPANY

A handwritten signature in cursive script that reads "M. M. Hinze".

M. M. Hinze  
Land Supervisor

MM:cs



THE MAURICE L. BROWN COMPANY

SUTTON PLACE BUILDING, SUITE 200,

WICHITA, KANSAS 67202

(316) 265-4651

June 7, 1979

Tenneco Oil  
6800 Park Ten Blvd. - Suite 200 North  
San Antonio, Texas 78213

Re: LCM Request (MR-3227)  
NW/4 Section 4, T9S-R34E  
Lea County, New Mexico  
Jenkins Area

Attn: M. M. Hinze

Gentlemen:

Thank you for your letter of May 25, 1979 concerning subject matter. The terms quoted in that letter are agreeable with us with the exception of the working interest "back in" at payout under item #2.

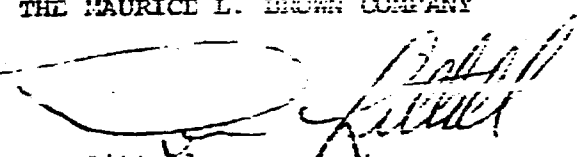
We feel this well would be one of low reserves, and anything above the 25% royalty makes the project infeasible for us.

If Tenneco would be agreeable to removing the "back in", we would be most happy to proceed.

Thank you.

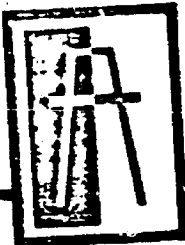
Very truly yours,

THE MAURICE L. BROWN COMPANY

  
Don Littell  
Land Manager

DL:pm

cc: FN, BG, MLB, NE, RP



THE MAURICE L. BROWN COMPANY

SUTTON PLACE BUILDING SUITE 200

WICHITA, KANSAS 67202

(316) 265-4651

March 26, 1979

Mineral Owners (List Attached)  
NW/4 Section 4-T9S-R34E  
Lea County, New Mexico

Ladies and Gentlemen:

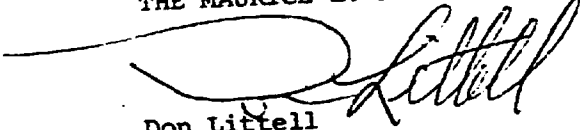
The Maurice L. Brown Company acquired the BTA 7103 JV-D, Evans Lease from BTA Oil Producers, 104 South Pecos, Midland, Texas, on January 1, 1975. The producing well, #1 Evans (1980' FNL and 1980' FWL, Sec. 4-9S-34E) was plugged and abandoned in September, 1978, with the leasehold reverting back to Addressees.

The Maurice L. Brown Company proposes to drill a well on this quarter-section to test the San Andreas formation. We propose a lease covering rights to the base of the San Andreas for a two-year period at \$50.00 per acre and a 3/16ths royalty. If these terms are satisfactory, please advise.

Should any of Addressees wish further information or desire further discussion, we would welcome a call to the undersigned, or to Mr. Frank Novy, at 1-800-835-2996.

Yours very truly,

THE MAURICE L. BROWN COMPANY

  
Don Littell  
Land Manager

DL:mg

Attachment

CC: FN, DH, VH, SP, CP, BG,  
MLB, RRP, NE, CG, PB

MINERAL OWNERS

NW/4 Section 4-T9S-R34E  
Lea County, New Mexico

	<u>Percentage Ownership</u>
Frank O. Elliott Living Trust $\frac{1}{4}$ Royalty -	12.50000%
Edna Ione Hall Living Trust no cash	12.50000%
C/O Elliott Oil Co.	
P.O. Box 1355	
Roswell, New Mexico 88201	
Fannie Gae Markham Ratliff	3.57723%
Billy Jo Markham	3.57723%
2248 Demaret	
Mesa, Arizona 85205	
C. B. Markham, Jr.	3.57723%
P.O. Box 921	
Truth or Consequences, N.M. 87901	
John Markham	3.57723%
Sallie Mae Markham White	3.57723%
3418 36th Street	
Lubbock, Texas 79413	
Julia Ruth Markham Proctor	3.57722%
2506 Redbud	
Odessa, Texas 79760	
Jack Markham	3.57722%
Suite 1212, 1st Nat'l. Pioneer Bldg.	
1500 Broadway	
Lubbock, Texas 79401	
Thomas Weldon Evans	6.23985%
Bertha L. Evans	6.23986%
1916 55th Street	
Lubbock, Texas 79400	
Lorene E. Whitley Longwell	6.23985%
1204 Parkland Drive	
Aztec, New Mexico 87410	
Odessa M. Whitley	6.23985%
Roswell Hwy.	
Tatum, New Mexico 88267	
Tenneco Oil Company $\frac{1}{4}$ Royalty - Back-in @ payout -	25.00000%
Attn: Mike Minze Exchange $\frac{1}{2}$ of $\frac{1}{4}$ Royalty (X) for w.I. of $\frac{1}{2}$	
6800 Parkten Blvd., Ste. 200 North	
San Antonio, Texas 78213	

100.00000%



THE MAURICE L. BROWN COMPANY

SUTTON PLACE BUILDING, SUITE 200,

WICHITA, KANSAS 67202

(316) 265-4651

January 9, 1980

Tenneco Oil  
Mr. M. M. Hinze  
6800 Park Ten Blvd. - Suite 200 North  
San Antonio, Texas 78213

Re: LCM Request (MR-3227)  
NW/4 Section 4, T9S-R34E  
Lea County, New Mexico


Gentlemen:

On March 26, 1979 The Maurice L. Brown Company proposed to lease Tenneco's 1/4 interest in captioned quarter section. On May 25, 1979 Tenneco responded to that proposal with the enclosed letter.

We now have under lease the other 75% of subject minerals and have scheduled a San Andres well to be spudded May 15, 1980. We wish to consummate an agreement as stated in Tenneco's letter. Our acceptance of these terms is conditioned upon our agreement that the meaning of paragraph 2 is as we have explained it at the bottom of the letter. With regard to Paragraph 5 of Tenneco's 5/25/79 letter, we enclose a copy of our operating agreement, which is an AAPL type. We will appreciate hearing from you at your earliest convenience.

Very truly yours,

THE MAURICE L. BROWN COMPANY

  
Don Littell  
Land Manager

DL:pm  
encl.

cc: FN,RRP,NE

**Tenneco Oil  
Exploration and Production**  
A Tenneco Company

Southwestern Division

6800 Park Ten Blvd. - Suite 200 North  
San Antonio, Texas 78213  
(512) 734-8161



February 25, 1980

Maurice L. Brown  
Suite 200 Sutton Place Bldg.  
Wichita, Kansas 67202

RE: C-13772 - Lease of  
Company Minerals under-  
lying: Lots 3 & 4, S/2 NW/4  
Section 4, T-9-S, R-34-E, Lea  
County, New Mexico ("contract  
lands")

Gentlemen:

This contract shall confirm and set forth our agreement providing for your drilling, testing, completing, and equipping of a test well for the production of oil and/or gas and thereby earning an oil and gas lease covering our interest in minerals under the captioned lands.

The terms and conditions of our agreement are as follows:

1. You shall have the right and option until June 1, 1980, to commence, or cause to be commenced, the actual drilling of a well (herein called "test well") for oil and/or gas at a lawful location upon the contract lands, and to thereafter diligently attempt to drill such well to a depth sufficient to adequately test the San Andres formation, (herein called "contract depth"). Such test well must be completed and equipped to produce or plugged and abandoned within sixty (60) days after commencement of drilling operations. You may not drill the test well below contract depth.
2. If in the drilling of the test well hereunder and prior to its having reached contract depth, there is encountered some impenetrable substances or other drilling conditions which makes it impossible or impracticable to continue drilling using methods normally utilized in the industry, or should you, after having reached contract depth and subsequent thereto, attempt to complete the well to produce, yet are unable to do so due to mechanical difficulty or condition of the hole, you shall have the option of drilling a well in substitution therefor in order to satisfy the

terms and conditions of this agreement. If you elect to drill such a substitute well, the actual drilling thereof must be commenced within thirty (30) days of the date upon which the drilling or completion attempt of the previous well shall have ceased and said substitute well shall be drilled at a mutually acceptable lawful location near the location of the abandoned well. Any such substitute well must be completed and fully equipped to produce or plugged and abandoned within sixty (60) days after commencement of drilling operations thereon and it shall be drilled, tested, completed, equipped, information furnished, etc., all in the same manner as the test well for which it is substituted. Reference herein to the test well shall include any substitute well drilled therefor.

3. The entire cost, risk and expense of whatsoever nature incurred as a result of drilling, testing, completing, equipping and/or plugging and abandoning the test well shall be borne solely by you.

4. (a) In connection with the drilling of the test well you agree to furnish to Tenneco Oil Company ("Tenneco"), punctually after receipt, copies of all surveys, logs and/or tests taken and any other information or data obtained from the drilling of such well. You shall also furnish a daily drilling report showing the current progress and activities in connection with any such well drilled, which report shall include the status of the operation, depth, crooked hole tests, character and names of the formations encountered, shows of oil, gas, or water and detailed reports of all drillstem tests or other production tests. All logs and surveys shall be run from bottom of surface casing to total depth drilled. You shall run at least one (1) porosity tool and one (1) resistivity tool of your choice.

(b) Further, punctually after receipt you agree to furnish the following material to Tenneco free of cost:

1. Two field prints, one sepia, and two final prints of all electric surveys.
2. Two field prints and two final prints of all Mud logs.
3. Two copies of all DST charts (with evaluations), open flow tests, and BHP surveys.
4. Two final prints of all Velocity Surveys.
5. Two copies of all Core and Fluid Analyses.
6. Two certified copies of Drillers & Drilling Time Logs.
7. Two copies of all Survey plats and elevations.
8. Two copies of all forms required by any State and Federal Regulatory body.



9. One resistivity log.

10. One porosity log.

(c) The test well drilled hereunder shall be bottomed at a lawful location.

5. In connection with operations performed hereunder, and in connection with your operations upon any lease granted to you hereunder, you agree:

(a) To indemnify and hold Tenneco harmless from any loss, risk, expense, cost, damage, or liability (including but not limited to attorney's fees incurred in connection therewith), incurred or arising from or as a result of your operations.

(b) You shall be liable to the owner(s) of the premises or any part thereof for all damages to the surface of the land or to the crops, timber or grass thereon, or for pollution of or damage to any wells or waterways, or for injuries to or death of any animals or for damage to or destruction of any other personal property for which liability may exist.

(c) You shall fill in pits which may be dug in connection with any operations hereunder and restore the surface of the lands on which such operations are conducted as nearly as possible to its original condition, plug and abandon any wells which are not to be produced, all at your sole cost, risk and expense and in accordance with the applicable lease provisions and any regulation of any governmental regulatory body having jurisdiction thereof.

(d) Tenneco representatives and/or agents shall at all times have access to the derrick floor to inspect and observe drilling operations.

(e) You and your contractors and subcontractors shall, during the drilling and completing of any such wells and during the performance of all operations, carry the following described minimum insurance coverage with a company satisfactory to Tenneco.

1. Employers Liability and Workmen's Compensation Insurance covering the employees of your contractors and subcontractors engaged in operations hereunder, in compliance with the laws of the state in which operations hereunder are to be performed;

2. General Public Liability Insurance in connection with all operations conducted by you or your contractors and subcontractors with bodily injury or death limits of \$1,000,000 for injury to or death of any one person, \$1,000,000 for injury to or death of more than one person resulting from any one accident, and for property damage

with a limit of \$1,000,000 for damage to property for each accident, and;

3. Automobile Public Liability and Property Damage Insurance in connection with all operations conducted by you and your contractors and subcontractors with bodily injury or death limits of \$1,000,000 for injury to or death of any one person, \$300,000 for injury to or death of more than one person resulting from any one accident, and for property damage with a limit of \$50,000.00 for damage to property for each accident.

You shall furnish certificates, in duplicate, evidencing such insurance to Tenneco at the address shown herein prior to the commencement of any operations hereunder.

6. If you desire to plug and abandon the test well under circumstances when you do not have the right to drill a substitute well for the well to be plugged and abandoned, or having such right do not elect to drill such a substitute well, ~~Tenneco shall have the right and option to take it over to drill deeper and/or attempt completion.~~ You shall give Tenneco at least forty-eight (48) hours notice (exclusive of Saturdays, Sundays and holidays) prior to such intended abandonment and if it elects to so take over the well, you shall forfeit, release, and relinquish your right to earn any lease hereunder, and you shall also convey to Tenneco all of your interest in and to the drilling, spacing or proration unit upon which the well is located and to the well and material and equipment therein, thereon or appurtenant thereto, which is attributed to the interest subject to this agreement which Tenneco desires to acquire, same to be free and clear of all liens, charges, and encumbrances not in existence on the date hereof. If Tenneco so takes over such well, Tenneco will pay you the actual salvage value of all salvable materials and equipment in the well so taken over by Tenneco at the time of take-over, less the cost of removing and/or recovering same. If Tenneco so takes over the well, you shall bear all expenses, up to the time of actual take-over, including up to forty-eight (48) hours of rig stand-by time subsequent to notice of intent to abandon, but Tenneco shall bear the expense of its attempted completion or subsequent plugging and abandoning.

7. Upon your drilling of the test well hereunder, or a substitute well therefor, to contract depth, within the time and in the manner provided and the completion and equipping of such well (herein called "earning test well") as a well capable of producing oil and/or gas in paying quantities, Tenneco will execute and deliver to you an oil and gas lease substantially in the form attached hereto as Exhibit A covering that portion of the contract lands included in the spacing or proration unit for such well, but only from surface to a depth one hundred feet (100') below the deepest producing interval in the earning test well. All non-participating royalties and/or production payments reserved prior to the date of this agreement which burden the interest Tenneco will lease to you shall be paid by you to the owners thereof

out of the royalty payable to Tenneco in said lease and the royalty to be received by Tenneco shall be reduced by the amount of such non-participating royalties and/or production payments paid by you. Any oil and gas lease executed and delivered to you pursuant to this agreement, shall be dated as of the date the completion rig is removed from the earning test well and shall contain the provisions of the form of oil and gas lease which is attached hereto as Exhibit "A" and made a part hereof.

8. Payout shall occur when the proceeds of all the production from the test well (exclusive of royalty, overriding royalties and production payments in existence and of record on the date hereof, and taxes chargeable to these interests) equals all of the costs incurred by you in drilling, testing, completing and equipping said well for production, plus all the costs incurred by you in operating said well during such time. Upon payout, you shall notify Tenneco of such event, and Tenneco shall have the option which must be exercised within thirty (30) days after notice of payout, to require a release unto Tenneco of an undivided fifty percent (50%) of the original interest in the lease attached hereto as Exhibit A which you may earn hereunder in return for which Tenneco shall be credited with a working interest in the well based upon Tenneco owning a one-third working interest in the contract lands committed to the drilling, spacing or proration unit for such well all of which shall be reflected on Exhibit A to the operating agreement applicable to such well. Costs of operating the well shall be borne as provided in the operating agreement which shall be an A.A.P.L. 610 Model Form Operating Agreement 1977 - Individual Loss, which shall contain among other provisions the following:

- a) Maurice L. Brown shall be named Operator;
- b) Exhibits A thru F shall be attached thereto. Exhibit C shall have a drilling well rate of \$2500 per day and a development well rate of \$250 per day. F is attached hereto as Exhibit B.
- c) Article IV.A: Option 2 shall be selected; OK
- d) Article VI.A: The test well drilled hereunder shall be considered the Initial well. OK
- e) Article VI.B.2.(b) shall be completed with 300%; OK
- f) Article VI.C is made subject to paragraph 9 of the lease attached hereto as Exhibit A.
- g) Article VII.D.1: Option 2 shall be selected;
- OK h) Article VII.D.3: \$25,000 and \$10,000 shall be inserted respectively;
- OK i) Article VII.E: Complete with 1/8 royalty;
- OK j) Article X: Complete with \$5,000;
- OK k) Article XIII: Select Option 2 and insert 60 days;
- OK l) Add Tenneco Oil Company as a signatory party upon payout and Tenneco's election to convert one-half of its royalty to a proportionate 1/3 working interest.

9. Until payout of the earning test well, you shall furnish to Tenneco, monthly, a statement which reflects the total volume of oil, gas, and other hydrocarbons produced from the earning test well, and the price received for same, together with a statement showing costs of drilling, testing, completing, equipping, and operating the such well, and the status of the recovery of such costs. You shall operate and produce the well continuously and at its full capacity in a manner consistent with the generally accepted producing rates and techniques and market availability. Tenneco, at all reasonable times, shall have the right to audit all records and data which pertain to such well and the payout account.

10. No partnership, joint venture or mining partnership is intended or meant by this agreement, and no act by either of us shall operate to create such a relationship, nor shall any of the provisions hereof be construed or implied as creating such relationship for any purpose whatsoever. Neither you, your employees, agents or contractors are in any wise the agents, employees, or contractors of Tenneco for any purpose whatsoever. The liability of the parties hereto shall be several, not joint or collective.

11. All of the provisions of this agreement shall be subject to all applicable laws, orders, rules and regulations of any governmental body having jurisdiction in the premises, and any provision hereof which is inconsistent with any such law, order, rule or regulation is hereby modified so as to conform therewith, and this agreement as so modified, shall continue in full force and effect.

12. Time is of the essence of this agreement. In the event you fail to commence actual drilling, prosecute same as herein provided or fail to perform any other covenant or meet any obligations hereof within the time and in the manner stipulated, then all of your rights hereunder shall cease and terminate.

13. All of the terms, covenants, conditions, and provisions hereof shall inure to, be available to and binding upon the parties and their respective heirs, successors, and assigns.

All notices, reports, samples, copies of logs and surveys and other information and data required to be furnished under the provisions hereof shall be furnished or telephoned to Tenneco at the following address and telephone number:

6800 Park Ten Blvd. Suite 200 North Bldg.  
San Antonio, Texas 78213  
Attention: D.L. Hall

Office Phone: 512/734-8161  
Home Phone: 512/681-5743

Notices shall be considered given when received by Tenneco.

Either party shall have the right to change its address for notices hereunder by giving written notice to the other party.

14. This agreement is made without representations or warranties of any nature and Tenneco does not represent or warrant title to lands subject hereto in any manner but upon written request shall furnish you with copies of available title data in its files. Tenneco shall not be obligated to furnish you any new or supplemental abstracts or to do any curative work in connection with the title to such lands, and you shall furnish free to Tenneco copies of all title opinions and other evidence of title which you obtain and which pertain to such lands.

If the foregoing is acceptable to you, please indicate your agreement and acceptance of the terms and conditions hereunder by executing and returning two copies of this contract on or before the \_\_\_\_\_ day of \_\_\_\_\_, 1980.

Very truly yours,

TENNECO OIL COMPANY

  
DON S. TAYLOR  
Attorney-in-Fact

SDK

DST:DLM:njp  
Attachments

AGREED TO AND ACCEPTED this the  
\_\_\_\_\_ day of \_\_\_\_\_, 1980.

BY: \_\_\_\_\_  
MAURICE L. BROWN

OIL AND GAS LEASE

THIS AGREEMENT, made as of the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_,  
between TENNECO OIL COMPANY, a Delaware Corporation, whose address is 6800  
Park Ten Blvd. Suite 200 North Bldg., San Antonio, Texas, as Lessor,  
and \_\_\_\_\_, as Lessee:

W I T N E S S E T H :

1. Lessor, in consideration of Ten Dollars (\$10.00), in hand paid,  
of the royalties herein provided, and of the agreement of Lessee herein  
contained, hereby grants, leases and lets exclusively unto Lessee for the  
purpose of exploring, prospecting, drilling for and producing oil, condensate,  
gas, and other like hydrocarbon substances (excluding coal, oil shale, tars  
and bitumens) laying pipe lines, building roads, tanks, power stations,  
telephone lines and other structures thereon to produce, save, take care of,  
treat, transport and own said products, the following described lands  
(hereinafter called leased lands), lying and being situated  
in \_\_\_\_\_ County, New Mexico:

to be completed with legal description of contract lands  
lying within spacing or proration unit for test well

2. Subject to the other provisions herein contained, this lease  
shall be for a term of \_\_\_\_\_ 90 days \_\_\_\_\_ from the above date (called  
"primary term") and as long thereafter as oil or gas is produced from said  
land in paying quantities.

3. Lessee shall pay to Lessor, as royalty:

(a). Twenty Five percent (25%) of all oil and other  
hydrocarbons (including casinghead gas) produced from an oil well, produced  
and saved from the said lands, which shall be delivered at the well(s) or  
tanks or to Lessor's credit into any pipe line which the well(s), or any of  
Lessee's tanks, may be connected, all free of cost of production and  
delivery. All oil and liquid hydrocarbons (including condensate referred to  
in paragraph 3(b) below) shall be measured in separate tanks of Lessee or by  
accurate liquid meters approved by Lessor. Until further notice from Lessor,  
Lessee may purchase any royalty oil in Lessee's possession, paying the highest  
market price prevailing in the field where produced on the date same is run or  
sold; or, if there is no market or posted price in the field, the posted  
average price for oil of like grade and gravity prevailing in the general area  
in which the leased premises are located.

(b). Twenty Five percent (25%) of the value of all gas and  
other hydrocarbons (including condensate) produced from a gas or  
gas-condensate well, produced and saved or sold from the said lands, delivered  
free of cost of production and delivery. Delivery is defined as made when the  
gas has been received by the first purchaser thereof. Value shall not be less  
than the market price then current for gas of like character and quality. In  
determining, under paragraphs 3(a) and 3(b), the status of a well as oil, gas  
or gas-condensate, the classification by governmental authority having  
jurisdiction shall be conclusive, but any ambiguity or uncertainty shall be  
resolved in favor of the higher royalty.

(c). In case Lessee shall use gas in the manufacture of  
gasoline or other petroleum products therefrom, royalties shall be payable on  
the sale price at the plant of the gasoline or other petroleum products  
manufactured or extracted therefrom and which are saved and marketed, after  
deducting a fair and reasonable cost for extracting or manufacturing said  
gasoline or other substance, and on the market value of residue gas sold or  
used by Lessee in operations not connected with the land herein leased. Such  
royalties shall be paid on the same fraction or percentage applicable to the  
gas at the wellhead.

*We should be able to use gas from off of NW 1/4*

(e). If there is a well capable of producing commercial gas on the land herein leased but gas is not being marketed therefrom and this lease is not then being maintained by other production or operations, this lease shall nevertheless remain in full force and effect for a period of 60 days after cessation of production or said operations, or the shutting in of said well, and on or before the expiration of said 60 days period, Lessee may tender or pay as royalty hereunder the sum of One Hundred Dollars (\$100.00) for each such well, which payment shall maintain this lease in full force and effect for a period of one year from the expiration of said 60 day period, and it will be considered that gas is being produced hereunder. Thereafter, annually, in like manner and upon like payments or tenders, this lease may be maintained in force and effect for successive periods of twelve months each so long as such payments are made, provided that this lease may be maintained by such shut-in payments only if Lessee is also exercising reasonable diligence in attempting to market and sell gas producible hereunder. Lessee shall have free use of oil, gas and salt water from said land, for all operations hereunder, and the royalty on oil or gas shall be computed after deducting any so used. Such gas as may be used in order to recover oil and other liquid hydrocarbons, or reinjected, shall not be deemed to have been sold or used off the premises, within the meaning of any part of this lease.

4. After discovery of commercial oil or gas hereunder, if the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for reworking or for additional drilling within thirty (30) days after the date of cessation of production and continues such operations with diligence to completion of a commercial well. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and draining the leased premises, Lessee agrees to drill offset wells.

5. Lessee shall have the right at any time to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without the surface owner's consent. Within thirty (30) days after the termination of this lease for any cause, as to all or any portion of the leased premises, Lessee shall remove any and all surface equipment which Lessee may have placed on that portion of the leased premises upon which this lease has terminated and shall restore the leased premises as near as possible to the condition existing on the date of this lease or the condition prior to Lessee's operations on said land if such operations were commenced prior to the date hereof, all to Lessor's satisfaction. Lessee shall plug and abandon all wells drilled hereunder in accordance with the rules and regulations of the governmental regulatory body having jurisdiction thereof.

6. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to the heirs, successors and assigns of the parties hereto, but no change or division in ownership of either party shall operate to enlarge the obligations or diminish the right of the other; and no such change in ownership shall be binding until thirty (30) days after a transferee shall furnish to the other party a certified copy of recorded instrument evidencing any transfer, inheritance, sale or other change in ownership.

7. This lease is made by Lessor without any warranties or representations of title, ownership or control of the leased premises, either express or implied. It is agreed, however, that if Lessor owns less than the entire undivided interest in the oil and gas mineral rights under the subject lands, the royalties herein fixed shall be reduced proportionately to the lesser interest of Lessor.

8. Upon request of Lessor, Lessee shall furnish Lessor, as to any well drilled on the leased premises (or on a spacing unit including any portion thereof), daily drilling reports and copies of all logs, reports or tests obtained for such well or filed with any governmental agency and after completion, copies of all reports to governmental agencies concerning reworking, deepening, shut-in, recompleting, plugging and abandonment or similar change of well status. At all times Lessor's representative(s) shall be given free access to the derrick floor or well site to inspect the drilling, testing or producing of any such well.



9. Tenneco shall have the continuing option to purchase at any time and from time to time all or any part of any oil, gas and/or other hydrocarbon substances (including constituent liquids which may be removed from the gas through plant processing) that are attributable or allocated to Lessee's interest in the lands leased hereby, or any portion thereof, whether by reason of actual production from the leased lands or by virtue of production being allocated to the leased lands as a result of their inclusion in any pooling agreement or unit. Any hydrocarbons so purchased by Tenneco shall be purchased at price and on terms and conditions which are not less favorable to you than the terms, conditions and prices obtainable by you from third parties for the sale of such hydrocarbons on the date such production is available for sale. At such time as Lessee desires to sell any of the above production it shall notify Lessor of such fact. Lessor's option as to gas must be exercised within sixty (60) days from the date that Lessee notifies Lessor that such gas is available for sale. If Lessor does not exercise such option within said period of time, Lessee shall have the exclusive right for a period of thirty (30) days thereafter to enter into a contract or contracts of sale with a third party or parties. Upon the expiration of any such contract of sale so entered into, the option herein reserved to Lessor shall again become effective as herein provided. The option herein reserved as to oil shall be a continuing one in the sense that it may be exercised from time to time as to all or a portion of such production. During any period of time when Lessor is not purchasing oil pursuant to this option, Lessee shall have the right to sell or dispose of such oil, provided that any sale or disposition by Lessee shall be for a period not in excess of three (3) months.

10. Lessor reserves the rights of ingress and egress and in the event this lease does not cover all depths, the right to drill through any interval leased hereby.

11. Time is of the essence in this agreement.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

TENNECO OIL COMPANY

By: Don S. Taylor Attorney-in-Fact *LS*

THE STATE OF TEXAS )

COUNTY OF BEXAR (

BEFORE ME, the undersigned authority, on this day personally appeared DON S. TAYLOR, known to me to be the person whose name is subscribed to the foregoing instrument, and known to me to be the Attorney-in-Fact of TENNECO OIL COMPANY, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed and as the acknowledgement of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS \_\_\_\_ day  
of \_\_\_\_\_, 1979.

(SEAL)

Notary Public, in and for, Bexar County,  
TEXAS

My commission expires:  
\_\_\_\_\_



MAR 31 1980

**Tenneco Oil**  
**Exploration and Production**  
A Tenneco Company



Southwestern Division

*Case 6475*

6800 Park Ten Blvd. • Suite 200 North  
San Antonio, Texas 78213  
(512) 734-8161

March 26, 1980

Mr. Don Littell  
Maurice L. Brown Company  
Sutton Place Building, Suite 200  
Wichita, Kansas 67202

RE: Lease of Company Minerals  
Lots 3 & 4, S/2 of NW/4 of Section 4, T9S-R34E  
Lea County, New Mexico  
Jenkins Area (C-13772)

Dear Mr. Littell:

Thank you for your letter of March 21, 1980. After careful review of Tenneco's Letter Agreement dated February 25, 1980 and our Letter of Intent to Lease dated May 25, 1979, I can find no material difference. Tenneco Oil Company feels that the Letter Agreement protects the rights of both you as the Lessee and Tenneco Oil Company as the Lessor, and sets out an equitable manner whereby you can earn a lease of our minerals. The following items were brought up in your March 21, 1980 letter.

- 1) A sixty (60) day limit insures that Maurice Brown Company is serious about drilling our minerals. Tenneco feels a prudent operator will have his equipment properly scheduled. Note that Paragraph 2 of our Letter Agreement provides for any downhole problems that you may encounter.
- 2) Allowing Tenneco to take over operations as outlined in Paragraph 6 of the Letter Agreement can only serve to benefit Maurice Brown. If Tenneco does take over the well after your geologists have decided there is no potential, a Tenneco dry hole will only confirm your original opinion or a Tenneco successful completion will provide you with direct offsets to that well.
- 3) Tenneco Oil Company will not option all of its acreage. We will be happy to review any proposal you may have after the first well is drilled.
- 4) This lease form is consistent with those leases that we as a Lessee accept from private individuals as well as the state and federal government.

## Tenneco Oil

Mr. Don Littell  
March 26, 1980  
Page Two


- 5) These two (2) clauses are not applicable to the type of lease you will be earning. Both the force majeure clause and the surrender clause can only be used to modify the primary term and cannot be used to modify the HBP term of the lease.
- 6) Paragraph 9 of our lease will stand as written. Note that our lease does provide for a shut-in period which should avoid any conflicts or vending of gas.
- 7) Paragraph 5(e) 3 is correct as written.
- 8) Your additional to our May 25, 1979 letter setting out the revenue interest that Tenneco will have before and after payout is correct to the best of our knowledge. Note that Tenneco does not warrant title and that should a proper title opinion set out a different interest than that that is shown Tenneco Oil Company reserves the right to either agree to that interest or challenge it.

It is not the intent of Tenneco Oil Company to purposely ride companies down on wells. If you compare the economics of forced pooling versus the deal we have given you, you will note that Tenneco is adequately compensating you for the risk you are undertaking. It is the intent of Tenneco to protect its mineral interest while at the same time giving you a deal you can live with. We feel we have done this.

Should Maurice L. Brown be unable to return an executed copy of that February 25, 1980 Letter Agreement to this office on or prior to April 7, 1980, Tenneco Oil Company will withdraw its offer made under that Letter Agreement. If there are any other questions I can clear up, please feel free to contact me.

Very truly yours,

TENNECO OIL COMPANY

By:   
Steve D. King  
Landman

SDK:ph



THE MAURICE L. BROWN COMPANY

SUTTON PLACE BUILDING, SUITE 200

WICHITA KANSAS 67202

(316) 265-4651

March 21, 1980

Tenneco Oil Company (512) 734-8161  
6800 Park Ten Blvd.  
Suite 200 North  
San Antonio, Texas 78213

Attention: Steve D. King

Re: NW/4 Sec. 4-T9S-R34E  
Lea County, New Mexico

Gentlemen:

On January 9, 1980 we agreed to the terms of your May 25, 1979 letter. We feel that your February 25, 1980 letter and accompanying oil and gas lease would materially alter the agreement we made in the May 25 letter. Below is a discussion of the changes we feel are necessary in the May 25 letter and lease to keep them within the parameters of our earlier agreement.

1. While no time limit for completing and equipping the well was set, a 60-day limit with no allowance for unavailability of equipment or other events beyond our control is unacceptable to us.
2. We did not, and will not, agree to give Tenneco the right to assume operations on the well in the event we decide to plug and abandon it.
3. Our January 9 agreement was for a lease on all of <sup>NW/4</sup> ~~SE/4~~ of Section 4, not the 40-acre drill site. While we understand your reluctance to tie up the entire quarter-section, we are not willing to make an agreement that does not at least give us a continuing option, for reasonable periods of time, to earn the other 40-acre tracts.
4. We cannot agree to pay Tenneco's gas royalty based on a "market" value, rather than the highest permissible price under applicable laws and regulations.

The lease form submitted by Tenneco contains no force majeure clause and no clause granting us the right to surrender the lease. We cannot agree to this.

March 21, 1980

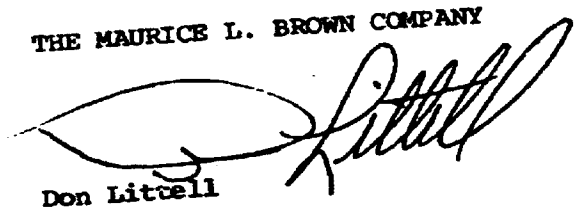
Re: NW/4 Sec. 4-T9S-R34E  
Lea County, New Mexico

- Would  
change*
6. Paragraph 9 of the lease allows Tenneco 60 days to decide whether to exercise its option to buy any gas available for sale. We cannot agree to this length of time if it requires us to vent gas for more than a reasonable period. We feel 10 to 15 days should be enough time to make such a decision.
  7. Please refer to paragraph 5 (e) 3. of your February 25 letter. Should not the figure of \$1,000,000 be \$100,000?

Since Tenneco did not respond to our stipulation as to decimals (inserted in the May 25 letter) we must know whether you are in agreement therewith. We plan to drill this well in the near future and prefer to do so under our original agreement with Tenneco, and hope it will not be necessary to seek a forced pooling order. We ask that Tenneco respond to this letter as quickly as possible.

Very truly yours,

THE MAURICE L. BROWN COMPANY



Don Littell  
Land Manager  
DL:pm

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. 6875  
Order No. R-6343

APPLICATION OF MAURICE L. BROWN  
CO. FOR COMPULSORY POOLING, LEA  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 23, 1980,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 13th day of May, 1980, the Division Director,  
having considered the testimony, the record, and the recommenda-  
tions 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, Maurice L. Brown Co., seeks an  
order pooling all mineral interests in the San Andres  
formation underlying the SE/4 NW/4 of Section 4, Township 9  
South, Range 34 East, NMPM, Lea 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 oil 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 that 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 that 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 \$3800.00 per month while drilling and \$380.00 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 August, 1980, 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 San Andres formation underlying the SE/4 NW/4 of Section 4, Township 9 South, Range 34 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil 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 August, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the San Andres formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of August, 1980, 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 Maurice L. Brown Co. is hereby designated the operator of the subject well and unit.

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

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

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received

by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that 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 \$3800.00 per month while drilling and \$380.00 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



-5-

Case No. 6875

Order No. R-6343

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 Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

  
S E A L

dr/



THE MAURICE L. BROWN COMPANY

SUTTON PLACE BUILDING, SUITE 200,

WICHITA, KANSAS 67202

(316)265-4651

May 2, 1980

Mr. Richard L. Stamets  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico

*OK  
BFL*

Re: Docket No. 12-80  
Case 6875

Dear Mr. Stamets:

I apologize for not sending you what you wanted with my April 24, 1980 letter. Enclosed are the following:

1. OPERATING AGREEMENT executed only by Maurice L. Brown. The Operating Agreement itself is not signed by any of the working interest owners because record title is held by Maurice L. Brown. The Operating Agreement is then ratified by the working interest owners, who hold beneficial title.
2. RATIFICATION OF OPERATING AGREEMENT executed by Thomas C. Mach on behalf of GKM, Inc., an entity which is wholly independent of The Maurice L. Brown Company and which participates in many Brown ventures.
3. OIL AND GAS DIVISION ORDER OWNERSHIP SCHEDULE covering the State "8" lease, located in Lea County, New Mexico. Note that GKM, Inc. is given credit for a 10% working interest.
4. JOINT INTEREST BILLINGS on the State "8" lease for December, 1979 & January, 1980. Note that the combined District & Overhead charges were \$344.00 in December 1979 and \$380.00 in January 1980. These charges are adjusted in this manner in accordance with the Operating Agreement.

We are not able to send you an executed Operating Agreement filled in with \$380.00 in Paragraph (15) (b) of Exhibit C because we have not yet put a new well into production after January 1, 1980 which was not already covered by an existing Operating Agreement. We hope and trust that the enclosed adequately explains the circumstances.

Very truly yours,

THE MAURICE L. BROWN COMPANY

*Don Littell*  
Don Littell  
Land Manager  
DL:pm  
encl.

# OPERATING AGREEMENT

THIS AGREEMENT made and entered into by and between The Maurice L. Brown Company (in Louisiana, named "Maurice L. Brown Louisiana"), a limited partnership with offices in Kansas City, Missouri (hereinafter referred to as "Operator"), and the parties listed in Exhibit A (hereinafter referred to as "Non-Operators"):

## WITNESSETH:

WHEREAS, Non-Operators are the owners of the oil, gas, and mineral leases covering, and if so indicated, unleased mineral interests in, the tracts of land described in Exhibit B attached hereto and made a part hereof; and

WHEREAS, it is the desire of Non-Operators that these leases and interests be developed and operated for them by Operator in accordance with the agreements and provisions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereto agree as follows:

## PART I: DEFINITIONS

As used in this Agreement, the following words and terms shall have the meanings here ascribed to them.

- L1 The words "party" and "parties" shall always mean a party, or parties, to this agreement.
- L2 The parties to this agreement shall always be referred to as "it" or "they", whether the parties be corporate bodies, partnerships, associations, or persons real.
- L3 The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons, unless an intent to limit the inclusiveness of the term is specifically stated.
- L4 The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Leased Premises which are owned by parties to this Agreement.
- L5 The term "Leased Premises" shall refer to and include all of the lands, oil and gas leasehold interests, and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests, and oil and gas interests are described in Exhibit B.
- L6 The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling on the Leased Premises or as fixed by express agreement of the parties.
- L7 All exhibits attached to this agreement are made a part of the contract as fully as though copied in full in the contract.
- L8 The words "equipment" and "materials" as used herein are synonymous, and shall mean and include all oil field supplies and personal property acquired for use on the Leased Premises, but said words shall not mean and include any such supplies or property leased for use on the Leased Premises.
- L9 The term "Joint Account" shall mean the account showing the charges and credits accruing because of operations on the Leased Premises and which are to be shared by the Non-Operators.

## PART II: INTERESTS OF NON-OPERATORS

- 2.1 Exhibit A lists all the non-operators and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this contract shall be borne and paid, and all equipment and material acquired in operations on the Leased Premises, shall be owned by the Non-Operators, as their interests are given in Exhibit A. All production of oil and gas from the Leased Premises, subject to the payment of lessor's royalties, shall also be owned by the parties in the same manner.
- 2.2 If the interest of any party in any oil and gas lease covered by this agreement is subject to an overriding royalty, production payment, or other charge over and above the usual one-eighth (1/8) royalty, such party shall assume and alone bear all such excess obligations and shall account for them to the owners thereof out of its share of the working interest production of the leased premises.

## PART III: OPERATOR

- 3.1 Operator shall conduct and direct and have full control of all operations on the Leased Premises as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the Non-Operators for losses sustained, or liabilities incurred, except such as may result from gross negligence or from breach of the provisions of this agreement.
- 3.2 The number of employees and their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator. All employees shall be the employees of Operator.

## PART IV: COSTS AND EXPENSES

- 4.1 Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the Leased Premises pursuant to this agreement and shall charge each of the Non-Operators with their respective proportionate shares upon the cost and expense basis provided in the Accounting Procedure attached hereto and marked Exhibit C. If any provision of Exhibit C should be inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

- 4.2 Operator, at its election, shall have the right from time to time to demand and receive from the Non-Operators payment in advance of their respective shares of the estimated amount of the costs to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such Non-Operator of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated costs shall be submitted on or before the 25th day of the next preceding month. Each Non-Operator shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any Non-Operator fails to pay its share of said estimate within said time, the amount due shall bear interest thereafter until paid at the highest rate for which that particular Non-Operator may contract under applicable law. Proper adjustment shall be made monthly between advances and actual cost, to the end that each Non-Operator shall bear and pay its proportionate share of actual costs incurred, and no more.
- 4.3 Operator shall not undertake any single project estimated to require an expenditure in excess of Ten Thousand Dollars (\$10,000.00) without the consent of all Non-Operators, except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, but Operator shall, as promptly as possible, report the emergency to other parties. Should Operator wish to undertake such a project for which consent is required he shall notify all Non-Operators of such project specifying its nature and estimated cost. The Non-Operators receiving such notice shall have fifteen (15) days after receipt of the notice to notify Operator whether they consent to the proposed project. Failure of a Non-Operator receiving such notice to so reply to it within the time fixed above shall constitute a consent by that Non-Operator to the proposed project.
- 4.4 Notwithstanding any provision in the Accounting Procedure, the cost of any professional consultant shall be charged to the Joint Account.
- 4.5 Each Non-Operator grants to Operator a first and preferred lien on the interest of each Non-Operator covered by this contract, and in each Non-Operator's interest in oil and gas produced and the proceeds thereof, and upon each Non-Operator's interest in material and equipment, to secure the payment of all sums due from each such Non-Operator to Operator.
- 4.6 In the event any Non-Operator fails to pay any amount owing by it to Operator as its share of such costs and expenses or such advance estimate within the time limited for payment thereof, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the working interest or interests in the Leased Premises of the delinquent Non-Operator up to the amount owing by such Non-Operator, and each purchaser of oil or gas is authorized to rely upon Operator's statement as to the amount owing by such Non-Operator.
- 4.7 In the event of the neglect or failure of any Non-Operator to promptly pay its proportionate part of the cost and expense of development and operation when due, the other Non-Operators, within thirty (30) days after the rendition of statements therefor by Operator, shall proportionately contribute to the payment of such delinquent indebtedness and the Non-Operators so contributing shall be entitled to the same lien rights as are granted to Operator in this section. Upon the payment by such delinquent or defaulting Non-Operator to Operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the Non-Operators under the lien conferred above, the amount or amounts so paid or recovered shall be distributed and paid by Operator to such Non-Operator (and Operator, if it contributes to the payment), proportionately in accordance with the contributions theretofore made by them.
- 4.8 Operator shall have the right to offset any amounts owed to Operator by any Non-Operator under the terms of this agreement against any funds in the possession of Operator which belong to such Non-Operator.

#### PART V: TERM OF AGREEMENT

- 5.1 The effective date of this agreement shall be September 1, 1979.
- 5.2 This agreement shall remain in full force and effect for as long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Leased Premises, whether by production, extension, renewal or otherwise. It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

#### PART VI: DEVELOPMENT

- 6.1 Should the Operator wish to drill any well on the Leased Premises, or wish to rework, deepen, or plug back any dry hole drilled at the expense of all Non-Operators or any well jointly owned by all the Non-Operators and not then producing in paying quantities on the Leased Premises, he shall give notice to the Non-Operators of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation, and estimated cost of the operation. The Non-Operators receiving such notice shall have thirty (30) days (except as to reworking, plugging back, or drilling deeper, where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday or Sunday) after receipt of the notice in which to notify Operator whether they consent to the proposed operation. Failure of a Non-Operator receiving such a notice to so reply to it within the period above fixed shall constitute a consent by that Non-Operator to the proposed operation.
- 6.2 Without the consent of all parties: (a) No well shall be drilled on the Leased Premises except any well drilled pursuant to the provisions of Part VII of this agreement, it being understood that the consent to the drilling of a well shall include consent to all necessary expenditures in the drilling, testing, completing, and equipping of the well, including necessary tankage; (b) No well shall be reworked, plugged back or deepened, except any well reworked, plugged back or deepened pursuant to the provisions of Part VII of this agreement, it being understood that the consent to the reworking, plugging back or deepening of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well to produce, including necessary tankage.

#### PART VII: OPERATIONS BY LESS THAN ALL PARTIES

- 7.1 If all the Non-Operators do not consent to the drilling of any well on the Leased Premises or to the reworking, deepening, or plugging back of a dry hole drilled at the joint expense of all Non-Operators or a well jointly owned by all the Non-Operators and not then producing in paying quantities on the Leased Premises, any Non-Operator or Non-Operators wishing to drill, rework, deepen, or plug back such a well may give the other Non-Operators written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation, and the estimated cost of the operation. The Non-Operators receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper, where a

drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday or Sunday) after receipt of the notice within which to notify the Non-Operators wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a Non-Operator receiving such a notice to so reply to it within the period above fixed shall constitute an election by that Non-Operator not to participate in the cost of the proposed operation.

- 7.2 If any Non-Operator receiving such a notice elects not to participate in the proposed operation (such Non-Operator or Non-Operators being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the Non-Operator or Non-Operators giving the notice and such other Non-Operators as shall elect to participate in the operation (all such Non-Operators being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.
- 7.3 The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit A bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk, and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Parties interest in the well, its leasehold operating rights, and share of production therefrom, until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty, and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of 300% of all of the costs and expenses of all of the additional equipment relative to such well and 300% of all of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing such well which would have been chargeable to such Non-Consenting Party if it had participated therein, plus 100% of such Non-Consenting Party's share of the cost of operation of the well commencing with the first production and continuing until such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section. Such interest shall be that which would have been chargeable to such Non-Consenting Party if it had participated therein.
- 7.4 In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing, and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or drilling deeper, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in value.
- 7.5 Within sixty (60) days after the completion of any operation under this section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit it shall be paid to such Non-Consenting Party.
- 7.6 If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own the same interest in such well, the operating rights and working interest therein, the materials and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the drilling, reworking, deepening, or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the accounting procedure schedule, Exhibit C, attached hereto.
- 7.7 Notwithstanding the provisions of this Part VII, it is agreed that without the mutual consent of all Non-Consenting Parties, no well shall be completed in or produced from a source of supply from which a well located elsewhere on the Leased Premises is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

#### PART VIII: MARKETING OF PRODUCTS

- 8.1 Each of the parties hereto shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the premises, exclusive of production which may be used in the development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties, and all other payments due on its share of such production, and shall hold the other parties free from any liability therefor. Any extra expenditure incurred in the taking in kind or separate disposition by any part of its proportionate share of the production shall be borne by such party.
- 8.2 Each party shall execute all division orders and contracts of sale pertaining to its interest in production from the premises, and shall be entitled to receive direct from the purchaser or purchasers thereof its share of production.
- 8.3 In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil or gas produced from the premises, Operator shall have the right, subject to revocation at will by the party owing it, but not the obligation, to purchase such oil and gas or sell it to others

for the time being, at not less than the market price prevailing in the area. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or severally dispose of, its share of all oil and gas not previously delivered to a purchaser, and provided that the Operator shall be limited to contracts for such purchase and sale for reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but not to exceed one year. Notwithstanding the foregoing, Operator shall not make a sale into interstate commerce of any Non-Operator's share of gas production without first giving sixty (60) days notice of such intended sale to the Non-Operator.

#### PART IX: CALL ON OIL AND GAS

Notwithstanding the provision of Part VIII of this agreement, Operator shall have the continuing, assignable right and option, but not the obligation, by giving to the Non-Operators not less than thirty (30) days' advance written notice, to purchase at a price not less than the market price prevailing in the area, all or any part of the oil, gas and liquid hydrocarbons of every kind produced and saved from the Leased Premises. Any failure of Operator to exercise such right and option shall not be held a waiver of the privilege to do so at any later time. Any extra expenditure incurred by the Non-Operators by reason of the exercise of the Option provided in this section shall be borne by Operator.

#### PART X: ACCESS BY NON-OPERATORS

Each Non-Operator shall have access to the Leased Premises at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator shall, upon request, furnish each of the Non-Operators with copies of all drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilling on the Leased Premises.

#### PART XI: DRILLING CONTRACTS

All wells drilled on the Leased Premises shall be drilled on a competitive contract basis at the usual rates prevailing in the area, it being specifically agreed, however, that Operator, in considering bids for drilling work, shall not be required to accept the lowest bid for the drilling of a well, but is entitled to use his best judgment as to what is the best bid, and in that regard to use his discretion as to the competency and ability of any persons to drill any well in a workmanlike manner, provided further, however, that the rates to be charged by the contractor whose bid is accepted shall not exceed the usual rates prevailing in the area. Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations commence, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

#### PART XII: ABANDONMENT OF WELLS

- 12.1 Operator shall notify all Non-Operators of the proposed abandonment of a well. The Non-Operators receiving such notice shall have thirty (30) days after the receipt of the notice within which to notify the Operator whether they consent to the abandonment. Failure of a Non-Operator receiving such notice to so reply to it within the period above fixed shall constitute a consent to the abandonment.
- 12.2 No well, other than any well which has been drilled or reworked pursuant to Part VII hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer, shall be plugged and abandoned without the consent of all Non-Operators; provided, however, if all Non-Operators do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other Non-Operators its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit C, less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning Non-Operator shall then assign to the non-abandoning Non-Operators, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Leased Premises to the aggregate of the percentages of participation in the Leased Premises of all assignees. There shall be no readjustment of interest in the remaining portion of the Leased Premises.
- 12.3 After the assignment, the assignors shall have no further responsibility, liability, or interest in the operation of the well in the interval or intervals then open. Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

#### PART XIII: DELAY RENTALS AND SHUT-IN WELL PAYMENTS

Operator shall pay all delay rentals and shut-in well payments which may be required under the terms of any lease, and the amount thereof shall be charged to and paid by the parties hereto in proportion to their respective interests. Operator agrees to use its best efforts to make proper and timely payment of such delay rentals and shut-in well payments, but it shall in no event be liable for failure to do so through mistake or oversight. Evidence of such payment will be furnished, upon request, to Non-Operator in connection with Operator's billings to Non-Operator.

#### PART XIV: RIGHT OF NON-OPERATORS TO ASSIGN

- 14.1 Any Non-Operator, unless otherwise restricted, shall have the right to sell, transfer, or assign its interest, or any part thereof, in the Leased Premises, or the production therefrom; provided, however, that every such sale, encumbrance, transfer, or other disposition made by any Non-Operator shall be made expressly subject to this agreement, and shall be made without prejudice to the rights of the other parties hereto.



- 14.2 It is expressly understood that such seller, transferor, or assignor shall not be relieved of any responsibility or liability arising under the terms hereof prior to such sale, transfer, or assignment; provided, however, that such seller, transferor or assignor shall be relieved of all obligations or liabilities accruing hereunder thereafter.
- 14.3 Any Non-Operator so selling, transferring, or assigning shall furnish Operator a photocopy of the instrument or instruments involved, disclosing the agreement of the transferee to be bound by the terms of this agreement.
- 14.4 If at any time the interest of any party is divided among and owned by four or more co-owners, Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interest within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

#### PART XV: LIABILITY OF PARTIES

- 15.1 The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations.
- 15.2 Each Non-Operator shall be liable only for its proportionate share of the costs of developing and operating the Leased Premises. Accordingly, the lien granted by each Non-Operator to Operator in Part IV is given to secure only the debts of each severally.
- 15.3 It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

#### PART XVI: CHANGE OF OPERATOR

- 16.1 Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than ninety (90) days given to all Non-Operators.
- 16.2 Non-Operators may remove the initial Operator named herein or any subsequent Operator elected in accordance herewith upon written notice of not less than one hundred eighty (180) days. Such removal shall be by affirmative vote, evidenced by letter addressed to Operator and any other parties hereto, of the parties hereto then owning in the aggregate more than fifty percent (50%) of the interest which is subject to this agreement.
- 16.3 In the case Operator resigns or is removed, Non-Operators shall select by majority vote in interest, not in numbers, a New Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this agreement. The retiring Operator shall deliver to its successor all records and information necessary to the discharge by the new Operator of its duties and obligations. In either case, the retiring Operator shall continue to serve as Operator, and discharge its duties in the capacity under this agreement, until its successor Operator is selected and begins to function, but the retiring Operator shall not be obligated to continue the performance of its duties for more than ninety (90) days after the effective date of its removal or the date notice is given by it of its intention to resign.

#### PART XVII: SURRENDER OF LEASES

- 17.1 The leases covered by this agreement, insofar as they embrace acreage in the Leased Premises, shall not be surrendered in whole or in part unless all Non-Operators consent.
- 17.2 However, should any Non-Operator desire to surrender its interest in any such lease or in any portion thereof, and other Non-Operators not agree or consent, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease or portion thereof and any well, material, and equipment which may be located thereon and any rights in production thereafter secured, to the Non-Operators not desiring to surrender it. Upon such assignment, the assigning Non-Operator shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning Non-Operator shall have no further interest in the lease assigned and its equipment and production. The Non-Operator assignee(s) shall pay to the Non-Operator assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage, determined in accordance with the provisions of Exhibit C, less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one Non-Operator, the assigned interest shall be shared by the Non-Operator assignees in the proportions the interest of each bears to the interest of all Non-Operator assignees.
- 17.3 Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering Non-Operator's interest, as it was immediately before the assignment, in the balance of the Leased Premises, and the acreage assigned or surrendered, and the subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

#### PART XVIII: PROVISION CONCERNING TAXATION

- 18.1 Each of the Non-Operators elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the State or States in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. Each Non-Operator authorizes and directs the Operator to execute such an election or elections on its behalf and to file the election with the proper governmental office or agency. If requested by the Operator so to do, each Non-Operator agrees to execute and join in such an election.
- 18.2 Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Operator shall bill all Non-Operators for their proportionate share of all tax payments in the manner provided in Exhibit C.
- 18.3 If any tax assessment is considered unreasonable by Operator, it may at its discretion protest such valuation within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all Non-Operators agree to abandon the protest prior to final determination. When any such protested valuation

shall have been finally determined, Operator shall pay the assessment for the joint account, together with interest and penalty accrued, and the total cost shall then be assessed against the Non-Operators, and be paid by them, as provided in Exhibit C.

#### PART XIX: INSURANCE

- 19.1 At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation law of the State where the operations are being conducted. Operator shall also carry or provide insurance for the benefit of the joint account of the Non-Operators as may be outlined in Exhibit D attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Leased Premises to comply with the workmen's compensation laws of the State where the operations are being conducted and to maintain such other insurance as Operator may require.
- 19.2 In the event automobile public liability insurance is specified in said Exhibit D, or subsequently receives the approval of the Non-Operators, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully-owned automotive equipment.

#### PART XX: CLAIMS AND LAWSUITS

- 20.1 If any party to this contract is sued on an alleged cause of action arising out of operations on the Leased Premises, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this contract, it shall give prompt written notice of the suit to the Operator and to all Non-Operators.
- 20.2 The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with Operator's attorney as Chairman. Suits may be settled during litigation only with the joint consent of all parties. No charge shall be made for services performed by the staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by all Non-Operators in proportion to their then interests in the Leased Premises. Attorneys other than staff attorneys for the parties shall be employed in lawsuits involving Leased Premises operations only with the consent of all parties; if outside counsel is employed, their fees and expenses shall be considered Leased Premises expenses and shall be paid by Operator and charged to Non-Operators in proportion to their then interests in the Leased Premises.
- 20.3 Damage claims caused by and arising out of operations on the Leased Premises, conducted for the joint account of Non-Operators, shall be handled by Operator and its attorneys, the settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed One Thousand Dollars (\$1,000.00) and, if settled, the sums paid in settlement shall be charged as expenses to and be paid by Non-Operators in proportion to their then interests in the Leased Premises.

#### PART XXI: FORCE MAJEURE

- 21.1 If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, insofar as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.
- 21.2 The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.
- 21.3 The term "force majeure" as here employed shall mean an act of God; strike, lockout or other industrial disturbance; act of the public enemy; war; blockade; public riot; lightning; fire; storm; flood; explosion; governmental restraint; unavailability of equipment; and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

#### PART XXII: NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, shall, unless otherwise specifically provided, be given in writing by United States mail or Western Union telegram, postage or charges prepaid, addressed to the party to whom the notice is given at the addresses listed in Exhibit A. The originating notice to be given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

#### PART XXIII: MISCELLANEOUS PROVISIONS

- 23.1 If any party receives, while this agreement is in force, a contribution of cash toward the drilling of a well or any other operation on the Leased Premises, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly execute as assignment of the acreage, without warranty of title, to the Non-Operators in proportion to their interests in the Leased Premises at that time, and such acreage shall become a part of the Leased Premises and be governed by all provisions of this contract. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Leased Premises.
- 23.2 Each Non-Operator waives any and all rights he may have to partition the Leased Premises and have set aside to him in severalty his undivided interest therein.
- 23.3 Each of the Non-Operators hereby constitutes and appoints Operator its lawful agent and attorney in fact for the sole and only purpose of executing on its behalf all applications and instruments incident hereto, directed to the proper governmental agencies or authorities, for the authority, permit, or permits as may be necessary or convenient for the drilling, completing, deepening, plugging, abandoning, perforating, shooting, acidizing, reworking, operating, producing, repairing, maintaining, use as a gas or water input well, or use as a salt water disposal well, and with the same force and effect, within the same scope of said appointment, as though such



applications and instruments were executed and were sworn to by each Non-Operator individually, hereby ratifying and confirming all that said attorney has done or shall do in the premises by virtue thereof.

23.4 Operator shall prepare and furnish to any duly constituted authority having jurisdiction of the Leased Premises any and all reports, statements, and information as may be required with respect to the Leased Premises.

23.5 Notwithstanding any other provisions of this agreement or Exhibit C (Accounting Procedures), Operator shall have the right to lease material and equipment for use on the leased premises; the cost of renting such material and equipment shall be charged to the Joint Account. Also, Operator shall have the right to lease materials and equipment for use on the Leased Premises for the benefit of particular Non-Operators and if it does so, Operator shall charge the entire cost of renting such materials and equipment to the accounts of such Non-Operators.

THIS AGREEMENT may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives, and assigns.

OPERATOR

THE MAURICE L. BROWN COMPANY

By Maurice L. Brown  
Maurice L. Brown, General Partner

NON-OPERATORS

Maurice L. Brown  
Maurice L. Brown

STATE OF MISSOURI } ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kans. Okla. and Colo.)  
COUNTY OF JACKSON }  
Before me, the undersigned, a Notary Public, within and for said County and State, on this 4th  
day of September, 19 79, personally appeared MAURICE L. BROWN, individually  
and as General Partner of The Maurice L. Brown Company

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me  
that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.  
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires \_\_\_\_\_

*Nancy A. Elgin*  
Nancy A. Elgin

Notary Public

NANCY A. ELGIN

STATE OF \_\_\_\_\_ } ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kans. Okla. and Colo.)  
COUNTY OF \_\_\_\_\_ }  
Before me, the undersigned, a Notary Public, within and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_, personally appeared \_\_\_\_\_  
and \_\_\_\_\_

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me  
that \_\_\_\_\_ executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.  
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires \_\_\_\_\_

Notary Public

STATE OF \_\_\_\_\_ } ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kans. Okla. and Colo.)  
COUNTY OF \_\_\_\_\_ }  
Before me, the undersigned, a Notary Public, within and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_, personally appeared \_\_\_\_\_  
and \_\_\_\_\_

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me  
that \_\_\_\_\_ executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.  
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires \_\_\_\_\_

Notary Public

STATE OF \_\_\_\_\_ } ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kans. Okla. and Colo.)  
COUNTY OF \_\_\_\_\_ }  
Before me, the undersigned, a Notary Public, within and for said County and State, on this \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_, personally appeared \_\_\_\_\_  
and \_\_\_\_\_

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me  
that \_\_\_\_\_ executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.  
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires \_\_\_\_\_

Notary Public

STATE OF \_\_\_\_\_ } ss. ACKNOWLEDGMENT FOR CORPORATION  
COUNTY OF \_\_\_\_\_ }

Be it remembered that on this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me, the undersigned, a  
Notary Public, duly commissioned, in and for the county and state aforesaid, came \_\_\_\_\_

\_\_\_\_\_ president of \_\_\_\_\_

a corporation of the State of \_\_\_\_\_, personally known to me to be such officer, and to be  
the same person who executed as such officer the foregoing instrument of writing in behalf of said corporation, and he duly ac-  
knowledgeed the execution of the same for himself and for said corporation for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year last above written.

My commission expires \_\_\_\_\_

Notary Public

EXHIBIT A

Attached to and made a part of the Operating Agreement, ~~dated~~ effective September 1, 1979  
pertaining to the interests acquired in the oil and gas leasehold estates under valid and subsisting oil and gas leases covering the lands  
described on Exhibit B hereto.

Maurice L. Brown

As used in this Exhibit A the following terms shall have the following meanings:

Working interest of any particular named owner means that owner's interest in the oil and gas lease or leases covering the lands described in connection therewith and also that owner's share of the operating expenses incurred in connection with such lease or leases.

Net interest in production of any particular named owner means that owner's share of all production of oil, gas and other hydrocarbons from or allocable to the land described in connection therewith after deducting all applicable royalties, overriding royalties and other burdens on production owned by or payable to others.

EXHIBIT B

Attached to and made a part of the Operating Agreement dated effective September 1, 1979  
pertaining to the interests acquired in the oil and gas leasehold estates under valid and subsisting oil and gas leases covering the following  
described land:

Northeast Quarter (NE/4) Sec. 8-10S-34E  
Lea County, New Mexico

Attached to and made a part of the Operating Agreement, dated effective September 1, 1979 (the "Agreement") pertaining to the interests acquired in the oil and gas leasehold estates under valid and subsisting oil and gas leases covering the lands described on Exhibit D hereto.

#### ACCOUNTING PROCEDURE

The term "Leased Premises" as herein used shall be construed to mean the subject area covered by the Agreement to which this Accounting Procedure is attached.

The term "Operator" as herein used shall be construed to mean the party designated to conduct the operation and development of the leased premises for the joint account.

The term "Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties to the Agreement to which this Accounting Procedure is attached.

Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding calendar month. Said billing shall be an itemized statement of such costs and expenditures. Each Non-Operator shall pay his portion of all such bills within fifteen (15) days after the receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate provided in said Operating Agreement until paid. Payment of any such bill shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided that Operator shall not be required to adjust any item unless a claim therefor has been presented within a period of six (6) months from receipt of said billing.

#### L. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter set forth, Operator shall charge the joint account for the following:

- (1) Delay or other rentals, when such rentals are paid by Operator with respect to Leased Premises.
- (2) Royalties, when not paid direct to royalty owners by the purchaser of the oil, gas, casinghead gas or other production.
- (3) Labor and other services necessary for the operation, maintenance and development of Leased Premises.
- (4) Per diem charges for operator's supervisory or technical employees.
- (5) Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances and reasonable personal expenses paid to employees whose wages are chargeable to the Leased Premises under paragraph (3).
- (6) Operator's cost of plans for employees group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus and other benefit plans of a like nature and expenditures or contributions made pursuant to assessments imposed by governmental authority, which are applicable to wages chargeable to the Leased Premises under paragraph (3).
- (7) Materials, equipment and supplies purchased and/or furnished by Operator from warehouse stocks or from its other leases for use on the Leased Premises, as provided in the following section: Basis of Charges to Joint Account.
- (8) Moving materials to the Leased Premises from vendor's warehouse or from other properties of Operator.
- (9) Moving surplus materials from the Leased Premises to outside vendees, warehouse or other storage point.
- (10) Use of and service by Operator's equipment as provided in the following section: Basis of Charges to Joint Account.
- (11) Damages or losses incurred by fire, flood, or storm or from any other cause not controllable by Operator, provided that such damage or loss is not covered by insurance obtained by Operator, with consent and approval of Non-Operator, premium for which has been charged to Non-Operator as hereinafter provided.
- (12) Expenses of litigation, liens, judgments and liquidated claims involving the Leased Premises or incident to its operation or development.
- (13) All taxes paid for the benefit of Non-Operator including, but not limited to, ad valorem, property, gross production, severance, occupation and any other taxes assessed against the Leased Premises, the production therefrom or the operations thereon.
- (14) Insurance:
  - (a) Premiums paid for insurance carried for the benefit of Non-Operator together with all expenditures incurred and paid in settlement of any and all losses, damages, judgments and other expenses, including legal services, not recovered from insurance carrier.
  - (b) If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments and other expenses, including legal services, shall be charged to Leased Premises.
- (15) Indirect Charges: Operator shall charge the Joint Account for indirect costs for district expense items plus administrative overhead by a single monthly charge per well which shall cover and include:
  - (a) The services of Operator's Manager of Production and Exploration, District Superintendents and other district employees and Operator's district office which apply to the day-to-day maintenance, operation and management of Leased Premises.
  - (b) The services of managing officers and other executive or administrative employees of Operator in its principal business office with regard to their duties performed in the day-to-day management of and accounting for Leased Premises and other properties operated by Operator.

The monthly per well charge to the Joint Account for the services covered by paragraphs (15) (a) and (b) shall be \$ 344.00 per month, per chargeable well, in accordance with 17(a) through 17(g) hereof.

The well rate shall be adjusted on the first day of January of 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 as shown by the latest available "Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, as compared to the same month in the preceding year.

Said well charge shall also be adjusted by an amount computed to be 1.5 times Operator's direct and indirect costs of performing then necessary or required new or increased services and functions for and on behalf of Non-Operators which are not otherwise specifically covered by this Accounting Procedure.

In addition, the charge provided for in this section may be reasonably amended by Operator from time to time if in practice the said charge is found, for other reasons, to be insufficient or excessive. Operator shall give notice to all Non-Operators of any proposed change in said rate. If a majority of Non-Operators accept such proposed change in writing or do not respond within forty five (45) days (which shall be construed as consent), such proposal shall be considered accepted and agreed to.

- (16) Sub-District Expense: Operator's expense of providing and maintaining on or in the vicinity of the Leased Premises (within the sub-district) all small repair parts, supplies and tools and all necessary yard and warehouse facilities and/or housing or office facilities for employees, including depreciation, prorated on a per-well basis.
- (17) (a) The term, "well", as used in paragraphs (15) and (16), shall mean and include active (not shut down or temporarily abandoned) producing oil wells, gas wells, injection wells, water supply wells and salt water disposal wells.
- (b) Gas wells shall be included in the well schedule if connected to a permanent sales outlet even though temporarily shut in due to over-production or failure of purchaser to take the allowable production.
- (c) Temporarily shut down wells which are not produced or worked on for a period of a full calendar month shall not be included in the well schedule, provided, however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Leased Premises. In the event of a unit or lease allowable, all wells capable of producing will be counted in determining the charge.
- (d) Wells completed in multiple horizons, in which the production is not commingled down hole, shall be considered as a producing well for each separately producing horizon.
- (e) When a temporarily abandoned well is plugged, one charge shall be made equal to the monthly overhead well charge.
- (f) One charge equal to ten (10) times the monthly well charge shall be made for each drilling well.
- (g) Wells being plugged back, drilled deeper, converted to a water source or injection well or which are undergoing any type of workover that required the use of rotary or cable drilling rig or well pulling machine shall be considered the same as drilling wells.
- (18) Handling charges shall be assessed with regard to items of equipment or supplies furnished from warehouse stocks and with regard to the salvage and/or other disposition by Operator of equipment and/or of Leased Premises or a part of either.
- (19) Any other expenditures incurred by Operator for the necessary and proper operation, maintenance and development of the joint property.

## II. BASIS OF CHARGES TO JOINT ACCOUNT SUBJECT TO L(18) ABOVE:

- (1) All materials or equipment purchased and all services procured from outside sources shall be charged at their actual cost, including freight, to the Operator, after deducting any and all discounts actually allowed off the invoices or received by Operator.
- (2) New materials or equipment transferred to the Leased Premises from warehouse stocks or other properties shall be priced at the lower of cost, including freight, or current replacement value.
- (3) Used materials or equipment, which are in sound and serviceable condition at the date of transfer, shall be charged to the Leased Premises at the price at which they could be obtained by Operator from a reputable supplier of such used materials or equipment. Some items of material or equipment, due to their unusual nature, shall be fairly and equitably priced by Operator. Operator does not warrant the material and equipment furnished from warehouse stocks or other properties beyond or back of the dealer's or manufacturer's guaranty, and in case of defective materials or equipment, shall not credit joint account until adjustment has been received from the manufacturers or their agents.
- (4) If materials or equipment required are not available in surplus stocks, Operator shall, whenever in its judgment it is practical to do so, give Non-Operator opportunity of furnishing the materials or equipment required, provided that same can be furnished, at the time such materials or equipment are required, and further provided that any such materials or equipment shall be in condition acceptable to Operator and shall be charged to the joint account on the same terms and conditions as are provided herein to cover the furnishing of materials and equipment from warehouse stocks.
- (5) A charge for the use of Operator's trucks, compressors, welding and cutting equipment, drilling or cleaning-out tools and other items of Operator's machinery and equipment which will be ample to cover maintenance, repairs, depreciation and the service furnished the joint property, provided, however, that such charges shall not exceed those currently prevailing in the area where the Leased Premises are located. Rates shall be revised from time to time in order that they will be continually substantially the same as those generally prevailing in the area where the Leased Premises are located.

### III. DISPOSAL OF LEASE MATERIALS AND EQUIPMENT

- (1) Materials and equipment purchased by Operator shall be credited to the Joint Account and included in the monthly statement of operations for the month in which the materials and equipment are removed from the Leased Premises.
- (2) Materials and equipment purchased by Non-Operator shall be invoiced by Operator and paid for by Non-Operator to Operator immediately following receipt of invoice and delivery of materials and equipment. Operator shall pass credit to the Joint Account and include the same in the monthly statement of operations for the month in which materials and equipment were paid for by Non-Operator.
- (3) Division of materials and equipment in kind, if made between working interest owners, shall be in proportion to their respective interests in the Leased Premises. Each such owner shall thereupon be charged with the value of the materials and equipment received or receivable and corresponding credits will be made to the joint account by operator.
- (4) Sales to outsiders of materials and equipment shall be credited by Operator to the joint account at the full amount collected from vendee. Any claims by vendee for defective materials or equipment or otherwise shall be charged to the joint account, if and when paid by Operator.

### IV. BASIS OF PRICING MATERIALS TRANSFERRED FROM JOINT ACCOUNT

- (1) Materials or equipment purchased by either Operator or Non-Operator or divided in kind between working interest owners, unless otherwise agreed, shall be valued at the same price for which same could be sold to a reputable dealer in such materials and equipment, ready and able to purchase same. Such value may be determined or confirmed, upon request of Non-Operator, by Operator obtaining two (2) or more bids in writing from as many reputable dealers in such materials and equipment, the highest of such bids to be conclusive in determination of said value.
- (2) Junk, being obsolete or unserviceable materials or equipment, shall be disposed of, where practical, at the Leased Premises, at prevailing junk prices in the district.
- (3) When the use of certain materials or items of equipment, furnished by Operator, Non-Operator or outsider, on the Leased Premises has been only temporary, and the time of actual use thereof justifies, such equipment will be priced on a basis that will leave a net charge against the joint account consistent with the service rendered and adequate for the time the materials or equipment was in use.

### V. COSTS OF ENFORCING THIS OPERATING AGREEMENT

- (1) If any Non-Operator defaults in the payment of any amounts due hereunder, and if Operator employs legal counsel to enforce the terms hereof, he shall be entitled to recover the amounts due hereunder from such defaulting Non-Operator, plus interest, as provided in said Agreement, plus reasonable attorney fees, and the costs of litigation.

**EXHIBIT D**

Attached to and made a part of that certain Operating Agreement dated                      effective September 1, 1979, by and between The Maurice L. Brown Company, as Operator, and                     Maurice L. Brown                    , as Non-Operators, covering lands in           Lea                     County,           New Mexico                    

Operator shall, at the joint expense of the parties hereto, at all times while operations are conducted hereunder, provide with responsible insurance companies, insurance as follows:

- (A) Workmen's Compensation Insurance in accordance with the Workmen's Compensation Laws of the State of New Mexico, including Employer's Liability Insurance.
- (B) Public Liability Insurance with respect to bodily injuries with limits of not less than \$1,000,000 as to any one person and \$1,000,000 as to any one accident; and Property Damage Public Liability Insurance with limits of not less than \$1,000,000 as to one accident, and \$1,000,000 in aggregate.
- (C) Automobile Public Liability and Property Damage Insurance in amounts of \$250,000 for injuries to one person, \$500,000 for injuries in one accident and \$100,000 for property damage.

The Operator shall require its contractors and subcontractors working or performing services upon the Unit Area covered hereby to comply with the Workmen's Compensation Laws of the State of New Mexico and to carry such other insurance and in such amounts as the Operator shall deem necessary.



RE: State 8 #1 - NE/4 Sec. 8-10S-34E  
Lea County, New Mexico

WHEREAS, the undersigned is the owner of an interest in and to the oil, gas and mineral lease(s) covering the tract(s) of land described above;

WHEREAS, The Maurice L. Brown Company, as Operator, and Maurice L. Brown, as Non-Operator (as holder of legal title, for and on behalf of the undersigned), executed a certain Operating Agreement effective September 1, 1979 pertaining to the development and operation of the oil, gas and mineral lease(s) covering the tract(s) of land described above, a copy of which Agreement, including the Exhibits thereto, is attached hereto and made a part hereof, and

WHEREAS, the undersigned desires to ratify said Operating Agreement;

NOW, THEREFORE, in consideration of the premises and the sum of One Dollar (\$1.00), the receipt of which is hereby acknowledged, the undersigned does hereby ratify, adopt and confirm, as to his/its interest, said Operating Agreement in all respects and agrees that the undersigned and the heirs, successors, representatives and assigns of the undersigned shall be bound by all of the terms and provisions of said Operating Agreement as fully as if the undersigned had personally executed the same as a party or parties Non-Operator hereof.

IN WITNESS WHEREOF, the undersigned party or parties have executed this instrument this \_\_\_\_\_ day of \_\_\_\_\_, 1979.

GKM, INC.

✓ By: Thomas C. Mach

STATE OF OKLAHOMA )  
 ) SS.  
COUNTY OF TULSA )

Be it remembered that on this 17 day of DECEMBER, 1979, before me, the undersigned, a Notary Public, duly commissioned, in and for the county and state aforesaid, came THOMAS C. MACH,  
VICE president of GKM, INC.,  
a corporation of the State of OKLAHOMA, personally known to me to be such officer, and to be the same person who executed as such officer the foregoing instrument of writing in behalf of said corporation, and he fully acknowledged the execution of the same for himself and for said corporation for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year last above written.

My Commission Expires:

9-24-80

July Artwell  
Notary Public

TO BE SIGNED & RETURNED

OIL AND GAS DIVISION ORDER OWNERSHIP SCHEDULE

THE MAURICE L. BROWN COMPANY (IN LOUISIANA, NAMED "MAURICE L. BROWN LOUISIANA").

Don D. Littell

The Maurice L. Brown Company

Suite 200 - Sutton Place

Wichita, Kansas 67202

EFFECTIVE OCTOBER, 1979  
(PRODUCTION RE-ESTABLISHED)

LEASE NUMBER: 30-7014

LEASE NAME: STATE No. 8

LEGAL DESCRIPTION:

THE NORTHEAST QUARTER (NE/4) OF SECTION EIGHT (8), TOWNSHIP TEN SOUTH (10S), RANGE THIRTY-FOUR EAST (34E), N.M.P.M.,  
LOCATED IN THE COUNTY OF LEA, STATE OF NEW MEXICO.

OWNER NUMBER	OWNER NAME	*	BEFORE PAYOUT			AFTER PAYOUT		
			WORKING INTEREST	REVENUE OIL/COND	INTEREST GAS/LH	WORKING INTEREST	REVENUE OIL/COND	INTEREST GAS/LH
15108	The Maurice L. Brown Company-PIC	1	.5575000	.4703906	.4703906	.5575000	.4529688	.4529688
15328	Brown & Fox Investment Company	1	.0100000	.0084375	.0084375	.0100000	.0081250	.0081250
16280	Paul E. Byers	1	.0100000	.0084375	.0084375	.0100000	.0081250	.0081250
28968	F. E. P. Oil and Gas Company	1	.1500000	.1265625	.1265625	.1500000	.1218750	.1218750
31988	G K M, Inc.	1	.1000000			.1000000		
31983	G K M, Inc.	1		.0843750	.0843750		.0812500	.0812500
32694	W. M. Grossbeck	1	.0500000	.0421875	.0421875	.0500000	.0406250	.0406250
36630	Jack V. Harrison	1	.0025000	.0021094	.0021094	.0025000	.0020312	.0020312
41665	Gary H. Johnson	1	.0100000	.0084375	.0084375	.0100000	.0081250	.0081250
43058	Maryann Kleban Trust	1	.0300000	.0253125	.0253125	.0300000	.0243750	.0243750
45231	Don D. Littell	1	.0100000	.0084375	.0084375	.0100000	.0081250	.0081250
53632	Frank E. Novy	1	.0500000	.0421875	.0421875	.0500000	.0406250	.0406250
54961	Ruben R. Paulsen	1	.0100000	.0084375	.0084375	.0100000	.0081250	.0081250
68536	Jack R. Shockley	1	.0100000	.0084375	.0084375	.0100000	.0081250	.0081250
			<u>1.0000000</u>	<u>.8437500</u>	<u>.8437500</u>	<u>1.0000000</u>	<u>.8125000</u>	<u>.8125000</u>
	State of New Mexico (Purchaser Disbursed)	2		.1250000	.1250000		.1250000	.1250000
32694	W. M. Grossbeck	4		.0312500	.0312500		.0625000	.0625000
			<u>1.0000000</u>	<u>1.0000000</u>	<u>1.0000000</u>	<u>1.0000000</u>	<u>1.0000000</u>	<u>1.0000000</u>

\*1 - WORKING INTEREST, 2 - ROYALTY, 3 - PRODUCTION PAYMENT, 4 - OVERRIDE, 5 - SPECIAL

# OIL AND GAS DIVISION ORDER

TO: THE MAURICE L. BROWN COMPANY (IN LOUISIANA, NAMED "MAURICE L. BROWN LOUISIANA").  
P.O. BOX 11320  
KANSAS CITY, MISSOURI 64112

Each of the undersigned hereby warrants that the interest set out opposite his, her, their or its name(s) shown on the reverse side hereof is his, her, their or its correct ownership in the oil (which for purposes hereof includes condensate and distillate), gas and liquid hydrocarbons produced from the lease(s) or unit(s) also shown on the reverse side hereof, which lease(s) or unit(s) is (are) located in the county(ies) or parish(es) of the state(s) also shown on the reverse side hereof, on and covering the lands shown.

You, your successors or assigns, are authorized, effective on the date shown on the reverse side hereof, to receive and purchase the oil, gas and liquid hydrocarbons belonging to the undersigned, or to sell such oil, gas and liquid hydrocarbons and give credit for the proceeds derived therefrom to the undersigned in accordance with his, her, its or their division of interest shown on the reverse side hereof, subject to the following terms and provisions:

## IF THE PRODUCTION COVERED HEREBY IS GAS AND LIQUID HYDROCARBONS:

1. For the purpose of this Division Order, the term "gas" and "liquid hydrocarbons" shall be defined as follows:

a. "Gas" means hydrocarbons in gaseous form under original reservoir conditions, and is comprised of natural gas, including all of its constituent elements, which elements include (but not by way of limitation) sulphur, gasoline, condensate, distillate, butanes, propanes, and other lighter hydrocarbons.

b. "Liquid hydrocarbons" means gasoline, condensate, distillate, butanes, propanes, and other lighter hydrocarbons or any mixture thereof condensed, absorbed, or separated out of or from the gas.

2. You are authorized to sell the gas and liquid hydrocarbons produced from any well located on said land, deliver such gas and liquid hydrocarbons to the purchasers and collect the proceeds from such sales, and upon receipt of the sales price, you shall distribute the net proceeds to the respective owners as shown in this Division Order in the proportions stated.

3. The net proceeds to be distributed shall be that portion of the sales price which represents the sales price of the gas and liquid hydrocarbons at the well sold and delivered hereunder, less the amount of any tax required by law to be deducted and paid by you, and less any charges for compression and/or transportation of such gas and liquid hydrocarbons if required or charged by the purchasers as a condition of such sales.

4. Settlement for such gas and liquid hydrocarbons produced from said lands shall be made monthly by you by mailing or delivering to the respective owners a check for the amount due.

## IF THE PRODUCTION COVERED HEREBY IS OIL:

1. The oil run hereunder shall become your property upon actual delivery thereof into your possession or to any person or corporation designated by you or into any gathering or trunk line of any pipeline company designated by you.

2. The oil received and purchased in pursuance hereof shall be delivered f.o.b. to you, or to any person or corporation designated by you, or to any gathering system or pipeline company designated by you which gathers and receives the same, and shall be paid for monthly to the owners set out above at the market price received by you, by check mailed to the respective owners at the addresses above given for the amount due on account of oil purchased hereunder, less any taxes required by law to be deducted and paid by you. If it is necessary to transport crude oil received hereunder by truck, you are authorized to deduct from such price the trucking charges charged for such transportation. Pipeline grades and measurements shall govern and control all settlements.

3. You shall deduct from all oil received hereunder into pipelines or trucks all basic sediment, water, and other impurities, and in addition, shall correct volume of oil to normal temperature of 60° Fahrenheit in accordance with established rules prevailing at the time and place of delivery. Only merchantable oil will be received hereunder.

## GENERAL (OIL, GAS AND LIQUID HYDROCARBONS):

1. Without impairment of any warranty herein contained, it is agreed that satisfactory evidence of title will be furnished as of the effective date hereof, and at any time thereafter when demanded. If such evidence of title does not, in the opinion of your attorney, show that each of the undersigned has good title to the oil, gas and liquid hydrocarbons produced from the above-described land, or in the event of claim, controversy, or suit, which in the opinion of your attorney affects title to any such interest hereunder, you may hold, without interest, the amount credited to the owner thereof until such title has been made acceptable to you, or until such claim, controversy, or suit is settled to your satisfaction.

2. You and/or any carrier transporting oil, gas or liquid hydrocarbons for your account shall be held harmless by the undersigned, to the extent of his interest, as set forth in this Division Order, from any judgment rendered against you or it on account of receiving, purchasing, paying for, or transporting the oil, gas or liquid hydrocarbons credited to the interest of the undersigned.

3. It is understood that any vendee or assignee of any interest of the undersigned in said property or the production therefrom shall take subject to the terms hereof. The undersigned agrees to notify you in writing of any change of ownership, and agrees that any transfer, assignment, or conveyance of any interest hereunder shall be made subject to this Division Order, effective at 7:00 A.M. on the first day of the calendar month following such notice to you. You are hereby relieved of any responsibility for determining when any of the interests hereinabove set forth shall revert to other parties as a result of the completion or discharge of money or other payments from said interests, and if the interest of the undersigned is affected by such money or other payments, the undersigned agrees to deliver to you notice in writing when any such money or other payments have been completed or discharged or when any other division of interest than that set forth above for the undersigned shall, for any reason, become effective, and to execute Transfer or Division Orders accordingly upon request; and in the event such notice shall not be delivered to you, the undersigned agrees to indemnify and hold you harmless, and hereby releases you from any and all damage or loss which might arise out of any overpayment.

4. It is agreed that should the proceeds accruing to an interest hereunder for any one month amount to less than ten dollars (\$10.00), you may, at your option, accumulate such proceeds and proceeds for subsequent months, without interest, until such accumulation amounts to ten dollars (\$10.00), or until December of each year, whichever comes first, at which time payment of such accumulations shall be made.

5. Each of the undersigned hereby adopts, ratifies, and confirms the oil, gas, and mineral lease or leases pursuant to which oil, gas and liquid hydrocarbons are being produced and sold, and any amendments or supplements thereto, such ratification to remain valid and effective irrespective of the termination of this instrument.

6. This Division Order may be executed in one or more counterparts, each of which shall be deemed to be an original, and shall become binding upon, and inure to the benefit of, those who sign it, their heirs, successors, and assigns, as soon as they do so regardless of when, or if, it is signed by whom. The purchaser hereunder shall have the right to assign its rights and obligations hereunder to any person, partnership, corporation or other form of organization and the right to terminate this Division Order upon thirty (30) days written notice.

7. Should oil, gas or liquid hydrocarbons produced from the described land be commingled with production from one or more other tracts prior to delivery hereunder, the oil, gas or liquid hydrocarbons deemed sold hereunder shall be that portion of the commingled oil, gas or liquid hydrocarbons which is allocated to the described land on the basis of lease meter readings or other method generally accepted in the industry as fair, and the portion so allocated shall be deemed for all purposes to have been actually produced from the described land.

8. Should the interest of the undersigned in the described land (unit) be attributable to interest(s) in a tract(s) of land presently a part of the described land (unit), the interest reflected on the reverse side hereof is the interest of the undersigned in the described land (unit) and not in the tract(s) by virtue of which such interest is derived. Should, subsequent to the execution hereof, the described land be pooled or unitized with one or more other tracts of land by authority of agreement, declaration, operation of law or order of any governmental agency with jurisdiction, the oil, gas or liquid hydrocarbons deemed sold hereunder shall be that portion of the total pooled or unitized oil, gas or liquid hydrocarbons which is allocated to the described land by such authority and the portion so allocated shall be deemed for all purposes to have been actually produced from the described land. In a pooled unit, the unit interest of the undersigned shall be determined by multiplying the interest(s) of the undersigned in any tract therein by the appropriate participation factor for that tract.

Two WITNESSES For Each Owner's Signature

OWNERS SIGN BELOW

TAXPAYER NUMBER\*

Don D. Littell

ASDP3500.09.01-03019 01 THE MAURICE L. BROWN COMPANY  
RUN ON THU-01/24/80-024 AT 3.20.41 PM

ACCOUNTING SYSTEM FOR OIL PRODUCERS  
JOINT INTEREST BILLINGS  
DECEMBER 1979

045231-8 DON D LITTELL

PROPERTY 30-7014-1 STATE #8

TRANSACTIONS REFERENCE	G/L	ACCOUNT	VENDOR	AFE	DESCRIPTION	WELL	AMOUNT	ACCT TO
LIFTING COST								
12 79 13 30	8000-	-0	703200-6		SWD-NOV		209.00	
12 79 13 30	8000-	-0	703200-6		SWD-DEC		209.00	
12 79 13 41	8000-	-0	924780-0		REPAIRS-LEASE MAINTENANCE	1	152.57	
12 79 127 1	8000-	-0	301000-6		CROSSROADS FIELD OPERATIONS		471.17	
12 79 103 19	8000-	1-	100000-9		OVERHEAD EXPENSE-1 WELL		240.00	
12 79 103 19	8000-	2-	100000-9		DISTRICT EXPENSE-1 WELL		104.00	
							344.00	1,385.00
OPERATING EXPENSE .....								
TOTAL TO BE BILLED .....								

DISTRIBUTION  
ACCOUNT  
NUMBER

OWNER NAME

OPERATING  
EXPENSE

EQUIPMENT  
RENT

EQUIPMENT  
R/S TAX

EQUIPMENT  
P/SALE

EQUIPMENT  
P/S TAX

LEASE  
INVEST

015108-4	THE M L BROWN CO-PIC	772.55	.0	.0	.0	.0	.0
015328-8	BROWN & FOX INVESTMENT COMPANY	13.86	.0	.0	.0	.0	.0
016280-0	PAUL H BYERS	13.85	.0	.0	.0	.0	.0
028968-6	F.E.P. OIL AND GAS CO	207.87	.0	.0	.0	.0	.0
031983-0	G K M INC ACCOUNT	138.57	.0	.0	.0	.0	.0
031988-9	G K M INC	69.29	.0	.0	.0	.0	.0
032694-2	W M GROESBECK	3.46	.0	.0	.0	.0	.0
036630-2	JACK V HARRISON	13.86	.0	.0	.0	.0	.0
041665-1	GARY H JOHNSON	41.57	.0	.0	.0	.0	.0
043058-7	MARYANN KLEBAN TRUST	13.86	.0	.0	.0	.0	.0
*045231-8	DON D LITTELL	13.86	.0	.0	.0	.0	.0
053632-6	FRANK E NOVY	64.24	.0	.0	.0	.0	.0
054961-8	REUBEN R PAULSEN	13.85	.0	.0	.0	.0	.0
068536-2	JACK R SHOCKLEY	13.86	.0	.0	.0	.0	.0
015108-4	THE M L BROWN CO-PIC	.5575000	.0	.0	.5575000	.5575000	.557
015328-8	BROWN & FOX INVESTMENT COMPANY	.0100000	.0	.0	.0100000	.0100000	.010
016280-0	PAUL H BYERS	.0100000	.0	.0	.0100000	.0100000	.010
028968-6	F.E.P. OIL AND GAS CO	.1500000	.0	.0	.1500000	.1500000	.150
031983-0	G K M INC ACCOUNT	.0	.0	.0	.0	.0	.0
031988-9	G K M INC	.1000000	.0	.0	.1000000	.1000000	.100
032694-2	W M GROESBECK	.0500000	.0	.0	.0500000	.0500000	.050
036630-2	JACK V HARRISON	.0025000	.0	.0	.0025000	.0025000	.002
041665-1	GARY H JOHNSON	.0100000	.0	.0	.0100000	.0100000	.010
043058-7	MARYANN KLEBAN TRUST	.0300000	.0	.0	.0300000	.0300000	.030
*045231-8	DON D LITTELL	.0100000	.0	.0	.0100000	.0100000	.010
053632-6	FRANK E NOVY	.0500000	.0	.0	.0500000	.0500000	.050
054961-8	REUBEN R PAULSEN	.0100000	.0	.0	.0100000	.0100000	.010
068536-2	JACK R SHOCKLEY	.0100000	.0	.0	.0100000	.0100000	.010

1 THE MAURICE L. BROWN COMPANY  
AT 3.20.41 PM

ACCOUNTING SYSTEM FOR OIL PRODUCERS  
JOINT INTEREST BILLINGS  
DECEMBER 1979

12/31/79 PAGE 0000

PROPERTY 30-7014-1 STATE #8

UNT	VENDOR	A/E	DESCRIPTION	WELL	AMOUNT	ACCOUNT TOTAL	CATEGORY TOTAL
-0	703200-6		SND-NOV		209.00		
-0	703200-6		SND-DEC		209.00		
-0	924780-0		REPAIRS-LEASE MAINTENANCE	1	152.57		
-0	301000-6		CROSSROADS FIELD OPERATIONS		471.17		
-0	100000-9		OVERHEAD EXPENSE-1 WELL		240.00		
-0	100000-9		DISTRICT EXPENSE-1 WELL		104.00		
-0	100000-9		OPERATING EXPENSE .....			344.10 1,385.74	1,385.74
TOTAL TO BE BILLED .....							1,385.74

OWNER NAME	OPERATING EXPENSE	EQUIPMENT RENT	EQUIPMENT R/S TAX	EQUIPMENT P/SALE	EQUIPMENT P/S TAX	LEASEHOLD INVESTMENT	OWNER TOTAL
OWN CO-PIC	772.55	.00	.00	.00	.00	.00	772.55
INVESTMENT COMPANY	13.86	.00	.00	.00	.00	.00	13.86
AND GAS CO	13.86	.00	.00	.00	.00	.00	13.86
ACCOUNT	207.87	.00	.00	.00	.00	.00	207.87
CK	138.57	.00	.00	.00	.00	.00	138.57
ISON	69.29	.00	.00	.00	.00	.00	69.29
ISON	3.46	.00	.00	.00	.00	.00	3.46
EBAN TRUST	13.86	.00	.00	.00	.00	.00	13.86
ELL	41.57	.00	.00	.00	.00	.00	41.57
Y	13.86	.00	.00	.00	.00	.00	13.86
AULSEN	69.29	.00	.00	.00	.00	.00	69.29
CKLEY	13.86	.00	.00	.00	.00	.00	13.86
OWN CO-PIC	.5575000	.00	.00	.5575000	.5575000	.5575000	.5575000
INVESTMENT COMPANY	.0100000	.00	.00	.0100000	.0100000	.0100000	.0100000
AND GAS CO	.0100000	.00	.00	.0100000	.0100000	.0100000	.0100000
ACCOUNT	.1500000	.00	.00	.1500000	.1500000	.1500000	.1500000
CK	.00	.00	.00	.00	.00	.00	.00
ISON	.1000000	.00	.00	.1000000	.1000000	.1000000	.1000000
ISON	.0500000	.00	.00	.0500000	.0500000	.0500000	.0500000
EBAN TRUST	.0025000	.00	.00	.0025000	.0025000	.0025000	.0025000
ELL	.0100000	.00	.00	.0100000	.0100000	.0100000	.0100000
Y	.0300000	.00	.00	.0300000	.0300000	.0300000	.0300000
AULSEN	.0100000	.00	.00	.0100000	.0100000	.0100000	.0100000
CKLEY	.0500000	.00	.00	.0500000	.0500000	.0500000	.0500000
OWN CO-PIC	.0100000	.00	.00	.0100000	.0100000	.0100000	.0100000
INVESTMENT COMPANY	.0500000	.00	.00	.0500000	.0500000	.0500000	.0500000
AND GAS CO	.0100000	.00	.00	.0100000	.0100000	.0100000	.0100000
ACCOUNT	.0500000	.00	.00	.0500000	.0500000	.0500000	.0500000
CK	.0100000	.00	.00	.0100000	.0100000	.0100000	.0100000
ISON	.0300000	.00	.00	.0300000	.0300000	.0300000	.0300000
ISON	.0100000	.00	.00	.0100000	.0100000	.0100000	.0100000
EBAN TRUST	.0500000	.00	.00	.0500000	.0500000	.0500000	.0500000
ELL	.0100000	.00	.00	.0100000	.0100000	.0100000	.0100000
Y	.0500000	.00	.00	.0500000	.0500000	.0500000	.0500000
AULSEN	.0100000	.00	.00	.0100000	.0100000	.0100000	.0100000
CKLEY	.0100000	.00	.00	.0100000	.0100000	.0100000	.0100000

ASUP3500.09.01-02570 01 THE MAURICE L. BROWN COMPANY  
RUN ON THU-02/21/80-052 AT 3.41.57 PM

ACCOUNTING SYSTEM FOR OIL PRODUCERS  
JOINT INTEREST BILLINGS  
JANUARY 1980

045231-8 DON D LITTELL

PROPERTY 30-7014-1 STATE #8

TRANSACTIONS REFERENCE	G/L	ACCOUNT	VENDOR	A/E	DESCRIPTION	WELL	AMOUNT	ACC
LIFTING COST								
1 80 13 12	8000-	-	-0	463700-5	REPAIRS-ENGINE		240.77	
1 80 13 20	8000-	-	-0	663300-2	SUPPLIES-JAN		23.12	
1 80 13 24	8000-	-	-0	703200-6	SND-JAN		209.00	
1 80 13 34	8000-	-	-0	924010-2	CHEMICAL TREATMENT		57.36	
1 80 13 39	8000-	-	-0	924780-0	REPAIRS-LEASE MAINTENANCE	1	641.16	
1 80 127 1	8000-	-	-0	301000-6	CROSSROADS FIELD OPERATIONS		550.90	
1 80 103 22	8000-	1-	-0	100000-9	OVERHEAD EXPENSE-1 WELL		265.00	
1 80 103 23	8000-	2-	-0	100000-9	DISTRICT EXPENSE-1 WELL		115.00	30.00 2.10

OPERATING EXPENSE .....

TOTAL TO BE BILLED .....

DISTRIBUTION ACCOUNT NUMBER	OWNER NAME	OPERATING EXPENSE	EQUIPMENT RENT	EQUIPMENT R/S TAX	EQUIPMENT P/SALE	EQUIPMENT P/S TAX	LEASE INVEST
015108-4	THE M L BROWN CO-PIC	1,172.04	.0	.0	.0	.0	
015328-8	BROWN & FOX INVESTMENT COMPANY	21.02	.0	.0	.0	.0	
016280-0	PAUL H BYERS	21.02	.0	.0	.0	.0	
028968-6	F.E.P. OIL AND GAS CO	.0	.0	.0	.0	.0	
031983-0	G K M INC ACCOUNT	.0	.0	.0	.0	.0	
031988-9	G K M INC	210.24	.0	.0	.0	.0	
032494-2	W M GROESBECK	105.11	.0	.0	.0	.0	
036630-2	JACK V HARRISON	5.26	.0	.0	.0	.0	
041665-1	GARY H JOHNSON	21.02	.0	.0	.0	.0	
043058-7	MARYANN KLERAN TRUST	63.07	.0	.0	.0	.0	
*045231-8*	DON D LITTELL	21.02	.0	.0	.0	.0	
053631-8	FRANK E NOVY - F.E.P.	157.68	.0	.0	.0	.0	
053632-6	FRANK E NOVY	105.11	.0	.0	.0	.0	
054961-8	REUBEN R PAULSEN	21.02	.0	.0	.0	.0	
054965-9	REUBEN R PAULSEN TRUST	157.68	.0	.0	.0	.0	
068536-2	JACK R SHOCKLEY	21.02	.0	.0	.0	.0	
015108-4	THE M L BROWN CO-PIC	.5575000	.0	.0	.5575000	.5575000	.557
015328-8	BROWN & FOX INVESTMENT COMPANY	.0100000	.0	.0	.0100000	.0100000	.010
016280-0	PAUL H BYERS	.0100000	.0	.0	.0100000	.0100000	.010
028968-6	F.E.P. OIL AND GAS CO	.0	.0	.0	.0	.0	.0
031983-0	G K M INC ACCOUNT	.0	.0	.0	.0	.0	.0
031988-9	G K M INC	.1000000	.0	.0	.1000000	.1000000	.100
032494-2	W M GROESBECK	.0500000	.0	.0	.0500000	.0500000	.050
036630-2	JACK V HARRISON	.0025000	.0	.0	.0025000	.0025000	.002
041665-1	GARY H JOHNSON	.0100000	.0	.0	.0100000	.0100000	.010
043058-7	MARYANN KLERAN TRUST	.0300000	.0	.0	.0300000	.0300000	.030
*045231-8*	DON D LITTELL	.0100000	.0	.0	.0100000	.0100000	.010
053631-8	FRANK E NOVY - F.E.P.	.0750000	.0	.0	.0750000	.0750000	.075
053632-6	FRANK E NOVY	.0500000	.0	.0	.0500000	.0500000	.050
054961-8	REUBEN R PAULSEN	.0100000	.0	.0	.0100000	.0100000	.010
054965-9	REUBEN R PAULSEN TRUST	.0750000	.0	.0	.0750000	.0750000	.075
068536-2	JACK R SHOCKLEY	.0100000	.0	.0	.0100000	.0100000	.010

THE MAURICE L. BROWN COMPANY  
T 3.41.57 PM

ACCOUNTING SYSTEM FOR OIL PRODUCERS  
JOINT INTEREST BILLINGS  
JANUARY 1980

01/31/80 PAGE 0100

PROPERTY 30-7014-1 STATE #8

VT	VENDOR	AFE	DESCRIPTION	WELL	AMOUNT	ACCOUNT TOTAL	CATEGORY TOTAL
00	463700-5		REPAIRS-ENGINE		240.77		
00	663300-2		SUPPLIES-JAN		23.12		
00	703200-6		SWD-JAN		209.00		
00	924010-2		CHEMICAL TREATMENT		57.36		
00	924780-0		REPAIRS-LEASE MAINTENANCE	1	641.16		
00	301000-6		CROSSROADS FIELD OPERATIONS		550.90		
00	100000-9		OVERHEAD EXPENSE-1 WELL		265.00		
00	100000-9		DISTRICT EXPENSE-1 WELL		115.00	380.00	
			OPERATING EXPENSE .....			2,102.31	2,102.31
			TOTAL TO BE BILLED .....				2,102.31

OWNER NAME	OPERATING EXPENSE	EQUIPMENT RENT	EQUIPMENT R/S TAX	EQUIPMENT P/SALE	EQUIPMENT P/S TAX	LEASEHOLD INVESTMENT	OWNER TOTAL
CO-PIC	1,172.04	.00	.00	.00	.00	.00	1,172.04
INVESTMENT COMPANY	21.02	.00	.00	.00	.00	.00	21.02
	21.02	.00	.00	.00	.00	.00	21.02
GAS CO	.00	.00	.00	.00	.00	.00	.00
MUNT	.00	.00	.00	.00	.00	.00	.00
	210.24	.00	.00	.00	.00	.00	210.24
	105.11	.00	.00	.00	.00	.00	105.11
IN	5.26	.00	.00	.00	.00	.00	5.26
	21.02	.00	.00	.00	.00	.00	21.02
TRUST	63.07	.00	.00	.00	.00	.00	63.07
	21.02	.00	.00	.00	.00	.00	21.02
F.E.P.	157.68	.00	.00	.00	.00	.00	157.68
	105.11	.00	.00	.00	.00	.00	105.11
EN	21.02	.00	.00	.00	.00	.00	21.02
EN TRUST	157.68	.00	.00	.00	.00	.00	157.68
	21.02	.00	.00	.00	.00	.00	21.02
CO-PIC	5575000	.00	.00	5575000	5575000	5575000	
INVESTMENT COMPANY	.0100000	.00	.00	.0100000	.0100000	.0100000	
	.0100000	.00	.00	.0100000	.0100000	.0100000	
GAS CO	.00	.00	.00	.00	.00	.00	
MUNT	.00	.00	.00	.00	.00	.00	
	1000000	.00	.00	1000000	1000000	1000000	
IN	5500000	.00	.00	5500000	5500000	5500000	
	.0025000	.00	.00	.0025000	.0025000	.0025000	
TRUST	.0100000	.00	.00	.0100000	.0100000	.0100000	
	.0300000	.00	.00	.0300000	.0300000	.0300000	
	.0100000	.00	.00	.0100000	.0100000	.0100000	
F.E.P.	.0750000	.00	.00	.0750000	.0750000	.0750000	
	.0500000	.00	.00	.0500000	.0500000	.0500000	
EN	.0100000	.00	.00	.0100000	.0100000	.0100000	
EN TRUST	.0750000	.00	.00	.0750000	.0750000	.0750000	
	.0100000	.00	.00	.0100000	.0100000	.0100000	

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
23 April 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Maurice L. Brown Co.  
for compulsory pooling, Lea County,  
New Mexico.

CASE  
6875

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

William F. Carr, Esq.  
CAMPBELL & BLACK P. A.  
Jefferson Place  
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.  
Rt. 1 Box 195-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409



I N D E X

DON LITTELL

Direct Examination by Mr. Carr	3
Cross Examination by Mr. Stamets	11

E X H I B I T S

Applicant Exhibit One, Plat	5
Applicant Exhibit Two, Title Opinion	5
Applicant Exhibit Three, Letter	8
Applicant Exhibit Four, AFE	8

SALLY W. BOYD, C.S.R.

Rt. 1 Box 198-A  
Santa Fe, New Mexico 87501  
Phone (505) 435-7409

1 MR. STAMETS: We'll call at this time  
2 Case 6875.

3 MR. PADILLA: Application of Maurice L.  
4 Brown Company for compulsory pooling, Lea County, New Mexico.

5 MR. CARR: May it please the Examiner,  
6 I'm William F. Carr, Campbell and Black, P. A., Santa Fe,  
7 appearing on behalf of the applicant. I have one witness  
8 who needs to be sworn.

9  
10 (Witness sworn.)

11  
12 MR. STAMETS: Any other appearances in  
13 this case?

14  
15  
16 DON LITTELL  
17 being called as a witness and having been duly sworn upon  
18 his oath, testified as follows, to-wit:

19  
20 DIRECT EXAMINATION

21 BY MR. CARR:

22 Q Will you state your name, please?  
23 A Don Littell.  
24 Q And your place of residence?  
25 A Wichita, Kansas.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 435-7409

1 Q By whom are you employed and in what  
2 capacity?

3 A The Maurice L. Brown Company as Land  
4 Manager.

5 Q Have you previously testified before this  
6 Commission, had your credentials accepted and made a matter  
7 of record?

8 A No, I haven't.

9 Q Would you briefly summarize for the  
10 Examiner your educational background and work experience?

11 A My educational background is a business  
12 administration degree and I have worked as a landman for the  
13 Maurice L. Brown Company for seven years, the last three  
14 years as land manager.

15 Q Are you familiar with the application in  
16 this case and the area which is involved?

17 A I am.

18 MR. CARR: Are the witness' qualifications  
19 acceptable?

20 MR. STAMETS: They are.

21 Q Mr. Littell, will you briefly summarize  
22 what Maurice L. Brown Company seeks with this application?

23 A Maurice Brown Company seeks compulsory  
24 pooling of all the minerals under the southeast quarter of  
25 the northwest quarter of Section 4, Township 9 South, Range

GALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 433-7400

34 East, Lea County, New Mexico, for the purpose of drilling a San Andres well.

Q Will you now refer to what has been marked for identification as Applicant's Exhibit Number One and explain to the Examiner the data contained thereon?

A Exhibit One is an acreage plat showing the location of our proposed well, the acreage that we propose to be pooled is shown in green; the surrounding wells in the area with the total depths and the wells labeled.

Q Are the surrounding wells San Andres wells?

A None of the surrounding wells on this plat are San Andres wells.

Q And I believe there is a well shown in the shaded area as plugged and abandoned, is that correct?

A That's right.

Q How close is the nearest San Andres production to the subject unit?

A Approximately five to six miles.

Q You are proposing to drill at a standard location?

A Right.

Q Will you now refer to what has been marked for identification as Exhibit Number Two and identify this for Mr. Stamets?

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1 A Exhibit Number Two is a drill site title  
2 opinion prepared by the firm of Kellahin and Kellahin in  
3 Santa Fe giving the working interest ownership and the mineral  
4 ownership under the entire south -- correction, under the  
5 entire northwest quarter of Section 4.

6 On page four of the title opinion it  
7 shows the working interest to be owned 75 percent by the  
8 Maurice L. Brown Company and 25 percent by Tenneco Oil Com-  
9 pany.

10 Q Is Tenneco's interest an undivided in-  
11 terest?

12 A It is.

13 Q Would you briefly summarize for the Exa-  
14 miner the effort you've made to obtain voluntary agreement  
15 for pooling or farmout from Tenneco?

16 A We first contacted Tenneco in March of  
17 1979. At that time we offered to take a lease from Tenneco  
18 at the same time we were offering to lease the other undivid-  
19 ed interests in this quarter.

20 In May of 1979 Tenneco replied to us by  
21 making a counter offer.

22 In June of '79 we corresponded with them  
23 asking them to adjust their counter offer in one respect.

24 On June the 14 of '79 they wrote us a  
25 letter telling us that they did not change their counter

1 offer, and at that point the discussions between us lapsed  
2 for a period of six or eight months because we were at the  
3 time still in the process of acquiring the other leases on  
4 the other 75 percent of the minerals.

5 In January of 1980 we had by that time  
6 received the other leases. We had the other 75 percent under  
7 lease and we corresponded with Tenneco telling them that  
8 we had decided to accept the offer that they had made us in  
9 May of 1979, if they could still make the offer good.

10 They said yes, we can still make that  
11 offer to you, and we at that time signed the letter agreement  
12 that they had sent to us in May of '79, and we signed it and  
13 returned it to them and it's in their files now.

14 They then followed that up in February  
15 of 1980 with another letter agreement, a formal letter  
16 agreement, with a lease form to us, and in our opinion the  
17 terms of what they had sent to us were materially different  
18 from what we felt we had agreed to in our May, 1979, letter.

19 We corresponded with them in March of  
20 1980, pointing out that we felt that they had changed the  
21 agreement that we had, and asking them to -- to leave the  
22 agreement as we felt it had been.

23 Then on March the 26th of 1980 they  
24 wrote back and said, in effect, we do not agree to change  
25 the -- the February letter agreement, and lease, and that if

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1 the Maurice L. Brown Company could not agree to return the  
2 last agreement to them by April the 7th, then Tenneco would  
3 withdraw its offer and that was the last correspondence with  
4 them.

5 Q Will you refer to what has been marked  
6 for identification as Applicant's Exhibit Number Three and  
7 just identify that for the Examiner?

8 A Exhibit Number Three is a letter from the  
9 law firm of Campbell and Black to Tenneco Oil Company noti-  
10 fying them of the pooling order having been filed before the  
11 Conservation Division.

12 Q Mr. Littell, will you refer to what has  
13 been marked Exhibit Four and review the data contained there-  
14 on for Mr. Stamets?

15 A Exhibit Number Four is an AFE giving our  
16 estimated costs of drilling the proposed well. The top part  
17 shows the costs of a nonproductive dry hole. The second  
18 section shows the completion costs, and the bottom part  
19 shows the equipment costs.

20 The total cost of a productive well,  
21 fully equipped, is estimated to be \$268,245.

22 Q Does this AFE accurately reflect the  
23 costs to be incurred or that are incurred by Maurice L.  
24 Brown in drilling a well similar to the one you're proposing?

25 A It does.

SALLY W. BOYD, C.S.R.

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Santa Fe, New Mexico 87501  
Phone (505) 435-7409

1 Q Mr. Littell, do you consider the drilling  
2 of this well to be a high risk venture?

3 A Yes.

4 Q And on what do you base this opinion?

5 A We feel it's high risk, first of all,  
6 because there is no other San Andres production in this  
7 general area.

8 Secondly, the dry hole located in the  
9 northwest quarter of Section 4 was a well drilled to the  
10 San Andres. It was production tested for about 36 barrels  
11 of oil a day. It was then fraced and they got all water, and  
12 we feel that it will probably be very difficult to treat  
13 this well without having the same results that they had.

14 Q Are you prepared to make a recommendation  
15 to the Examiner as to the risk factor that should be assessed  
16 against those who do not participate in the drilling of the  
17 well?

18 A Yes, we recommend a 200 percent risk  
19 factor.

20 Q Have you made an estimate of overhead  
21 and administrative costs while drilling and producing the  
22 well?

23 A Our estimated administrative costs while  
24 drilling the well are \$3800, and the overhead costs while  
25 producing the well are estimated at \$380 per well per month.

SALLY W. BOYD, C.S.R.

El Paso 190-8  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409



1 Q Do these figures reflect the actual cost  
2 incurred by Maurice L. Brown in drilling and producing simi-  
3 lar wells in this area?

4 A They do.

5 Q Do you recommend that these costs be  
6 incorporated into any order resulting from this hearing?

7 A Yes.

8 Q Does Maurice L. Brown request to be de-  
9 signated operator of the subject well?

10 A Yes.

11 Q In your opinion will granting this ap-  
12 plication result in the recovery of hydrocarbons that other-  
13 wise would not be recovered?

14 A Yes, it does. We feel there are hydro-  
15 carbons here to be recovered that will not be recovered if  
16 we cannot drill this well.

17 Q In your opinion will granting the appli-  
18 cation be in the interest of conservation, the prevention  
19 of waste, and the protection of correlative rights?

20 A Yes.

21 Q When does Maurice L. Brown plan to spud  
22 this well?

23 A June the 5th, hopefully.

24 Q And are you requesting that the order be  
25 expedited?

SALLY W. BOYD, C.S.R.

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

1 A Yes.

2 Q Did you prepare or have you reviewed and  
3 can testify as to the accuracy of Exhibits One through Four?

4 A I did not prepare them. I have reviewed  
5 all of them and I can testify as to the accuracy of them.

6 MR. CARR: Mr. Examiner, at this time  
7 we would offer Applicant's Exhibits One through Four.

8 MR. STAMETS: These exhibits will be  
9 admitted.

10 MR. CARR: We have nothing further on  
11 direct.

12 CROSS EXAMINATION

13 BY MR. STAMETS:

14 Q Mr. Littell, could you supply the Divi-  
15 sion with copies of the Tenneco correspondence?

16 A Yes.

17 Q Has Maurice L. Brown entered into any  
18 voluntary operating agreements that provide for overhead  
19 costs such as you've requested here today?

20 A Not with any of the parties in this --  
21 who will be involved in this well, if I understand your  
22 question.

23 Q Have you had any other voluntary agree-  
24 ments recently that provide for this type of a cost?  
25

SALLY W. BOYD, C.S.R.

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Laurin Pa. New Mexico 87501  
Phone (505) 455-7409

1 A Oh, yes. Yes.

2 Q Can you make them --

3 A These are our standard costs.

4 Q Can you make a copy of one of those

5 available to us?

6 A Yes. Yes.

7 MR. STAMETS: Any other questions of the

8 witness? He may be excused.

9 Anything further in this case?

10 MR. CARR: Nothing further, Mr. Examiner.

11 MR. STAMETS: The case will be taken

12 under advisement.

13  
14 (Hearing concluded.)

15

16

17

18

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21

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24

25

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 435-7409

REPORTER'S CERTIFICATE

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

SALLY W. BOYD, C.S.R.

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

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 19  
heard by me on \_\_\_\_\_, Examiner

Oil Conservation Division



THE MAURICE L. BROWN COMPANY

SUTTON PLACE BUILDING, SUITE 200,

WICHITA, KANSAS 67202

(316) 265-4651

April 24, 1980

Mr. Richard L. Stamets  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico

Re: Docket No. 12-80  
Case 6875

Dear Mr. Stamets:

During the hearing of subject case you requested a copy of The Maurice L. Brown Company Operating Agreement. Enclosed is such a copy. This is the Operating Agreement form used by The Maurice L. Brown Company in all of the six States in which we operate.

Paragraph (15) (b) provides for a monthly per well charge to be determined in January of each year (blank space). That amount as of January 1, 1980 is \$380.00.

Paragraph (17) (f) provides for a drilling well charge equal to ten (10) times the monthly well charge. Since the monthly well charge is \$380.00 the drilling well charge is \$3,800.00 as of January 1, 1980.

You also requested copies of the correspondence between The Maurice L. Brown Company and Tenneco. Copies were left at your office following the hearings on April 23, 1980. If you would like any further information let us know.

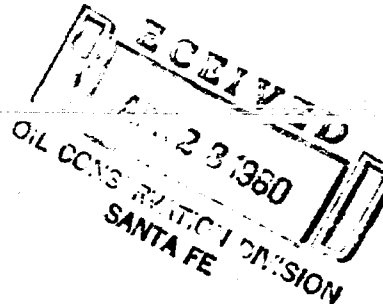
Sincerely,

  
Don Littell

Land Manager

DL:ms

XC: William F. Carr



*The blank  
forms submitted  
were not what was  
requested. Contacted  
Bill Carr*

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO  
23 April 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Maurice L. Brown Co. ) CASE  
for compulsory pooling, Lea County, ) 6875  
New Mexico. )

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant: William F. Carr, Esq.  
CAMPBELL & BLACK P. A.  
Jefferson Place  
Santa Fe, New Mexico 87501

SALLY W. BOYD, C.S.R.

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

I N D E X

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DON LITTELL

Direct Examination by Mr. Carr	3
Cross Examination by Mr. Stamets	11

E X H I B I T S

Applicant Exhibit One, Plat	5
Applicant Exhibit Two, Title Opinion	5
Applicant Exhibit Three, Letter	8
Applicant Exhibit Four, AFE	8

**SALLY W. BOYD, C.S.R.**

Rt. 1 Box 193-B

Santa Fe, New Mexico 87501

Phone (505) 455-7409

1 MR. STAMETS: We'll call at this time  
2 Case 6875.

3 MR. PADILLA: Application of Maurice L.  
4 Brown Company for compulsory pooling, Lea County, New Mexico.

5 MR. CARR: May it please the Examiner,  
6 I'm William F. Carr, Campbell and Black, P. A., Santa Fe,  
7 appearing on behalf of the applicant. I have one witness  
8 who needs to be sworn.

9  
10 (Witness sworn.)

11  
12 MR. STAMETS: Any other appearances in  
13 this case?

14  
15 DON LITTELL  
16 being called as a witness and having been duly sworn upon  
17 his oath, testified as follows, to-wit:

18  
19 DIRECT EXAMINATION

20  
21 BY MR. CARR:

22 Q Will you state your name, please?  
23 A Don Littell.  
24 Q And your place of residence?  
25 A Wichita, Kansas.

SALLY W. BOYD, C.S.R.

Rt. 1 Box 183-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409



1 Q By whom are you employed and in what  
2 capacity?

3 A The Maurice L. Brown Company as Land  
4 Manager.

5 Q Have you previously testified before this  
6 Commission, had your credentials accepted and made a matter  
7 of record?

8 A No, I haven't.

9 Q Would you briefly summarize for the  
10 Examiner your educational background and work experience?

11 A My educational background is a businss  
12 administration degree and I have worked as a landman for the  
13 Maurice L. Brown Company for seven years, the last three  
14 years as land manager.

15 Q Are you familiar with the application in  
16 this case and the area which is involved?

17 A I am.

18 MR. CARR: Are the witness' qualifications  
19 acceptable?

20 MR. STAMETS: They are.

21 Q Mr. Littell, will you briefly summarize  
22 what Maurice L. Brown Company seeks with this application?

23 A Maurice Brown Company seeks compulsory  
24 pooling of all the minerals under the southeast quarter of  
25 the northwest quarter of Section 4, Township 9 South, Range

BALLY W. BOYD, C.S.R.

Rt. 1 Box 189-B  
Santa Fe, New Mexico 87501  
Phone (505) 433-7409

1 34 East, Lea County, New Mexico, for the purpose of drilling  
2 a San Andres well.

3 Q Will you now refer to what has been  
4 marked for identification as Applicant's Exhibit Number One  
5 and explain to the Examiner the data contained thereon?

6 A Exhibit One is an acreage plat showing  
7 the location of our proposed well, the acreage that we pro-  
8 pose to be pooled is shown in green; the surrounding wells  
9 in the area with the total depths and the wells labeled.

10 Q Are the surrounding wells San Andres  
11 wells?

12 A None of the surrounding wells on this  
13 plat are San Andres wells.

14 Q And I believe there is a well shown in  
15 the shaded area as plugged and abandoned, is that correct?

16 A That's right.

17 Q How close is the nearest San Andres  
18 production to the subject unit?

19 A Approximately five to six miles.

20 Q You are proposing to drill at a standard  
21 location?

22 A Right.

23 Q Will you now refer to what has been  
24 marked for identification as Exhibit Number Two and identify  
25 this for Mr. Stamets?

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SALLY W. BOYD, C.S.R.

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Santa Fe, New Mexico 87501  
Phone (505) 433-7409

1           A           Exhibit Number Two is a drill site title  
2 opinion prepared by the firm of Kellahin and Kellahin in  
3 Santa Fe giving the working interest ownership and the mineral  
4 ownership under the entire south -- correction, under the  
5 entire northwest quarter of Section 4.

6                   On page four of the title opinion it  
7 shows the working interest to be owned 75 percent by the  
8 Maurice L. Brown Company and 25 percent by Tenneco Oil Com-  
9 pany.

10           Q           Is Tenneco's interest an undivided in-  
11 terest?

12           A           It is.

13           Q           Would you briefly summarize for the Exa-  
14 miner the effort you've made to obtain voluntary agreement  
15 for pooling or farmout from Tenneco?

16           A           We first contacted Tenneco in March of  
17 1979. At that time we offered to take a lease from Tenneco  
18 at the same time we were offering to lease the other undivid-  
19 ed interests in this quarter.

20                   In May of 1979 Tenneco replied to us by  
21 making a counter offer.

22                   In June of '79 we corresponded with them  
23 asking them to adjust their counter offer in one respect.

24                   On June the 14 of '79 they wrote us a  
25 letter telling us that they did not change their counter

1 offer, and at that point the discussions between us lapsed  
2 for a period of six or eight months because we were at the  
3 time still in the process of acquiring the other leases on  
4 the other 75 percent of the minerals.

5 In January of 1980 we had by that time  
6 received the other leases. We had the other 75 percent under  
7 lease and we corresponded with Tenneco telling them that  
8 we had decided to accept the offer that they had made us in  
9 May of 1979, if they could still make the offer good.

10 They said yes, we can still make that  
11 offer to you, and we at that time signed the letter agreement  
12 that they had sent to us in May of '79, and we signed it and  
13 returned it to them and it's in their files now.

14 They then followed that up in February  
15 of 1980 with another letter agreement, a formal letter  
16 agreement, with a lease form to us, and in our opinion the  
17 terms of what they had sent to us were materially different  
18 from what we felt we had agreed to in our May, 1979, letter.

19 We corresponded with them in March of  
20 1980, pointing out that we felt that they had changed the  
21 agreement that we had, and asking them to -- to leave the  
22 agreement as we felt it had been.

23 Then on March the 26th of 1980 they  
24 wrote back and said, in effect, we do not agree to change  
25 the -- the February letter agreement, and lease, and that if

SALLY W. BOYD, C.S.R.

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1 the Maurice L. Brown Company could not agree to return the  
2 last agreement to them by April the 7th, then Tenneco would  
3 withdraw its offer and that was the last correspondence with  
4 them.

5 Q Will you refer to what has been marked  
6 for identification as Applicant's Exhibit Number Three and  
7 just identify that for the Examiner?

8 A Exhibit Number Three is a letter from the  
9 law firm of Campbell and Black to Tenneco Oil Company noti-  
10 fying them of the pooling order having been filed before the  
11 Conservation Division.

12 Q Mr. Littell, will you refer to what has  
13 been marked Exhibit Four and review the data contained there-  
14 on for Mr. Stamets?

15 A Exhibit Number Four is an AFE giving our  
16 estimated costs of drilling the proposed well. The top part  
17 shows the costs of a nonproductive dry hole. The second  
18 section shows the completion costs, and the bottom part  
19 shows the equipment costs.

20 The total cost of a productive well,  
21 fully equipped, is estimated to be \$268,245.

22 Q Does this AFE accurately reflect the  
23 costs to be incurred or that are incurred by Maurice L.  
24 Brown in drilling a well similar to the one you're proposing?

25 A It does.

SALLY W. BOYD, C.S.R.

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Phone (505) 455-7409

**SALLY W. BOYD, C.S.R.**

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

1 Q Mr. Littell, do you consider the drilling  
2 of this well to be a high risk venture?

3 A Yes.

4 Q And on what do you base this opinion?

5 A We feel it's high risk, first of all,  
6 because there is no other San Andres production in this  
7 general area.

8 Secondly, the dry hole located in the  
9 northwest quarter of Section 4 was a well drilled to the  
10 San Andres. It was production tested for about 36 barrels  
11 of oil a day. It was then fraced and they got all water, and  
12 we feel that it will probably be very difficult to treat  
13 this well without having the same results that they had.

14 Q Are you prepared to make a recommendation  
15 to the Examiner as to the risk factor that should be assessed  
16 against those who do not participate in the drilling of the  
17 well?

18 A Yes, we recommend a 200 percent risk  
19 factor.

20 Q Have you made an estimate of overhead  
21 and administrative costs while drilling and producing the  
22 well?

23 A Our estimated administrative costs while  
24 drilling the well are \$3800, and the overhead costs while  
25 producing the well are estimated at \$380 per well per month.

SALLY W. BOYD, C.S.R.

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

1 Q Do these figures reflect the actual cost  
2 incurred by Maurice L. Brown in drilling and producing simi-  
3 lar wells in this area?

4 A They do.

5 Q Do you recommend that these costs be  
6 incorporated into any order resulting from this hearing?

7 A Yes.

8 Q Does Maurice L. Brown request to be de-  
9 signated operator of the subject well?

10 A Yes.

11 Q In your opinion will granting this ap-  
12 plication result in the recovery of hydrocarbons that other-  
13 wise would not be recovered?

14 A Yes, it does. We feel there are hydro-  
15 carbons here to be recovered that will not be recovered if  
16 we cannot drill this well.

17 Q In your opinion will granting the appli-  
18 cation be in the interest of conservation, the prevention  
19 of waste, and the protection of correlative rights?

20 A Yes.

21 Q When does Maurice L. Brown plan to spud  
22 this well?

23 A June the 5th, hopefully.

24 Q And are you requesting that the order be  
25 expedited?

1 A Yes.

2 Q Did you prepare or have you reviewed and  
3 can testify as to the accuracy of Exhibits One through Four?

4 A I did not prepare them. I have reviewed  
5 all of them and I can testify as to the accuracy of them.

6 MR. CARR: Mr. Examiner, at this time  
7 we would offer Applicant's Exhibits One through Four.

8 MR. STAMETS: These exhibits will be  
9 admitted.

10 MR. CARR: We have nothing further on  
11 direct.

12 CROSS EXAMINATION

13 BY MR. STAMETS:

14 Q Mr. Littell, could you supply the Divi-  
15 sion with copies of the Tenneco correspondence?

16 A Yes.

17 Q Has Maurice L. Brown entered into any  
18 voluntary operating agreements that provide for overhead  
19 costs such as you've requested here today?

20 A Not with any of the parties in this --  
21 who will be involved in this well, if I understand your  
22 question.

23 Q Have you had any other voluntary agree-  
24 ments recently that provide for this type of a cost?  
25

SALLY W. BOYD, C.S.R.

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Phone (505) 435-7409



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A Oh, yes. Yes.

Q Can you make them --

A These are our standard costs.

Q Can you make a copy of one of those  
available to us?

A Yes. Yes.

MR. STAMETS: Any other questions of the  
witness? He may be excused.

Anything further in this case?

MR. CARR: Nothing further, Mr. Examiner.

MR. STAMETS: The case will be taken  
under advisement.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.

Rt. 1 Box 194-B  
Santa Fe, New Mexico 87501  
Phone (505) 455-7409

REPORTER'S 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.

Sally W. Boyd C.S.R.

SALLY W. BOYD, C.S.R.

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

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6875  
heard by me on 4-23 1980  
Richard K. [Signature] Examiner  
Oil Conservation Division

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey

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

Telephone 982-4285  
Area Code 505

The Maurice L. Brown Company  
Sutton Place Building Suite 200  
Wichita, Kansas 67202

Attention: Mr. Don Littell

re: DRILL SITE TITLE OPINION:  
EVANS LEASE  
Township 9 South, Range 34 East, N.M.P.M.  
Sec. 4: Lots 3 and 4  
S/2NW/4  
Lea County, New Mexico;  
Containing 160.13 acres  
more or less

March 14, 1980

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION  
APPLICANTS EXHIBIT NO. 2  
CASE NO. 6875  
Submitted by Maurice L. Brown  
Hearing Date 4/23/80

Gentlemen:

We have examined the following:

PRIOR TITLE OPINIONS AND ABSTRACTS

1. Abstract No. 31799 by Lea County Abstract Company, Lovington, New Mexico covering mineral title according to Lea County records from inception to February 25, 1980 at 7:00 A.M. for the captioned property, consisting of 318 pages.
2. Prior Title Opinion of Hinkle, Bondurant, Cox & Eaton dated March 9, 1971, covering captioned lands and based upon mineral abstracts certified to March 1, 1971 at 8:00 A.M.
3. Prior Title Opinion of Stubbeman, McRae, Sealy, Laughlin & Browder dated September 21, 1971 covering captioned lands and based upon the Hinkle Firm Title Opinion and a Supplemental abstract certified to September 14, 1971 at 8:00 A.M.

Based upon examination of the foregoing, and subject to the below comments and requirements, the status of the title

(continued)

KELLAHIN and KELLAHIN  
Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page two

to the captioned lands as of the date of certification of the abstract, for drilling purposes, is as follows:

TITLE TO OIL AND GAS

1. Frank O. Elliott and Clarence E. Hinkle, Trustees under the Frank O. Elliott Living Trust	12.5%
2. Edna Ione Hall and Clarence E. Hinkle, Trustee under the Edna Ione Hall Living Trust	12.5%
3. Fannie Gae Markham Ratcliff, as her separate property	3.5772271%
4. C.B. Markham, Jr., as his separate property	3.5772271%
5. John Markham, as his separate property	3.5772271%
6. Sallie Mae Markham White, as her separate property	3.5772271%
7. Manon Markham McMullen	1.7886135%
8. Roderick Allen Markham	1.7886135%
9. Julia Ruth Markham Proctor, as her separate property	3.5772271%
10. Billie Joe Markham, as his separate property	3.5773371%
11. Bertha L. Evans, a widow	6.23985%
12. Lorene E. Whitley Longwell, (Husband - M.M. Longwell)	6.23985%
13. Odessa M. Whitley (Husband - J. B. Whitney)	6.23985%

(continued)

KELLAHIN and KELLAHIN

Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page three

14. Thomas Weldon Evans, (Wife - Mary E. Evans)	3.11485%
15. Robert Dale Evans	3.125%
16. Tenneco Oil Company	25.%
TOTAL	ALL

The Tenneco Oil Company interest is subject to a production payment interest payable out of 3/32 of 25% of production and credited equally to Robert J. Leonard, Patrick J. Leonard and Timothy T. Leonard.

ROYALTY INTEREST

1. Frank O. Elliott, Living Trust	3.125%
2. Edna Ione Hall, Living Trust	3.125%
3. Fannie Gae Markham Ratcliff	0.67073%
4. C. B. Markham, Jr.	0.67073%
5. John Markham	0.67073%
6. Sallie Mae Markham White	0.67073%
7. Manon Markham McMullen	0.335365%
8. Roderick Allen Markham	0.335365%
9. Julia Ruthe Markham Proctor	0.67073%
10. Billie Joe Markham	0.67073%
11. Bertha L. Evans	1.1699718%
12. Lorene E. Whitley Longwell	1.1699718%
13. Odessa M. Whitley	1.1699718%
14. Thomas Weldon Evans	0.5840343%
15. Robert Dale Evans	0.5859375%

(excludes Tenneco)

(continued)

KELLAHIN and KELLAHIN

Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page four

PRODUCTION PAYMENTS

Robert J. Leonard, Patrick J.  
Leonard and Timothy T. Leonard,  
equally

2.34375% (3/32 of 25%)  
until the sum of \$3 Million  
has been recovered from  
this and other lands under  
terms of assignment dated  
October 1, 1965, recorded  
Book 241, Page 230, records  
of Lea County, New Mexico.

OVERRIDING ROYALTIES

None on the current effective leases.

WORKING INTEREST

Maurice L. Brown

75%  
from surface to the base  
of the San Andres formation.

Tenneco Oil Company

25%

It is assumed that Maurice L. Brown and Maurice L. Brown  
Company are the same.

(continued)

KELLAHIN and KELLAHIN

Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page five

PRIOR OIL AND GAS LEASES

The Abstract indicates that there are four oil and gas leases which have apparently expired of their own terms, but are not released:

- (a) Lease dated January 26, 1971 from Frank O. Elliott Living Trust to Fred G. Goodman recorded in Book 272, Page 328.
- (b) Lease dated January 26, 1971 from Edna Ione Hall Living Trust to Fred G. Goodman recorded in Book 272, Page 330.
- (c) Lease dated February 11, 1971 from Bertha L. Evans et al., to Fred G. Goodman recorded in Book 272, Page 326.
- (d) Lease dated February 23, 1971 from C. B. Markham et al., to Fred O. Goodman recorded in Book 272, Page 324.

According to the records of the New Mexico Oil Conservation Division examined by us on March 12, 1980, the referenced leases were apparently held beyond their primary term, by production from the Maurice L. Brown "Evans 7103-JVD Well No. 1," located 1980 feet from the North and West lines of Section 4 in Unit F. The records further reflect a Notice of Intention to Plug and Abandon that well, filed and approved by the Division on September 7, 1978. However, the file fails to reflect a final approval of the plugging. Accordingly, requirements to this point are hereinafter set forth.

(continued)

KELLAHIN and KELLAHIN  
Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page six

EFFECTIVE OIL & GAS LEASES

LEASE NO. 1

Dated:	September 24, 1979.
Recorded:	Book 319 Page 912 Oil & Gas Records October 15, 1979.
Lessor:	Bertha L. Evans, Lorene E. (Whitley) Longwell, Odess [sic] M. Whitley, Thomas Weldon Evans.
Lessee:	Maurice L. Brown.
Land Covered:	<u>T9S, R34E</u> Sec. 4: NW/4 From Surface to base of San Andres Formation.
Primary Term:	One (1) year from date.
Royalty:	3/16th (18.75%) on oil and gas.
Shut-In Gas Royalty:	Payable in an amount equal to the delay rental (delay rental clause Paragraph 4 - stricken). This amount not specified, beginning on or before 90 days after a well is shut in and annually thereafter.
Delay Rentals:	None.
Depository:	None designated.
Pooling Clause:	Yes, with units not to exceed the standard proration unit fixed by law or the New Mexico Oil Conservation Commission, plus 10% tolerance.
Lease Form:	Producer's 88 (Producer's Revised 1967) New Mexico Form 342-U.

(continued)



KELLAHIN and KELLAHIN  
Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980  
page seven

LEASE NO. 2

Dated:	August 20, 1979.
Recorded:	Book 321, Page 181 Oil and Gas records November 30, 1979.
Lessor:	Fanny Gae Ratcliff, C.B. Markham, Jr., John Markham, Sallie Mae White, Julia Ruth Proctor and Pete Proctor (husband), Billie Jo Markham, Manon Markham McMullen, and Roderick Allen Markham.
Lessee:	Maurice L. Brown.
Lands Covered:	<u>T9S, R34E</u> Sec. 4: NW/4 From Surface to base of San Andres Formation.
Primary Term:	One (1) year from date
Royalty:	3/16th (18.75%) on Oil and Gas.
Shut-In Gas Royalty:	Payable in an amount equal to the delay rental (delay rental clause in Paragraph 4 has been stricken). Thus amount not specified, beginning on or before 90 days after a well is shut in, and annually thereafter.
Delay Rentals:	None.
Depository:	None designated.
Pooling Clause:	Yes, with units not to exceed the standard proration unit fixed by law or the New Mexico Oil Conservation Commission, plus 10% tolerance.
Lease Form:	Producer's 88 (Producer's Revised 1967) New Mexico Form 342-U.

(continued)

KELLAHIN and KELLAHIN

Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980  
page eight

LEASE NO. 3

Dated: January 25, 1980.

Recorded: Book 324 Page 574 Oil & Gas  
records February 4, 1980.

Lessor: Frank O. Elliott Living Trust and  
Edna Ione Hall Living Trust.

Lessee: The Maurice L. Brown Company.

Land Covered: T9S, R34E, N.M.P.M.  
Sec. 4: NW/4  
From Surface to base of San Andres  
Formation.

Primary Term: One year from date.

Royalty: 1/4th (25%) on oil and gas.

Shut-In Gas  
Royalty: Payable in an amount equal to the  
delay rental (delay rental clause in  
Paragraph 4 has been sticken). Thus  
amount of shut-in gas royalty is not  
specified but will begin on or before  
90 days after a well is shut in, and  
annually thereafter.

Delay Rentals: None.

Depository: None designated.

Pooling Clause: Yes, with units not to exceed the  
standard proration unit fixed by law  
or the New Mexico Oil Conservation  
Commission plus 10% tolerance.

Lease Form: Producer's 88 (Producer's Revised 1967)  
New Mexico Form 342-U.

(continued)

KELLAHIN and KELLAHIN  
Maurice Brown Company  
Evans Lease Title Opinion  
March 14, 1980  
page nine

#### TITLE REQUIREMENTS

##### 1. Acreage:

As is apparent from the caption of this opinion, the acreage in the captioned lands is irregular. The precise acreage included in the two lots involved in the captioned lands is as follows:

Lot 3 - 40.12 acres  
Lot 4 - 40.01 acres

No requirement is made with respect to the above irregular acreage. However, this irregularity is noted because various grantors have failed to take into consideration the irregularity when making conveyances of the mineral interest. Specifically:

(a) C. B. Markham owned an undivided one-half interest in captioned lands and by deed dated December 1, 1930, recorded Book 31, Page 80, C. B. Markham and his wife conveyed such one-half interest to E. N. Evans, but such deed contained a recital that it was the intent of the grantors to convey 80 full royalty acres. Since captioned lands contain 160.13 acres, a small interest remained vested in C.B. Markham. Thereafter, by deed dated June 4, 1940, recorded Book 77, Page 123, E. N. Evans and wife re-conveyed to C. B. Markham an undivided one-fourth interest in captioned lands. Therefore, we have credited the Markham heirs with an undivided  $40.0975/160.13$  mineral interest, and the Evans heirs with an undivided  $39.9675/160.13$  mineral interest.

(b) Thomas Weldon Evans conveyed a  $1/32$ nd, interest to his son Robert Dale Evans on October 11, 1979, recorded Book 377 Page 12 leaving Thomas Weldon Evans with 3.11485% interest.

##### 2. Old Oil and Gas Leases:

You are required to obtain and file with the New Mexico Oil Conservation Division, Santa Fe, New Mexico a completed and approved Form C-103 showing that the Evans 7103-JVD Well No. 1 has been properly plugged and abandoned. In the alternative obtain and record releases from the various interest owners of the four "Evans Group" leases set forth above.

(continued)

KELLAHIN and KELLAHIN

Maurice L. Brown Company

Evans Lease Title Opinion

March 14, 1980

page ten

3. Old Agreements:

Reference is made at various times in the Abstract to the existence of the following documents, none of which are set forth in the Abstract and presumably are not recorded. Therefore, satisfy yourself that the following agreements are no longer effective.

(a) Operating Agreement dated March 26, 1971 between BTA Oil Producers, as Operator, and Tenneco Oil Company, as non-operator, creating a working interest unit down to a maximum depth of 9800 feet owned by BTA as to 75% and by Tenneco as to 25%.

(b) Casinghead Gas Contract, dated July 8, 1971 executed by BTA Oil Producers and Tenneco Oil Producers and Tenneco Oil Company, and Warren Petroleum Corporation.

4. Leonard-Tenneco Transaction:

(a) Leonard Oil Company formerly held of record an undivided 1/4th interest in the oil, gas and other minerals in the captioned lands. Leonard Oil Company sold substantially all of its assets to Tenneco Oil Company and documents effecting such transfer of assets, etc., were dated October 1, 1965. The Abstract reflects an assignment instrument under that date, recorded at Book 241, Page 230, assigning to Tenneco all of Leonard Oil Company's interest in the captioned and other lands. However, there is reserved to Leonard Oil Company, as a production payment, an undivided 3/32nds of 8/8ths of all oil, gas, casinghead gas and other minerals produced, saved and marketed, and which may accrue or be attributable to the mineral interest in the captioned lands (and other interests) until there has been received by reason of such reservation oil, gas, casinghead gas and other minerals in the total market value of \$3,000,000.00 and thereupon such reservation ceases and without further act, reverts to Tenneco. With respect to the captioned lands, this would mean that 3/128ths of all oil, gas and other minerals would be attributable and allocable to the production payment interest. As is noted, such production payment interest may be satisfied from production from numerous other interests and we have no

(continued)

KELLAHIN and KELLAHIN

Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page eleven

information whatsoever with respect to what amount of this production payment, if any, has been retired. In any event, we do not construe the reservation of the production payment as affecting the right of Tenneco Oil Company to execute an oil and gas lease on the full 1/4th interest. It should also be noted that pooling and unitization by Tenneco is authorized. We will not further describe the ABC transaction involved in connection with this matter, unless requested to do so.

Subsequent to the above described assignment between Leonard and Tenneco, Leonard Oil Company executed an "Assignment and Conveyance" dated January 7, 1966, Book 251, Page 222, assigning the reserved production payment to Robert J. Leonard, Patrick J. Leonard and Timothy T. Leonard, with an undivided 1/3rd interest being allocated to each.

We have no requirement relative to the above matters, but set them out for information purposes.

5. Tenneco Oil Company Interest:

(a) Our examination reflects that Tenneco Oil Company has a 25% interest in the oil and gas minerals, subject to the production payment outlined above. The Stubbeman firm's Title Opinion dated September 21, 1971, divides the Tenneco 25% interest into 1/8th royalty and 7/8th working interest. We are unable to determine upon what they based that division and speculate that it results from the BTA Oil Producers-Tenneco Oil Company Operating Agreement dated March 26, 1971, referenced in the Stubbeman Title Opinion on page 7, but which is not of record in the Abstract. In dealing with Tenneco Oil Company, satisfy yourself concerning the 25% interest, that they still hold title to all of that 25% of the oil and gas minerals, subject only to the production payments to the Leonard's.

(b) Prior to commencement of well and the dedication of the 160.13 acre unit to said well, obtain a compulsory pooling order from the New Mexico Oil Conservation Division, or an acceptable agreement with Tenneco Oil Company concerning their interest.

(continued)

KELLAHIN and KELLAHIN

Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page twelve

6. Defects In Current Effective Leases:

The leases analysed above under the caption Effective Oil & Gas Leases contain the following defects:

(a) All three leases have stricken the delay rental clause. The form refers to the delay rental clause to determine the amount of the shut-in gas royalty. Therefore, an ambiguity is created, in that the amount of the shut-in gas royalty cannot be determined from reading the leases. Satisfy yourself as to the importance of the shut-in gas royalty clause, and obtain and record a corrected lease if you desire.

(b) All three leases contain errors in acknowledging that the acreage is irregular. The acreage in this tract is 160.13 acres. The Evans Lease and the Markham Lease refer to 160 acres. The Elliott-Hall Trust Leases specifically described the NW/4 of Section 4, but then erroneously indicates that it contains only 40 acres. Inasmuch as no rental payments are required, and with the forms having a lessor interest clause, these errors are not considered defects requiring correction.

(c) Satisfy yourself prior to drilling that there have been no instruments filed of record subsequent to the closing date of the Abstract examined, which could adversely affect title.

7. The Evans and Markham leases show Maurice L. Brown as the Lessee while the Elliott-Hall trust lease shows Maurice L. Brown Company as Lessee. If these are not the same, then record assignments to the appropriate Lessee.

COMMENTS

This title opinion does not cover questions of boundary area, excesses, conflicts with adjacent tracts or surveys, unpaid bills for labor or material that may ripen into mechanic's or materialmen's liens, rights of person, if any in possession,

(continued)

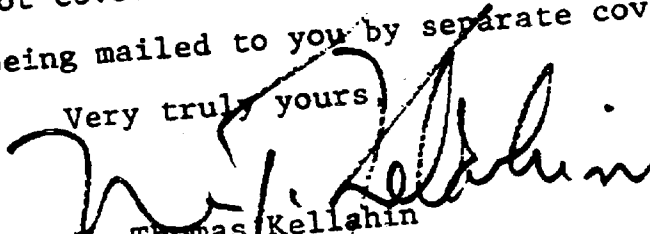
KELLAHIN and KELLAHIN  
Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page thirteen

or any other matters not covered by the materials examined.

Your abstract is being mailed to you by separate cover.

Very truly yours,



W. Thomas Kellahin

encls.  
WTK:mmm

CAMPBELL AND BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

APPLICANTS CASE NO. 3

CASE NO. 6875

Submitted by MAURICE L. BROWN

Hearing Date 4/23/80

POST OFFICE BOX 2208  
JEFFERSON PLACE  
SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 938-4431

1980

Tenneco Oil Company  
6800 Park Ten Blvd.  
Suite 200 North  
San Antonio, Texas 78213

RE: New Mexico Oil Conservation Division  
Case No. 6875; Application of Maurice L.  
Brown Co., for Compulsory Pooling, Lea  
County, New Mexico.

Gentlemen:

Enclosed is a copy of the Docket for the April 23,  
1980 Oil Conservation Division Examiner Hearing.

You may have an interest which will be affected by  
the above referenced case.

Very truly yours,

*William F. Carr*

William F. Carr

P11 6670440

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO		Tenneco Oil Co.
STREET AND NO.		6800 Park Ten Blvd.
SUITE, BOX, OR ZIP CODE		Suite 200 North
P.O. STATE AND ZIP CODE		San Antonio, TX 78213
POSTAGE		\$
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	\$
	SPECIAL DELIVERY	\$
	RESTRICTED DELIVERY	\$
	SHOW TO WHOM AND DATE DELIVERED	\$
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	\$
RETURN RECEIPT SERVICE	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	\$
	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$
TOTAL POSTAGE AND FEES		\$
POSTMARK OR DATE		

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL	
1. ADDRESS COMPLETE ONLY IF REGISTERED	2. ARTICLE DESCRIPTION
DATE OF DELIVERY APR 17 1980	CERTIFIED NO. 6670440
3. UNABLE TO DELIVER REASON:	REGISTERED NO.
4. SIGNATURE (Always obtain signature of addressee or agent)	INSURED NO.
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POST OFFICE BOX 2808  
JEFFERSON PLACE  
SAN ANTONIO, TEXAS 78201  
TELEPHONE (512) 592-4481

APPLICANTS' SUBMIT NO. 3  
CASE NO. 6875  
Submitted by MAURICE L. BROWN  
Hearing Date: April 17, 1980

Tenneco Oil Company  
6800 Park Ten Blvd.  
Suite 200 North  
San Antonio, Texas 78213

RE: New Mexico Oil Conservation Division  
Case No. 6875; Application of Maurice L.  
Brown Co.; for Compulsory Pooling, Lea  
County, New Mexico.

Gentlemen:

Enclosed is a copy of the Docket for the April 23,  
1980 Oil Conservation Division Examiner Hearing.

You may have an interest which will be affected by  
the above referenced case.

Very truly yours,  
*William F. Carr*  
William F. Carr

P11 6670440

RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO		Tenneco Oil Co.	
6800 Park Ten Blvd.		Suite 200 North	
San Antonio, TX 78213			
POSTAGE		\$	
CERTIFIED FEE		\$	
SPECIAL DELIVERY		\$	
RESTRICTED DELIVERY		\$	
SHOW TO WHOM AND DATE DELIVERED		\$	
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		\$	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		\$	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		\$	
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE			

PS Form 3800, Apr. 1976

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one):  
☐ Show to whom and date delivered.  
☐ Show to whom, date and address of delivery.  
☐ RESTRICTED DELIVERY  
☐ RESTRICTED DELIVERY.  
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:  
Tenneco Oil Co.  
6800 Park Ten Blvd.  
Suite 200 North, San Antonio TX

3. ARTICLE DESCRIPTION:  
 REGISTERED NO. CERTIFIED NO. INSURED NO.  
 6670440

(Always obtain signature of addressee or agent)

I have received the article described above.  
 SIGNATURE: *Charles E. Carr* (Addressee) (Authenticated agent)  
 DATE OF DELIVERY: APR 17 1980

4. ADDRESS (Complete only if requested)

5. UNABLE TO DELIVER BECAUSE:

6. CLEAR'S INITIALS



# THE MAURICE L. BROWN COMPANY

SUTTON PLACE BUILDING, SUITE 200.

WICHITA, KANSAS 67202

(316) 265-4651

APE #80056-5/80057-3

Evans #2

NW/4 Sec. 4-9S-43E, Lea County, New Mexico

January 28, 1980

Lease #30-1103-8

## INTANGIBLES

### APE #80056-5

#### DRILLING

Location, elevation, pits and roads	\$ 1,500	
Rotary Drilling - 5350' @ \$9.50/ft.	50,825	
Rotary Day Work - 52 hrs. @ \$160/hr.	8,320	
(DSTS - 2 @ 12 hrs/Logging 16 hrs/Circulating 12 hrs)		
Cementing surface casing, power tongs & welder	3,500	
Drilling mud, water and chemicals	14,000	
Geologist - 5 days @ \$350/day	1,750	
Drill - stem tests 2 @ \$1,000 each	2,000	
Logging	9,500	
Drilling Overhead	3,800	
Supervision (5 days @ \$350/day)	1,750	
Miscellaneous & Contingencies	6,000	
Total Cost - Drilling (PRODUCTIVE)	\$102,945	
Add to abandon: Surface casing-450' 8-5/8" @ \$9.50/ft.	4,275	
Cement & Services to plug	3,500	
Lease acquisitions & leasing fees	12,000	
Geological & engineering preparation	6,000	
TOTAL COST - NON-PRODUCTIVE - (DRY HOLE)		\$128,720

#### COMPLETION

Power tongs and welder (Welder \$500; and Tubing tongs \$900)	1,400	
Float equipment	2,000	
Cementing - production casing	4,500	
Double drum unit & completion equipment		
rental Cable tools	10,000	
Logging and perforating	5,000	
Acidizing Twice-and & regular or retarded acid	4,500	
Nitrogen for acidizing	3,000	
Frac	10,000	
Supervision (10 days @ \$350/day)	3,500	
Trucking/Freight	2,500	
Miscellaneous and Contingencies	4,500	
Total Cost - Completion (PRODUCTIVE)	\$ 50,900	
Drilling (PRODUCTIVE - see above)	\$102,945	
TOTAL COST - PRODUCTIVE (DRILLING & COMPLETION)		\$153,845

## TANGIBLES

### APE #80057-3

#### EQUIPMENT

Surface casing - 450' 8-5/8" @ \$9.50/ft.	4,275	
Production casing - 4900' 5-1/2" 15.5# @ \$6.75/ft.	33,075	
Sand coating casing - 200' @ \$11/ft.	2,200	
Tubing - 5,000' 2-7/8" @ \$3.50/ft.	17,500	
Rods - 5,000' 7/8" & 3/4" @ \$1.25/ft.	6,250	
Well-head & bottom-hole equipment	2,000	
Pumping Unit - Lufkin D-114	18,600	
Engine - C-96	5,000	
Lead line	1,000	
Gas line	500	
Gun barrel/treater/separator	5,000	
Stock tank(s)	6,000	
Line/tank/pump	2,500	
Chemical pump(s)	500	
Labor	2,500	
Trucking/freight	2,500	
Welding	500	
Backhoe	500	
Miscellaneous and Contingencies	4,000	
TOTAL COST - PRODUCTIVE (EQUIPMENT)		\$114,400

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey

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

Telephone 982-4285  
Area Code 505

March 14, 1980

The Maurice L. Brown Company  
Sutton Place Building Suite 200  
Wichita, Kansas 67202

Attention: Mr. Don Littell

re: DRILL SITE TITLE OPINION:  
EVANS LEASE

Township 9 South, Range 34 East, N.M.P.M.

Sec. 4: Lots 3 and 4  
S/2NW/4  
Lea County, New Mexico;  
Containing 160.13 acres  
more or less

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

APPLICANTS EXHIBIT NO. 2

CASE NO. 6875

Submitted by MAURICE L. BROWN

Hearing Date 4/23/80

Gentlemen:

We have examined the following:

PRIOR TITLE OPINIONS AND ABSTRACTS

1. Abstract No. 31799 by Lea County Abstract Company, Lovington, New Mexico covering mineral title according to Lea County records from inception to February 25, 1980 at 7:00 A.M. for the captioned property, consisting of 318 pages.
2. Prior Title Opinion of Hinkle, Bondurant, Cox & Eaton dated March 9, 1971, covering captioned lands and based upon mineral abstracts certified to March 1, 1971 at 8:00 A.M.
3. Prior Title Opinion of Stubbeman, McRae, Sealy, Laughlin & Browder dated September 21, 1971 covering captioned lands and based upon the Hinkle Firm Title Opinion and a Supplemental abstract certified to September 14, 1971 at 8:00 A.M.

Based upon examination of the foregoing, and subject to the below comments and requirements, the status of the title

(continued)

KELLAHIN and KELLAHIN  
Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980  
page two

to the captioned lands as of the date of certification of the abstract, for drilling purposes, is as follows:

TITLE TO OIL AND GAS

1. Frank O. Elliott and Clarence E. Hinkle, Trustees under the Frank O. Elliott Living Trust	12.5%
2. Edna Ione Hall and Clarence E. Hinkle, Trustee under the Edna Ione Hall Living Trust	12.5%
3. Fannie Gae Markham Ratcliff, as her separate property	3.5772271%
4. C.B. Markham, Jr., as his separate property	3.5772271%
5. John Markham, as his separate property	3.5772271%
6. Sallie Mae Markham White, as her separate property	3.5772271%
7. Manon Markham McMullen	1.7886135%
8. Roderick Allen Markham	1.7886135%
9. Julia Ruth Markham Proctor, as her separate property	3.5772271%
10. Billie Joe Markham, as his separate property	3.5773371%
11. Bertha L. Evans, a widow	6.23985%
12. Lorene E. Whitley Longwell, (Husband - M.M. Longwell)	6.23985%
13. Odessa M. Whitley (Husband - J. B. Whitney)	6.23985%

(continued)

KELLAHIN and KELLAHIN  
Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980  
page three

14. Thomas Weldon Evans, (Wife - Mary E. Evans)	3.11485%
15. Robert Dale Evans	3.125%
16. Tenneco Oil Company	25.%
TOTAL	ALL

The Tenneco Oil Company interest is subject to a production payment interest payable out of 3/32 of 25% of production and credited equally to Robert J. Leonard, Patrick J. Leonard and Timothy T. Leonard.

ROYALTY INTEREST

1. Frank O. Elliott, Living Trust	3.125%
2. Edna Ione Hall, Living Trust	3.125%
3. Fannie Gae Markham Ratcliff	0.67073%
4. C. B. Markham, Jr.	0.67073%
5. John Markham	0.67073%
6. Sallie Mae Markham White	0.67073%
7. Manon Markham McMullen	0.335365%
8. Roderick Allen Markham	0.335365%
9. Julia Ruthe Markham Proctor	0.67073%
10. Billie Joe Markham	0.67073%
11. Bertha L. Evans	1.1699718%
12. Lorene E. Whitley Longwell	1.1699718%
13. Odessa M. Whitley	1.1699718%
14. Thomas Weldon Evans	0.5840343%
15. Robert Dale Evans	0.5859375%

(excludes Tenneco)

(continued)

KELLAHIN and KELLAHIN

Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page four

PRODUCTION PAYMENTS

Robert J. Leonard, Patrick J.  
Leonard and Timothy T. Leonard,  
equally

2.34375% (3/32 of 25%)  
until the sum of \$3 Million  
has been recovered from  
this and other lands under  
terms of assignment dated  
October 1, 1965, recorded  
Book 241, Page 230, records  
of Lea County, New Mexico.

OVERRIDING ROYALTIES

None on the current effective leases.

WORKING INTEREST

Maurice L. Brown

75%  
from surface to the base  
of the San Andres formation.

Tenneco Oil Company

25%

It is assumed that Maurice L. Brown and Maurice L. Brown  
Company are the same.

(continued)

KELLAHIN and KELLAHIN

Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page five

PRIOR OIL AND GAS LEASES

The Abstract indicates that there are four oil and gas leases which have apparently expired of their own terms, but are not released:

- (a) Lease dated January 26, 1971 from Frank O. Elliott Living Trust to Fred G. Goodman recorded in Book 272, Page 328.
- (b) Lease dated January 26, 1971 from Edna Ione Hall Living Trust to Fred G. Goodman recorded in Book 272, Page 330.
- (c) Lease dated February 11, 1971 from Bertha L. Evans et al., to Fred G. Goodman recorded in Book 272, Page 326.
- (d) Lease dated February 23, 1971 from C. B. Markham et al., to Fred O. Goodman recorded in Book 272, Page 324.

According to the records of the New Mexico Oil Conservation Division examined by us on March 12, 1980, the referenced leases were apparently held beyond their primary term, by production from the Maurice L. Brown "Evans 7103-JVD Well No. 1," located 1980 feet from the North and West lines of Section 4 in Unit F. The records further reflect a Notice of Intention to Plug and Abandon that well, filed and approved by the Division on September 7, 1978. However, the file fails to reflect a final approval of the plugging. Accordingly, requirements to this point are hereinafter set forth.

(continued)

KELLAHIN and KELLAHIN  
Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980  
page six

EFFECTIVE OIL & GAS LEASES

LEASE NO. 1

Dated:	September 24, 1979.
Recorded:	Book 319 Page 912 Oil & Gas Records October 15, 1979.
Lessor:	Bertha L. Evans, Lorene E. (Whitley) Longwell, Odess [sic] M. Whitley, Thomas Weldon Evans.
Lessee:	Maurice L. Brown.
Land Covered:	<u>T9S, R34E</u> Sec. 4: NW/4 From Surface to base of San Andres Formation.
Primary Term:	One (1) year from date.
Royalty:	3/16th (18.75%) on oil and gas.
Shut-In Gas Royalty:	Payable in an amount equal to the delay rental (delay rental clause Paragraph 4 - stricken). This amount not specified, beginning on or before 90 days after a well is shut in and annually thereafter.
Delay Rentals:	None.
Depository:	None designated.
Pooling Clause:	Yes, with units not to exceed the standard proration unit fixed by law or the New Mexico Oil Conservation Commission, plus 10% tolerance.
Lease Form:	Producer's 88 (Producer's Revised 1967) New Mexico Form 342-U.

(continued)



KELLAHIN and KELLAHIN  
Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980  
page seven

LEASE NO. 2

Dated: August 20, 1979.  
Recorded: Book 321, Page 181 Oil and Gas  
records November 30, 1979.

Lessor: Fanny Gae Ratcliff, C.B. Markham, Jr.,  
John Markham, Sallie Mae White, Julia  
Ruth Proctor and Pete Proctor (husband),  
Billie Jo Markham, Manon Markham  
McMullen, and Roderick Allen Markham.

Lessee: Maurice L. Brown.

Lands Covered: T9S, R34E  
Sec. 4: NW/4  
From Surface to base of San Andres  
Formation.

Primary Term: One (1) year from date

Royalty: 3/16th (18.75%) on Oil and Gas.

Shut-In Gas  
Royalty: Payable in an amount equal to the  
delay rental (delay rental clause in  
Paragraph 4 has been stricken). Thus  
amount not specified, beginning on or  
before 90 days after a well is shut in,  
and annually thereafter.

Delay Rentals: None.

Depository: None designated.

Pooling Clause: Yes, with units not to exceed the  
standard proration unit fixed by law  
or the New Mexico Oil Conservation  
Commission, plus 10% tolerance.

Lease Form: Producer's 88 (Producer's Revised 1967)  
New Mexico Form 342-U.

(continued)

KELLAHIN and KELLAHIN

Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980  
page eight

LEASE NO. 3

Dated: January 25, 1980.

Recorded: Book 324 Page 574 Oil & Gas  
records February 4, 1980.

Lessor: Frank O. Elliott Living Trust and  
Edna Ione Hall Living Trust.

Lessee: The Maurice L. Brown Company.

Land Covered: T9S, R34E, N.M.P.M.  
Sec. 4: NW/4  
From Surface to base of San Andres  
Formation.

Primary Term: One year from date.

Royalty: 1/4th (25%) on oil and gas.

Shut-In Gas  
Royalty: Payable in an amount equal to the  
delay rental (delay rental clause in  
Paragraph 4 has been stricken). Thus  
amount of shut-in gas royalty is not  
specified but will begin on or before  
90 days after a well is shut in, and  
annually thereafter.

Delay Rentals: None.

Depository: None designated.

Pooling Clause: Yes, with units not to exceed the  
standard proration unit fixed by law  
or the New Mexico Oil Conservation  
Commission plus 10% tolerance.

Lease Form: Producer's 88 (Producer's Revised 1967)  
New Mexico Form 342-U.

(continued)

KELLAHIN and KELLAHIN  
Maurice Brown Company  
Evans Lease Title Opinion  
March 14, 1980  
page nine

#### TITLE REQUIREMENTS

##### 1. Acreage:

As is apparent from the caption of this opinion, the acreage in the captioned lands is irregular. The precise acreage included in the two lots involved in the captioned lands is as follows:

Lot 3 - 40.12 acres  
Lot 4 - 40.01 acres

No requirement is made with respect to the above irregular acreage. However, this irregularity is noted because various grantors have failed to take into consideration the irregularity when making conveyances of the mineral interest. Specifically:

(a) C. B. Markham owned an undivided one-half interest in captioned lands and by deed dated December 1, 1930, recorded Book 31, Page 80, C. B. Markham and his wife conveyed such one-half interest to E. N. Evans, but such deed contained a recital that it was the intent of the grantors to convey 80 full royalty acres. Since captioned lands contain 160.13 acres, a small interest remained vested in C.B. Markham. Thereafter, by deed dated June 4, 1940, recorded Book 77, Page 123, E. N. Evans and wife re-conveyed to C. B. Markham an undivided one-fourth interest in captioned lands. Therefore, we have credited the Markham heirs with an undivided 40.0975/160.13 mineral interest, and the Evans heirs with an undivided 39.9675/160.13 mineral interest.

(b) Thomas Weldon Evans conveyed a 1/32nd, interest to his son Robert Dale Evans on October 11, 1979, recorded Book 377 Page 12 leaving Thomas Weldon Evans with 3.11485% interest.

##### 2. Old Oil and Gas Leases:

You are required to obtain and file with the New Mexico Oil Conservation Division, Santa Fe, New Mexico a completed and approved Form C-103 showing that the Evans 7103-JVD Well No. 1 has been properly plugged and abandoned. In the alternative obtain and record releases from the various interest owners of the four "Evans Group" leases set forth above.

(continued)

KELLAHIN and KELLAHIN  
Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980  
page ten

3. Old Agreements:

Reference is made at various times in the Abstract to the existence of the following documents, none of which are set forth in the Abstract and presumably are not recorded. Therefore, satisfy yourself that the following agreements are no longer effective.

(a) Operating Agreement dated March 26, 1971 between BTA Oil Producers, as Operator, and Tenneco Oil Company, as non-operator, creating a working interest unit down to a maximum depth of 9800 feet owned by BTA as to 75% and by Tenneco as to 25%.

(b) Casinghead Gas Contract, dated July 8, 1971 executed by BTA Oil Producers and Tenneco Oil Producers and Tenneco Oil Company, and Warren Petroleum Corporation.

4. Leonard-Tenneco Transaction:

(a) Leonard Oil Company formerly held of record an undivided 1/4th interest in the oil, gas and other minerals in the captioned lands. Leonard Oil Company sold substantially all of its assets to Tenneco Oil Company and documents effecting such transfer of assets, etc., were dated October 1, 1965. The Abstract reflects an assignment instrument under that date, recorded at Book 241, Page 230, assigning to Tenneco all of Leonard Oil Company's interest in the captioned and other lands. However, there is reserved to Leonard Oil Company, as a production payment, an undivided 3/32nds of 8/8ths of all oil, gas, casinghead gas and other minerals produced, saved and marketed, and which may accrue or be attributable to the mineral interest in the captioned lands (and other interests) until there has been received by reason of such reservation oil, gas, casinghead gas and other minerals in the total market value of \$3,000,000.00 and thereupon such reservation ceases and without further act, reverts to Tenneco. With respect to the captioned lands, this would mean that 3/128ths of all oil, gas and other minerals would be attributable and allocable to the production payment interest. As is noted, such production payment interest may be satisfied from production from numerous other interests and we have no

(continued)

KELLAHIN and KELLAHIN

Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page eleven

information whatsoever with respect to what amount of this production payment, if any, has been retired. In any event, we do not construe the reservation of the production payment as affecting the right of Tenneco Oil Company to execute an oil and gas lease on the full 1/4th interest. It should also be noted that pooling and unitization by Tenneco is authorized. We will not further describe the ABC transaction involved in connection with this matter, unless requested to do so.

Subsequent to the above described assignment between Leonard and Tenneco, Leonard Oil Company executed an "Assignment and Conveyance" dated January 7, 1966, Book 251, Page 222, assigning the reserved production payment to Robert J. Leonard, Patrick J. Leonard and Timothy T. Leonard, with an undivided 1/3rd interest being allocated to each.

We have no requirement relative to the above matters, but set them out for information purposes.

5. Tenneco Oil Company Interest:

(a) Our examination reflects that Tenneco Oil Company has a 25% interest in the oil and gas minerals, subject to the production payment outlined above. The Stubbeman firm's Title Opinion dated September 21, 1971, divides the Tenneco 25% interest into 1/8th royalty and 7/8th working interest. We are unable to determine upon what they based that division and speculate that it results from the BTA Oil Producers-Tenneco Oil Company Operating Agreement dated March 26, 1971, referenced in the Stubbeman Title Opinion on page 7, but which is not of record in the Abstract. In dealing with Tenneco Oil Company, satisfy yourself concerning the 25% interest, that they still hold title to all of that 25% of the oil and gas minerals, subject only to the production payments to the Leonard's.

(b) Prior to commencement of well and the dedication of the 160.13 acre unit to said well, obtain a compulsory pooling order from the New Mexico Oil Conservation Division, or an acceptable agreement with Tenneco Oil Company concerning their interest.

(continued)

KELLAHIN and KELLAHIN

Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page twelve

6. Defects In Current Effective Leases:

The leases analysed above under the caption Effective Oil & Gas Leases contain the following defects:

(a) All three leases have stricken the delay rental clause. The form refers to the delay rental clause to determine the amount of the shut-in gas royalty. Therefore, an ambiguity is created, in that the amount of the shut-in gas royalty cannot be determined from reading the leases. Satisfy yourself as to the importance of the shut-in gas royalty clause, and obtain and record a corrected lease if you desire.

(b) All three leases contain errors in acknowledging that the acreage is irregular. The acreage in this tract is 160.13 acres. The Evans Lease and the Markham Lease refer to 160 acres. The Elliott-Hall Trust Leases specifically described the NW/4 of Section 4, but then erroneously indicates that it contains only 40 acres. Inasmuch as no rental payments are required, and with the forms having a lessor interest clause, these errors are not considered defects requiring correction.

(c) Satisfy yourself prior to drilling that there have been no instruments filed of record subsequent to the closing date of the Abstract examined, which could adversely affect title.

7. The Evans and Markham leases show Maurice L. Brown as the Lessee while the Elliott-Hall trust lease shows Maurice L. Brown Company as Lessee. If these are not the same, then record assignments to the appropriate Lessee.

COMMENTS

This title opinion does not cover questions of boundary area, excesses, conflicts with adjacent tracts or surveys, unpaid bills for labor or material that may ripen into mechanic's or materialmen's liens, rights of person, if any in possession,

(continued)

KELLAHIN and KELLAHIN  
Maurice L. Brown Company  
Evans Lease Title Opinion  
March 14, 1980

page thirteen

or any other matters not covered by the materials examined.

Your abstract is being mailed to you by separate cover.

Very truly yours

  
W. Thomas Kellahin

encls.  
WTK:mmm

CAMPBELL AND BLACK, P.A.

LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

APPLICANT EXHIBIT NO. 3

CASE NO. 6875

Submitted by MAURICE LADY 14, 1980

Hearing Date 4/23/80

POST OFFICE BOX 2208  
JEFFERSON PLACE  
SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 966-4421

Tenneco Oil Company  
6800 Park Ten Blvd.  
Suite 200 North  
San Antonio, Texas 78213

RE: New Mexico Oil Conservation Division  
Case No. 6875; Application of Maurice L.  
Brown Co., for Compulsory Pooling, Lea  
County, New Mexico.

Gentlemen:

Enclosed is a copy of the Docket for the April 23,  
1980 Oil Conservation Division Examiner Hearing.

You may have an interest which will be affected by  
the above referenced case.

Very truly yours,

*William F. Carr*

William F. Carr

P11 6670440  
RECEIPT FOR CERTIFIED MAIL  
NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO  
Tenneco Oil Co.  
6800 Park Ten Blvd.  
Suite 200 North  
San Antonio, TX 78213

POSTAGE	\$
CERTIFIED FEE	\$
SPECIAL DELIVERY	\$
RESTRICTED DELIVERY	\$
SHOW TO WHOM AND DATE DELIVERED	\$
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POSTMARK OR DATE	

PS Form 3800, Apr. 1976

RETURN RECEIPT, REGISTERED, REGISTERED AND CERTIFIED MAIL

1. The following service is requested (check one):  
☐ Show to whom and date delivered.  
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☐ Show to whom and date delivered.  
☐ RESTRICTED DELIVERY.  
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(CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:  
 Tenneco Oil Co.  
 6800 Park Ten Blvd.  
 Suite 200 North, San Antonio  
 TX

3. ARTICLE DESCRIPTION:  
 REGISTERED NO. 6670440  
 CERTIFIED NO. \_\_\_\_\_  
 ASSAILED NO. \_\_\_\_\_

(Always obtain signature of addressee or agent)  
 I have received the article described above.  
 SIGNATURE: *Charles E. Carr*  
 ADDRESS: \_\_\_\_\_  
 DATE OF DELIVERY: APR 17 1980

4. UNABLE TO DELIVER REASON: \_\_\_\_\_  
 INITIALS: \_\_\_\_\_

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JACK M. CAMPBELL  
BRUCE G. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL

BEFORE EXAMINER'S DIVISION  
OIL CONSERVATION DIVISION

EXHIBIT NO. 3

CASE NO. 6875

Submitted by WILLIAM F. CARR

Hearing Date 4/23/80

Tenneco Oil Company  
6800 Park Ten Blvd.  
Suite 200 North  
San Antonio, Texas 78213

RE: New Mexico Oil Conservation Division  
Case No. 6875; Application of Maurice L.  
Brown Co., for Compulsory Pooling, Lea  
County, New Mexico.

Gentlemen:

Enclosed is a copy of the Docket for the April 23,  
1980 Oil Conservation Division Examiner Hearing.

You may have an interest which will be affected by  
the above referenced case.

Very truly yours,  
*William F. Carr*  
William F. Carr

PII 6670440

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED --  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

SENT TO		Tenneco Oil Co.	
6800 Park Ten Blvd.		San Antonio, TX 78213	
POSTAGE		\$	
CERTIFIED FEE		•	
SPECIAL DELIVERY		•	
RESTRICTED DELIVERY		•	
SHOW TO WHOM AND DATE DELIVERED		•	
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		•	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		•	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		•	
TOTAL POSTAGE AND FEES		\$	
POSTMARK OR DATE			

PS Form 3800, Apr. 1976

SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.		
1. The following service is requested (check one.) <input type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> Show to whom, date and address of delivery. <input type="checkbox"/> RESTRICTED DELIVERY <input type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> RESTRICTED DELIVERY. Show to whom, date, and address of delivery S.		
(CONSULT POSTMASTER FOR FEES)		
2. ARTICLE ADDRESSED TO: Tenneco Oil Co. 6800 Park Ten Blvd. Suite 200 North, San Antonio TX		
3. ARTICLE DESCRIPTION: REGISTERED NO. CERTIFIED NO. INSURED NO. 6670440		
(Always obtain signature of addressee or agent)		
I have received the article described above. SIGNATURE [Address] [Authorized agent] <i>Charles E. Carr</i>		
DATE OF DELIVERY APR 17 1980		
4. ADDRESS (Complete only if requested)		
5. UNABLE TO DELIVER BECAUSE:		
INITIALS		



# THE MAURICE L. BROWN COMPANY

SUTTON PLACE BUILDING, SUITE 200,

WICHITA, KANSAS 67202

(316) 266-4651

January 28, 1980

Lease #30-1103-8

AFE #80056-5/80057-3

Evans #2

NW/4 Sec. 4-9S-43E, Lea County, New Mexico

## INTANGIBLES

### AFE #80056-5

#### DRILLING

Location, elevation, pits and roads	\$ 1,500	
Rotary Drilling - 5350' @ \$9.50/ft.	50,825	
Rotary Day Work - 52 hrs. @ \$160/hr.	8,320	
(DSTS - 2 @ 12 hrs/Logging 16 hrs/Circulating 12 hrs)		
Cementing surface casing, power tongs & welder	3,500	
Drilling mud, water and chemicals	14,000	
Geologist - 5 days @ \$350/day	1,750	
Drill - stem tests 2 @ \$1,000 each	2,000	
Logging	9,500	
Drilling Overhead	3,800	
Supervision (5 days @ \$350/day)	1,750	
Miscellaneous & Contingencies	6,000	
Total Cost - Drilling (PRODUCTIVE)	\$102,945	
Add to abandon: Surface casing-450' 8-5/8" @ \$9.50/ft.	4,275	
Cement & Services to plug	3,500	
Lease acquisitions & leasing fees	12,000	
Geological & engineering preparation	6,000	
TOTAL COST - NON-PRODUCTIVE - (DRY HOLE)		\$128,720

#### COMPLETION

Power tongs and welder (Welder \$500; and Tubing tongs \$900)	1,400	
Float equipment	2,000	
Cementing - production casing	4,500	
Double drum unit & completion equipment		
rental Cable tools	10,000	
Logging and perforating	5,000	
Acidizing Twice-mud & regular or retarded acid	4,500	
Nitrogen for acidizing	3,000	
Frac	10,000	
Supervision (10 days @ \$350/day)	3,500	
Trucking/Freight	2,500	
Miscellaneous and Contingencies	4,500	
Total Cost - Completion (PRODUCTIVE)	\$ 50,900	
Drilling (PRODUCTIVE - see above)	\$102,945	
TOTAL COST - PRODUCTIVE (DRILLING & COMPLETION)		\$153,845

## TANGIBLES

### AFE #80057-3

#### EQUIPMENT

Surface casing - 450' 8-5/8" @ \$9.50/ft.	4,275	
Production casing - 4900' 5-1/2" 15.5# @ \$6.75/ft.	33,075	
Sand coating casing - 200' @ \$11/ft.	2,200	
Tubing - 5,000' 2-7/8" @ \$3.50/ft.	17,500	
Rods - 5,000' 7/8" & 3/4" @ \$1.25/ft.	6,250	
Well-head & bottom-hole equipment	2,000	
Pumping Unit - Lufkin D-114	18,600	
Engine - C-96	5,000	
Lead line	1,000	
Gas line	500	
Gun barrel/treater/separator	5,000	
Stock tank(s)	6,000	
Line/tank/pump	2,500	
Chemical pump(s)	500	
Labor	2,500	
Trucking/freight	2,500	
Welding	500	
Backhoe	500	
Miscellaneous and Contingencies	4,000	
TOTAL COST - PRODUCTIVE (EQUIPMENT)		\$114,400

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

APPLICANTS STATE NO. 4

CASE NO. 6475

Submitted by MAURICE L. BROWN

Hearing Date 4/23/80

Jason Kellahin  
W. Thomas Kellahin  
Karen Aubrey

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

Telephone 982-4285  
Area Code 505

March 14, 1989

The Maurice L. Brown Company  
Sutton Place Building Suite 200  
Wichita, Kansas 67202

Attention: Mr. Don Littell

re: DRILL SITE TITLE OPINION:  
EVANS LEASE  
Township 9 South, Range 34 East, N.M.P.M.  
Sec. 4: Lots 3 and 4  
S/2NW/4  
Lea County, New Mexico;  
Containing 160.13 acres  
more or less

BEFORE EXAMINER STAMETS OIL CONSERVATION DIVISION APPLICANTS EXHIBIT NO. <u>2</u> CASE NO. <u>6875</u> Submitted by <u>MAURICE L. BROWN</u> Hearing Date <u>4/27/89</u>
--

Gentlemen:

We have examined the following:

PRIOR TITLE OPINIONS AND ABSTRACTS

1. Abstract No. 31799 by Lea County Abstract Company, Lovington, New Mexico covering mineral title according to Lea County records from inception to February 25, 1980 at 7:00 A.M. for the captioned property, consisting of 318 pages.
2. Prior Title Opinion of Hinkle, Bondurant, Cox & Eaton dated March 9, 1971, covering captioned lands and based upon mineral abstracts certified to March 1, 1971 at 8:00 A.M.
3. Prior Title Opinion of Stubbeman, McRae, Sealy, Laughlin & Browder dated September 21, 1971 covering captioned lands and based upon the Hinkle Firm Title Opinion and a Supplemental abstract certified to September 14, 1971 at 8:00 A.M.

Based upon examination of the foregoing, and subject to the below comments and requirements, the status of the title

(continued)

KELLAHIN and KELLAHIN  
Maurice L. Brown Company  
Evans Lease Title Opinion  
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to the captioned lands as of the date of certification of the abstract, for drilling purposes, is as follows:

TITLE TO OIL AND GAS

1. Frank O. Elliott and Clarence E. Hinkle, Trustees under the Frank O. Elliott Living Trust	12.5%
2. Edna Ione Hall and Clarence E. Hinkle, Trustee under the Edna Ione Hall Living Trust	12.5%
3. Fannie Gae Markham Ratcliff, as her separate property	3.5772271%
4. C.B. Markham, Jr., as his separate property	3.5772271%
5. John Markham, as his separate property	3.5772271%
6. Sallie Mae Markham White, as her separate property	3.5772271%
7. Manon Markham McMullen	1.7886135%
8. Roderick Allen Markham	1.7886135%
9. Julia Ruth Markham Proctor, as her separate property	3.5772271%
10. Billie Joe Markham, as his separate property	3.5773371%
11. Bertha L. Evans, a widow	6.23985%
12. Lorene E. Whitley Longwell, (Husband - M.M. Longwell)	6.23985%
13. Odessa M. Whitley (Husband - J. B. Whitney)	6.23985%

(continued)

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14. Thomas Weldon Evans, (Wife - Mary E. Evans)	3.11485%
15. Robert Dale Evans	3.125%
16. Tenneco Oil Company	25.%
TOTAL	ALL

The Tenneco Oil Company interest is subject to a production payment interest payable out of 3/32 of 25% of production and credited equally to Robert J. Leonard, Patrick J. Leonard and Timothy T. Leonard.

ROYALTY INTEREST

1. Frank O. Elliott, Living Trust	3.125%
2. Edna Ione Hall, Living Trust	3.125%
3. Fannie Gae Markham Ratcliff	0.67073%
4. C. B. Markham, Jr.	0.67073%
5. John Markham	0.67073%
6. Sallie Mae Markham White	0.67073%
7. Manon Markham McMullen	0.335365%
8. Roderick Allen Markham	0.335365%
9. Julia Ruthe Markham Proctor	0.67073%
10. Billie Joe Markham	0.67073%
11. Bertha L. Evans	1.1699718%
12. Lorene E. Whitley Longwell	1.1699718%
13. Odessa M. Whitley	1.1699718%
14. Thomas Weldon Evans	0.5840343%
15. Robert Dale Evans	0.5859375%

(excludes Tenneco)

(continued)

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PRODUCTION PAYMENTS

Robert J. Leonard, Patrick J.  
Leonard and Timothy T. Leonard,  
equally

2.34375% (3/32 of 25%)  
until the sum of \$3 Million  
has been recovered from  
this and other lands under  
terms of assignment dated  
October 1, 1965, recorded  
Book 241, Page 230, records  
of Lea County, New Mexico.

OVERRIDING ROYALTIES

None on the current effective leases.

WORKING INTEREST

Maurice L. Brown

75%  
from surface to the base  
of the San Andres formation.

Tenneco Oil Company

25%

It is assumed that Maurice L. Brown and Maurice L. Brown  
Company are the same.

(continued)

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PRIOR OIL AND GAS LEASES

The Abstract indicates that there are four oil and gas leases which have apparently expired of their own terms, but are not released:

- (a) Lease dated January 26, 1971 from Frank O. Elliott Living Trust to Fred G. Goodman recorded in Book 272, Page 328.
- (b) Lease dated January 26, 1971 from Edna Ione Hall Living Trust to Fred G. Goodman recorded in Book 272, Page 330.
- (c) Lease dated February 11, 1971 from Bertha L. Evans et al., to Fred G. Goodman recorded in Book 272, Page 326.
- (d) Lease dated February 23, 1971 from C. B. Markham et al., to Fred O. Goodman recorded in Book 272, Page 324.

According to the records of the New Mexico Oil Conservation Division examined by us on March 12, 1980, the referenced leases were apparently held beyond their primary term, by production from the Maurice L. Brown "Evans 7103-JVD Well No. 1," located 1980 feet from the North and West lines of Section 4 in Unit F. The records further reflect a Notice of Intention to Plug and Abandon that well, filed and approved by the Division on September 7, 1978. However, the file fails to reflect a final approval of the plugging. Accordingly, requirements to this point are hereinafter set forth.

(continued)



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Maurice L. Brown Company  
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EFFECTIVE OIL & GAS LEASES

LEASE NO. 1

Dated: September 24, 1979.

Recorded: Book 319 Page 912 Oil & Gas  
Records October 15, 1979.

Lessor: Bertha L. Evans, Lorene E.  
(Whitley) Longwell, Odess [sic]  
M. Whitley, Thomas Weldon Evans.

Lessee: Maurice L. Brown.

Land Covered: T9S, R34E  
Sec. 4: NW/4  
From Surface to base of  
San Andres Formation.

Primary Term: One (1) year from date.

Royalty: 3/16th (18.75%) on oil and gas.

Shut-In Gas  
Royalty: Payable in an amount equal to the  
delay rental (delay rental clause  
Paragraph 4 - stricken). This  
amount not specified, beginning on  
or before 90 days after a well is  
shut in and annually thereafter.

Delay Rentals: None.

Depository: None designated.

Pooling Clause: Yes, with units not to exceed the  
standard proration unit fixed by law or  
the New Mexico Oil Conservation Commission,  
plus 10% tolerance.

Lease Form: Producer's 88 (Producer's Revised 1967)  
New Mexico Form 342-U.

(continued)

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LEASE NO. 2

Dated:	August 20, 1979.
Recorded:	Book 321, Page 181 Oil and Gas records November 30, 1979.
Lessor:	Fanny Gae Ratcliff, C.B. Markham, Jr., John Markham, Sallie Mae White, Julia Ruth Proctor and Pete Proctor (husband), Billie Jo Markham, Manon Markham McMullen, and Roderick Allen Markham.
Lessee:	Maurice L. Brown.
Lands Covered:	<u>T9S, R34E</u> Sec. 4: NW/4 From Surface to base of San Andres Formation.
Primary Term:	One (1) year from date
Royalty:	3/16th (18.75%) on Oil and Gas.
Shut-In Gas Royalty:	Payable in an amount equal to the delay rental (delay rental clause in Paragraph 4 has been stricken). Thus amount not specified, beginning on or before 90 days after a well is shut in, and annually thereafter.
Delay Rentals:	None.
Depository:	None designated.
Pooling Clause:	Yes, with units not to exceed the standard proration unit fixed by law or the New Mexico Oil Conservation Commission, plus 10% tolerance.
Lease Form:	Producer's 88 (Producer's Revised 1967) New Mexico Form 342-U.

(continued)

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Evans Lease Title Opinion  
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LEASE NO. 3

Dated: January 25, 1980.

Recorded: Book 524 Page 574 Oil & Gas  
records February 4, 1980.

Lessor: Frank O. Elliott Living Trust and  
Edna Ione Hall Living Trust.

Lessee: The Maurice L. Brown Company.

Land Covered: T9S, R34E, N.M.P.M.  
Sec. 4: NW/4  
From Surface to base of San Andres  
Formation.

Primary Term: One year from date.

Royalty: 1/4th (25%) on oil and gas.

Shut-In Gas  
Royalty: Payable in an amount equal to the  
delay rental (delay rental clause in  
Paragraph 4 has been stricken). Thus  
amount of shut-in gas royalty is not  
specified but will begin on or before  
90 days after a well is shut in, and  
annually thereafter.

Delay Rentals: None.

Depository: None designated.

Pooling Clause: Yes, with units not to exceed the  
standard proration unit fixed by law  
or the New Mexico Oil Conservation  
Commission plus 10% tolerance.

Lease Form: Producer's 88 (Producer's Revised 1967)  
New Mexico Form 342-U.

(continued)

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#### TITLE REQUIREMENTS

##### 1. Acreage:

As is apparent from the caption of this opinion, the acreage in the captioned lands is irregular. The precise acreage included in the two lots involved in the captioned lands is as follows:

Lot 3 - 40.12 acres

Lot 4 - 40.01 acres

No requirement is made with respect to the above irregular acreage. However, this irregularity is noted because various grantors have failed to take into consideration the irregularity when making conveyances of the mineral interest. Specifically:

(a) C. B. Markham owned an undivided one-half interest in captioned lands and by deed dated December 1, 1930, recorded Book 31, Page 80, C. B. Markham and his wife conveyed such one-half interest to E. N. Evans, but such deed contained a recital that it was the intent of the grantors to convey 80 full royalty acres. Since captioned lands contain 160.13 acres, a small interest remained vested in C.B. Markham. Thereafter, by deed dated June 4, 1940, recorded Book 77, Page 123, E. N. Evans and wife re-conveyed to C. B. Markham an undivided one-fourth interest in captioned lands. Therefore, we have credited the Markham heirs with an undivided  $40.0975/160.13$  mineral interest, and the Evans heirs with an undivided  $39.9675/160.13$  mineral interest.

(b) Thomas Weldon Evans conveyed a  $1/32$ nd, interest to his son Robert Dale Evans on October 11, 1979, recorded Book 377 Page 12 leaving Thomas Weldon Evans with 3.11485% interest.

##### 2. Old Oil and Gas Leases:

You are required to obtain and file with the New Mexico Oil Conservation Division, Santa Fe, New Mexico a completed and approved Form C-103 showing that the Evans 7103-JVD Well No. 1 has been properly plugged and abandoned. In the alternative obtain and record releases from the various interest owners of the four "Evans Group" leases set forth above.

(continued)

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Maurice L. Brown Company  
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3. Old Agreements:

Reference is made at various times in the Abstract to the existence of the following documents, none of which are set forth in the Abstract and presumably are not recorded. Therefore, satisfy yourself that the following agreements are no longer effective.

(a) Operating Agreement dated March 26, 1971 between BTA Oil Producers, as Operator, and Tenneco Oil Company, as non-operator, creating a working interest unit down to a maximum depth of 9800 feet owned by BTA as to 75% and by Tenneco as to 25%.

(b) Casinghead Gas Contract, dated July 8, 1971 executed by BTA Oil Producers and Tenneco Oil Producers and Tenneco Oil Company, and Warren Petroleum Corporation.

4. Leonard-Tenneco Transaction:

(a) Leonard Oil Company formerly held of record an undivided 1/4th interest in the oil, gas and other minerals in the captioned lands. Leonard Oil Company sold substantially all of its assets to Tenneco Oil Company and documents effecting such transfer of assets, etc., were dated October 1, 1965. The Abstract reflects an assignment instrument under that date, recorded at Book 241, Page 230, assigning to Tenneco all of Leonard Oil Company's interest in the captioned and other lands. However, there is reserved to Leonard Oil Company, as a production payment, an undivided 3/32nds of 8/8ths of all oil, gas, casinghead gas and other minerals produced, saved and marketed, and which may accrue or be attributable to the mineral interest in the captioned lands (and other interests) until there has been received by reason of such reservation oil, gas, casinghead gas and other minerals in the total market value of \$3,000,000.00 and thereupon such reservation ceases and without further act, reverts to Tenneco. With respect to the captioned lands, this would mean that 3/128ths of all oil, gas and other minerals would be attributable and allocable to the production payment interest. As is noted, such production payment interest may be satisfied from production from numerous other interests and we have no

(continued)

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Maurice L. Brown Company  
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information whatsoever with respect to what amount of this production payment, if any, has been retired. In any event, we do not construe the reservation of the production payment as affecting the right of Tenneco Oil Company to execute an oil and gas lease on the full 1/4th interest. It should also be noted that pooling and unitization by Tenneco is authorized. We will not further describe the ABC transaction involved in connection with this matter, unless requested to do so.

Subsequent to the above described assignment between Leonard and Tenneco, Leonard Oil Company executed an "Assignment and Conveyance" dated January 7, 1966, Book 251, Page 222, assigning the reserved production payment to Robert J. Leonard, Patrick J. Leonard and Timothy T. Leonard, with an undivided 1/3rd interest being allocated to each.

We have no requirement relative to the above matters, but set them out for information purposes.

5. Tenneco Oil Company Interest:

(a) Our examination reflects that Tenneco Oil Company has a 25% interest in the oil and gas minerals, subject to the production payment outlined above. The Stubbeman firm's Title Opinion dated September 21, 1971, divides the Tenneco 25% interest into 1/8th royalty and 7/8th working interest. We are unable to determine upon what they based that division and speculate that it results from the BTA Oil Producers-Tenneco Oil Company Operating Agreement dated March 26, 1971, referenced in the Stubbeman Title Opinion on page 7, but which is not of record in the Abstract. In dealing with Tenneco Oil Company, satisfy yourself concerning the 25% interest, that they still hold title to all of that 25% of the oil and gas minerals, subject only to the production payments to the Leonard's.

(b) Prior to commencement of well and the dedication of the 160.13 acre unit to said well, obtain a compulsory pooling order from the New Mexico Oil Conservation Division, or an acceptable agreement with Tenneco Oil Company concerning their interest.

(continued)

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6. Defects In Current Effective Leases:

The leases analysed above under the caption Effective Oil & Gas Leases contain the following defects:

(a) All three leases have stricken the delay rental clause. The form refers to the delay rental clause to determine the amount of the shut-in gas royalty. Therefore, an ambiguity is created, in that the amount of the shut-in gas royalty cannot be determined from reading the leases. Satisfy yourself as to the importance of the shut-in gas royalty clause, and obtain and record a corrected lease if you desire.

(b) All three leases contain errors in acknowledging that the acreage is irregular. The acreage in this tract is 160.13 acres. The Evans Lease and the Markham Lease refer to 160 acres. The Elliott-Hall Trust Leases specifically described the NW/4 of Section 4, but then erroneously indicates that it contains only 40 acres. Inasmuch as no rental payments are required, and with the forms having a lessor interest clause, these errors are not considered defects requiring correction.

(c) Satisfy yourself prior to drilling that there have been no instruments filed of record subsequent to the closing date of the Abstract examined, which could adversely affect title.

7. The Evans and Markham leases show Maurice L. Brown as the Lessee while the Elliott-Hall trust lease shows Maurice L. Brown Company as Lessee. If these are not the same, then record assignments to the appropriate Lessee.

COMMENTS

This title opinion does not cover questions of boundary area, excesses, conflicts with adjacent tracts or surveys, unpaid bills for labor or material that may ripen into mechanic's or materialmen's liens, rights of person, if any in possession,

(continued)

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or any other matters not covered by the materials examined.

Your abstract is being mailed to you by separate cover.

Very truly yours,

  
W. Thomas Kellahin

encls.  
WTK:mmm



**CAMPBELL AND BLACK, P.A.**  
LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

APPLICANTS ENCL. NO. 3

CASE NO. 6875

Submitted by MAURICE L. BROWN

Hearing Date 4/23/80 April 14, 1980

POST OFFICE BOX 2208  
JEFFERSON PLACE  
SANTA FE, NEW MEXICO 87501  
TELEPHONE (505) 988-4421

Tenneco Oil Company  
6800 Park Ten Blvd.  
Suite 200 North  
San Antonio, Texas 78213

RE: New Mexico Oil Conservation Division  
Case No. 6875; Application of Maurice L.  
Brown Co., for Compulsory Pooling, Lea  
County, New Mexico.

Gentlemen:

Enclosed is a copy of the Docket for the April 23,  
1980 Oil Conservation Division Examiner Hearing.

You may have an interest which will be affected by  
the above referenced case.

Very truly yours,

*William F. Carr*

William F. Carr

P11 6670440

**RECEIPT FOR CERTIFIED MAIL**

NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO		Tenneco Oil Co.
STREET AND NO.		6800 Park Ten Blvd.
SUITE AND ZIP CODE		Suite 200 North San Antonio, TX 78213
POSTAGE	\$	
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	\$
	SPECIAL DELIVERY	\$
	RESTRICTED DELIVERY	\$
	SHOW TO WHOM AND DATE DELIVERED	\$
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	\$
RETURN RECEIPT SERVICE	\$	
ORIGINAL SERVICE	\$	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	\$	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$	
TOTAL POSTAGE AND FEES	\$	
POSTMARK OR DATE		

PS Form 3800, Apr. 1976

RETURN RECEIPT, REGISTERED, RETURNED AND CERTIFIED MAIL	
1. The following service is requested (check one): <input type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> Show to whom, date and address of delivery. <input type="checkbox"/> RESTRICTED DELIVERY <input type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> RESTRICTED DELIVERY. <input type="checkbox"/> Show to whom, date, and address of delivery.	2. ARTICLE ADDRESSED TO: Tenneco Oil Co. 6800 Park Ten Blvd. Suite 200 North, San Antonio TX
3. ARTICLE DESCRIPTION: REGISTERED NO. 6670440 CERTIFIED NO. 6670440 REGISTERED NO. 6670440	4. DATE OF DELIVERY APR 17 1980 17 1980
5. ADDRESS (Complete only if registered)	6. UNABLE TO DELIVER BECAUSE:
7. SIGNATURE (Always obtain signature of addressee or agent) <i>Charles E. Carr</i> SIGNATURE (Addressee or agent) INITIALS	

CAMPBELL AND BLACK

LAWYERS  
JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

APPROPRIATE EXHIBIT NO. 3

CASE NO. 6875

Submitted by William F. Carr

Hearing Date April 14, 1980

POST OFFICE BOX 2808  
JEFFERSON PLACE  
FE, NEW MEXICO 87501  
TELEPHONE (505) 966-4441

Tenneco Oil Company  
6800 Park Ten Blvd.  
Suite 200 North  
San Antonio, Texas 78213

RE: New Mexico Oil Conservation Division  
Case No. 6875; Application of Maurice L.  
Brown Co.; for Compulsory Pooling, Lea  
County, New Mexico.

Gentlemen:

Enclosed is a copy of the Docket for the April 23,  
1980 Oil Conservation Division Examiner Hearing.

You may have an interest which will be affected by  
the above referenced case.

Very truly yours,  
*William F. Carr*  
William F. Carr

P11 6670440

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED—  
NOT FOR INTERNATIONAL MAIL  
(See Reverse)

SENT TO	
Tenneco Oil Co.	
6800 Park Ten Blvd.	
Suite 200 North	
San Antonio, TX 78213	
POSTAGE	
CERTIFIED FEE	\$
SPECIAL DELIVERY	\$
RESTRICTED DELIVERY	\$
SHOW TO WHOM AND DATE DELIVERED	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	\$
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	\$
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	\$
TOTAL POSTAGE AND FEES	
POSTMARK OR DATE	

PS Form 3800, Apr. 1976

SENDER: Complete Items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.		
1. The following service is requested (check one): <input type="checkbox"/> Show to whom and date delivered..... <input type="checkbox"/> Show to whom, date and address of delivery..... <input type="checkbox"/> RESTRICTED DELIVERY Show to whom and date delivered..... <input type="checkbox"/> RESTRICTED DELIVERY. Show to whom, date, and address of delivery..... (CONSULT POSTMASTER FOR FEES)		
2. ARTICLE ADDRESSED TO: Tenneco Oil Co. 6800 Park Ten Blvd. Suite 200 North, San Antonio TX		
3. ARTICLE DESCRIPTION: REGISTERED NO.	CERTIFIED NO. 6670440	INSURED NO.
(Always obtain signature of addressee or agent)		
I have received the article described above. SIGNATURE <i>Charles E. Carr</i> (Addressee) (Authorized agent)		
DATE OF DELIVERY APR 17 1980		
4. ADDRESS (Complete only if requested)		
5. UNABLE TO DELIVER BECAUSE:		
INITIALS		



# THE MAURICE L. BROWN COMPANY

SUTTON PLACE BUILDING, SUITE 200

WICHITA, KANSAS 67202

(316) 265-4651

January 28, 1980

Lease #30-1103-8

AFE #80056-5/80057-3

Evans #2

NW/4 Sec. 4-9S-43E, Lea County, New Mexico

## INTANGIBLES

### AFE #80056-5

#### DRILLING

Location, elevation, pits and roads	\$ 1,500	
Rotary Drilling - 5350' @ \$9.50/ft.	50,825	
Rotary Day Work - 52 hrs. @ \$160/hr.	8,320	
(DSTS - 2 @ 12 hrs/Logging 16 hrs/Circulating 12 hrs)		
Cementing surface casing, power tongs & welder	3,500	
Drilling mud, water and chemicals	14,000	
Geologist - 5 days @ \$350/day	1,750	
Drill - stem tests 2 @ \$1,000 each	2,000	
Logging	9,500	
Drilling Overhead	3,800	
Supervision (5 days @ \$350/day)	1,750	
Miscellaneous & Contingencies	6,000	
Total Cost - Drilling (PRODUCTIVE)	\$102,945	
Add to abandon: Surface casing-450' 8-5/8" @ \$9.50/ft.	4,275	
Cement & Services to plug	3,500	
Lease acquisitions & leasing fees	12,000	
Geological & engineering preparation	6,000	
TOTAL COST - NON-PRODUCTIVE - (DRY HOLE)		\$128,720

#### COMPLETION

Power tongs and welder (Welder \$500; and Tubing tongs \$900)	1,400	
Float equipment	2,000	
Cementing - production casing	4,500	
Double drum unit & completion equipment		
rental Cable tools	10,000	
Logging and perforating	5,000	
Acidizing Twice-mud & regular or retarded acid	4,500	
Nitrogen for acidizing	3,000	
Frac	10,000	
Supervision (10 days @ \$350/day)	3,500	
Trucking/Freight	2,500	
Miscellaneous and Contingencies	4,500	
Total Cost - Completion (PRODUCTIVE)	\$ 50,900	
Drilling (PRODUCTIVE - see above)	\$102,945	
TOTAL COST - PRODUCTIVE (DRILLING & COMPLETION)		\$153,845

## TANGIBLES

### AFE #80057-3

#### EQUIPMENT

Surface casing - 450' 8-5/8" @ \$9.50/ft.	4,275	
Production casing - 4900' 5-1/2" 15.50 @ \$6.75/ft.	33,075	
Sand coating casing - 200' @ \$11/ft.	2,200	
Tubing - 5,000' 2-7/8" @ \$3.50/ft.	17,500	
Rods - 5,000' 7/8" & 3/4" @ \$1.25/ft.	6,250	
Well-head & bottom-hole equipment	2,000	
Pumping Unit - Lufkin D-114	18,600	
Engine - C-96	5,000	
Lead line	1,000	
Gas line	500	
Gun barrel/treater/separator	5,000	
Stock tank(s)	6,000	
Line/tank/pump	2,500	
Chemical pump(s)	500	
Labor	2,500	
Trucking/freight	2,500	
Welding	500	
Backhoe	500	
Miscellaneous and Contingencies	4,000	
TOTAL COST - PRODUCTIVE (EQUIPMENT)		\$114,400

BEFORE EXAMINER STAMETS  
OIL CONSERVATION DIVISION

APPLICANT EXHIBIT NO. 4

CASE NO. 6475

Submitted by MAURICE L. BROWN

Hearing Date 4/23/80

Docket No. 12-80

Dockets Nos. 13-80 and 14-80 are tentatively set for May 7 and 21, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - APRIL 23, 1980

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

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

CASE 6803: (Continued from February 13, 1980, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit EPROC Associates, Hartford Accident and Indemnity Company, and all other interested parties to appear and show cause why its Monsanto State H Well No. 1 located in Unit E of Section 2, Township 30 North, Range 16 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6866: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Hare and McCoy and all other interested parties to appear and show cause why the H. L. Hare Well No. 2 located in Unit B of Section 23, Township 29 North, Range 11 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6867: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit all interested parties to appear and show cause why the following abandoned wells drilled by unknown party or parties and located in Township 29 North, Range 11 West, San Juan County, should not be plugged and abandoned in accordance with a Division-approved plugging program: a well in the SW/4 of Section 24, a well in the SE/4 of Section 22, and a well in the SE/4 of Section 28.

CASE 6850: (Continued from April 9, 1980, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Jack F. Grimm, N. B. Hunt, George R. Brown, Am-Arctic, Ltd., The Travelers Indemnity Company, and all other interested parties to appear and show cause why the Mobil 32 Well No. 1 located in Unit D of Section 32, Township 25 South, Range 1 East, Dona Ana County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6870: Application of Bass Enterprises Production Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Bass State 36 Well No. 1 located in Unit E of Section 36, Township 15 South, Range 34 East, to produce oil from the Townsend-Wolfcamp Pool and gas from an undesignated Morrow pool thru the tubing and casing-tubing annulus, respectively, by means of a cross-over assembly.

CASE 6871: Application of Bass Enterprises Production Company to amend Order No. R-5693, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to amend Order No. R-5693 to remove the restriction as to the time limit in which salt water may be disposed into Big Eddy Unit Well No. 56 located in Unit C of Section 35, Township 21 South, Range 28 East.

CASE 6872: Application of Amoco Production Company for a dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its State "HQ" Well No. 1 located in Unit P of Section 26, Township 18 South, Range 34 East, Airstrip Field, to produce Bone Springs and Wolfcamp oil thru parallel strings of tubing.

CASE 6873: Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Travis Deep Well No. 5, a Morrow test to be drilled 660 feet from the South line and 1650 feet from the East line of Section 12, Township 18 South, Range 28 East, the S/2 of said Section 12 to be dedicated to the well.

CASE 6874: Application of HNC Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the E/2 of Section 6, Township 22 South, Range 35 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6851: (Continued from April 9, 1980, Examiner Hearing)

Application of Caribou Four Corners, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Cha Cha-Gallup Pool underlying the N/2 NE/4 of Section 18, Township 29 North, Range 14 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6875: Application of Maurice L. Brown Co. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying the SE/4 NW/4 of Section 4, Township 9 South, Range 34 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6876: Application of Maurice L. Brown Co. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Vada-Pennsylvanian Pool underlying the SW/4 of Section 5, Township 9 South, Range 34 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6467: (Reopened and Readvertised)

In the matter of Case 6467 being reopened pursuant to the provisions of Order No. R-5958 which order created the Grama Ridge-Bone Spring Pool in Lea County with temporary special rules therefor providing for 160-acre spacing. All interested parties may appear and show cause why the Grama Ridge-Bone Spring Pool should not be developed on 40-acre spacing units.

CASE 6877: Application of Florida Exploration Company for compulsory pooling and unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Ellenburger formations underlying the N/2 of Section 11, Township 25 South, Range 35 East, to be dedicated to a well to be drilled at an unorthodox location 1200 feet from the North and West lines of said Section 11. 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6878: Application of Stevens Oil Company for a non-standard gas proration unit, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the N/2 SW/4 and S/2 NW/4 of Section 25, Township 8 South, Range 28 East, Twin Lakes-San Andres Associated Pool, to be dedicated to its O'Brien "F" Well No. 4 located in Unit K of said Section 25.

CASE 6879: Application of Jake L. Hamon for a tubingless completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to produce his Amerada Federal Well No. 2 located in Unit F of Section 17, Township 20 South, Range 36 East, North Osado-Morrow Gas Pool, thru 4 1/2-inch drill pipe cemented in the hole.

CASE 6861: (Continued from April 9, 1980, Examiner Hearing)

Application of Zia Energy, Inc. for pool creation, special pool rules, and an NCPA determination, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new San Andres oil pool for its State "C" Well No. 1 located in Unit F of Section 17, Township 22 South, Range 37 East, and special rules therefor, including a provision for a limiting gas-oil ratio of 10,000 to 1. Applicant further seeks a new onshore reservoir determination for said State "C" Well No. 1.

CASE 6837: (Continued from April 9, 1980, Examiner Hearing)

Application of Curtis Little for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Dakota formation underlying the W/2 of Section 7, Township 25 North, Range 3 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

**CASE 6467:** (Continued from February 13, 1980, Examiner Hearing)

Application of El Paso Natural Gas Company for approval of infill drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks a waiver of existing well-spacing requirements and a finding that the drilling of its Shell E State Com Well No. 2 located in Unit M of Section 6, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, is necessary to effectively and efficiently drain that portion of the proration unit which cannot be so drained by the existing well.

**CASE 6868:** In the matter of the hearing called by the Oil Conservation Division on its own motion for an order contracting and extending certain pools in San Juan, Rio Arriba, Sandoval, and McKinley Counties, New Mexico:

- (a) CONTRACT the Bisti-Farmington Pool in San Juan County, New Mexico, by deleting:

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM  
Section 20: W/2

- (b) CONTRACT the Blanco-Pictured Cliffs Pool in San Juan and Rio Arriba Counties, New Mexico, by deleting:

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM  
Section 35: NW/4

- (c) EXTEND the Albino-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 32 NORTH, RANGE 8 WEST, NMPM  
Section 24: W/2  
Section 25: W/2  
Section 26: SE/4  
Section 36: W/2

- (d) EXTEND the Aztec-Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 10 WEST, NMPM  
Section 17: S/2

- (e) EXTEND the Aztec-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 9 WEST, NMPM  
Section 34: NW/4

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPM  
Section 6: SE/4

TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPM  
Section 7: SW/4  
Section 17: S/2

TOWNSHIP 31 NORTH, RANGE 12 WEST, NMPM  
Section 23: NE/4

- (f) EXTEND the Ballard-Pictured Cliffs Pool in Rio Arriba, Sandoval, and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 8 WEST, NMPM  
Section 15: NW/4

- (g) EXTEND the Bisti-Farmington Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM  
Section 29: S/2  
Section 30: SE/4 and W/2

- (h) EXTEND the Bisti-Lower Gallup Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 12 WEST, NMPM  
Section 22: NW/4

(i) EXTEND the Blanco-Fruitland Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 9 WEST, NMPH  
Section 1: SW/4  
Section 2: SE/4

TOWNSHIP 30 NORTH, RANGE 9 WEST, NMPH  
Section 10: SW/4  
Section 16: NW/4

(j) EXTEND the Blanco Mesaverde Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPH  
Section 3: N/2  
Section 5: N/2  
Section 6: All  
Section 7: All  
Section 8: W/2

TOWNSHIP 26 NORTH, RANGE 2 WEST, NMPH  
Section 4: All

TOWNSHIP 27 NORTH, RANGE 2 WEST, NMPH  
Section 17: E/2

(k) EXTEND the Blanco-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 8 WEST, NMPH  
Section 10: NE/4 and S/2

TOWNSHIP 29 NORTH, RANGE 9 WEST, NMPH  
Section 20: NE/4

TOWNSHIP 30 NORTH, RANGE 8 WEST, NMPH  
Section 19: All  
Section 29: NW/4  
Section 30: N/2

TOWNSHIP 30 NORTH, RANGE 9 WEST, NMPH  
Section 10: SW/4  
Section 24: E/2

TOWNSHIP 30 NORTH, RANGE 10 WEST, NMPH  
Section 8: NW/4

TOWNSHIP 31 NORTH, RANGE 9 WEST, NMPH  
Section 7: NE/4  
Section 19: NW/4

TOWNSHIP 31 NORTH, RANGE 10 WEST, NMPH  
Section 24: E/2 and SW/4

TOWNSHIP 31 NORTH, RANGE 11 WEST, NMPH  
Section 15: SW/4  
Section 18: NE/4  
Section 21: NE/4  
Section 22: NE/4

TOWNSHIP 31 NORTH, RANGE 12 WEST, NMPH  
Section 1: N/2

TOWNSHIP 32 NORTH, RANGE 10 WEST, NMPH  
Section 33: S/2



TOWNSHIP 32 NORTH, RANGE 12 WEST, NMPM

Section 16: E/2  
Section 11: All  
Section 13: SW/4  
Section 14: All  
Section 24: NW/4  
Section 25: N/2  
Section 26: NE/4  
Section 35: E/2 and SW/4

(1) EXTEND the South Blanco-Pictured Cliffs Pool in Rio Arriba, San Juan, and Sandoval Counties, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 1 WEST, NMPM

Section 19: E/2  
Section 30: NE/4

TOWNSHIP 23 NORTH, RANGE 2 WEST, NMPM

Section 26: NE/4

TOWNSHIP 24 NORTH, RANGE 3 WEST, NMPM

Section 36: NW/4

TOWNSHIP 27 NORTH, RANGE 7 WEST, NMPM

Section 12: SE/4

TOWNSHIP 28 NORTH, RANGE 6 WEST, NMPM

Section 34: NE/4

(m) EXTEND the East Blanco-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 30 NORTH, RANGE 4 WEST, NMPM

Section 4: W/2

TOWNSHIP 31 NORTH, RANGE 4 WEST, NMPM

Section 33: SW/4

(n) EXTEND the Bloomfield-Farmington Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 11 WEST, NMPM

Section 25: SE/4

(o) EXTEND the Campo-Gallup Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 4 WEST, NMPM

Section 12: SE/4

Section 13: NE/4

(p) EXTEND the Cha Cha-Gallup Oil Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 14 WEST, NMPM

Section 18: N/2 SW/4 and NW/4 SE/4

TOWNSHIP 29 NORTH, RANGE 15 WEST, NMPM

Section 13: NE/4 and N/2 SE/4

(q) EXTEND the Chacon-Dakota Associated Pool in Rio Arriba and Sandoval Counties, New Mexico, to include therein:

TOWNSHIP 23 NORTH, RANGE 3 WEST, NMPM

Section 25: NW/4

Section 26: NE/4

Section 34: SW/4

Section 35: NE/4

Section 36: NW/4

TOWNSHIP 24 NORTH, RANGE 3 WEST, NMPM

Section 20: E/2

Section 34: NW/4

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(r) EXTEND the Chosa Mesa-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 28 NORTH, RANGE 3 WEST, NMPN  
Section 19: S/2  
Section 30: N/2

TOWNSHIP 28 NORTH, RANGE 4 WEST, NMPN  
Section 9: E/2  
Section 10: All  
Section 16: E/2  
Section 21: NE/4

(s) EXTEND the Escrito-Gallup Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 7 WEST, NMPN  
Section 21: SW/4

(t) EXTEND the Fuicher Katz-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 11 WEST, NMPN  
Section 25: SE/4  
Section 36: NE/4 and S/2

(u) EXTEND the Gobernador-Pictured Cliffs Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 5 WEST, NMPN  
Section 4: N/2 and SE/4  
Section 5: N/2  
Section 6: N/2  
Section 15: S/2  
Section 23: NW/4 and SE/4  
Section 25: NW/4

TOWNSHIP 29 NORTH, RANGE 6 WEST, NMPN  
Section 1: NE/4

TOWNSHIP 30 NORTH, RANGE 5 WEST, NMPN  
Section 31: SW/4

(v) EXTEND the Harper Hill Fruitland-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 30 NORTH, RANGE 14 WEST, NMPN  
Section 27: SE/4  
Section 34: NE/4  
Section 35: SW/4

(w) EXTEND the Harris Mesa-Chacra Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 9 WEST, NMPN  
Section 11: S/2  
Section 12: SW/4  
Section 13: N/2  
Section 14: NE/4

(x) EXTEND the West Katz-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 13 WEST, NMPN  
Section 24: S/2

(y) EXTEND the Largo-Chacra Pool in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 27 NORTH, RANGE 7 WEST, NMPN  
Section 28: SE/4

(z) EXTEND the South Lindrith Gallup-Dakota Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 4 WEST, NMPN  
Section 21: SW/4  
Section 27: N/2

(aa) EXTEND the West Lindrith Gallup-Dakota Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 3 WEST, NMPM  
Section 17: NW/4

TOWNSHIP 24 NORTH, RANGE 4 WEST, NMPM  
Section 3: SW/4  
Section 5: S/2  
Section 6: S/2  
Section 7: N/2 and SW/4  
Section 8: N/2  
Section 11: SW/4  
Section 14: NE/4  
Section 24: SW/4

TOWNSHIP 25 NORTH, RANGE 4 WEST, NMPM  
Section 23: NW/4  
Section 30: SW/4  
Section 31: SE/4

(bb) EXTEND the South Los Pinos Fruitland-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 31 NORTH, RANGE 7 WEST, NMPM  
Section 1: W/2  
Section 10: SE/4  
Section 11: N/2

TOWNSHIP 32 NORTH, RANGE 7 WEST, NMPM  
Section 26: SE/4  
Section 34: SE/4

(cc) EXTEND the Otero-Chacra Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 7 WEST, NMPM  
Section 23: N/2  
Section 25: N/2 and SE/4

(dd) EXTEND the Otero-Gallup Oil Pool in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 24 NORTH, RANGE 5 WEST, NMPM  
Section 2: N/2 NW/4

TOWNSHIP 25 NORTH, RANGE 5 WEST, NMPM  
Section 22: NE/4  
Section 23: NW/4  
Section 34: W/2 SW/4 and SE/4  
Section 35: SW/4 SW/4

(ee) EXTEND the Rusty-Chacra Pool in Sandoval County, New Mexico, to include therein:

TOWNSHIP 22 NORTH, RANGE 6 WEST, NMPM  
Section 18: SW/4  
Section 19: All  
Section 20: SW/4  
Section 28: NW/4  
Section 29: N/2  
Section 30: NE/4

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM  
Section 10: S/2  
Section 11: SW/4  
Section 14: W/2  
Section 15: SE/4  
Section 20: NE/4

(ff) EXTEND the Star-Mesaverde Oil Pool in McKinley County, New Mexico, to include therein:

TOWNSHIP 19 NORTH, RANGE 6 WEST, NMPM  
Section 16: N/2 NE/4

(gg) EXTEND the Ute Dome-Dakota Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 32 NORTH, RANGE 14 WEST, NMPM  
Section 25: W/2

(hh) EXTEND the MAW Fruitland-Pictured Cliffs Pool in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 12 WEST, NMPM  
Section 19: S/2 and NW/4  
Section 30: NW/4  
Section 31: NE/4  
Section 36: NW/4

TOWNSHIP 26 NORTH, RANGE 13 WEST, NMPM  
Section 2: S/2  
Section 3: S/2  
Section 9: NE/4  
Section 10: N/2  
Section 11: All  
Section 12: W/2  
Section 13: NW/4  
Section 14: N/2  
Section 24: E/2

TOWNSHIP 27 NORTH, RANGE 13 WEST, NMPM  
Section 7: W/2 and SE/4  
Section 17: W/2 and SE/4  
Section 20: E/2  
Section 21: W/2  
Section 28: All

CASE 6869: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, contracting and extending the vertical and 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 East Anderson Ranch-Wolfcamp Pool. The discovery well is Holly Energy, Inc. Pogo State Well No. 1 located in Unit H of Section 19, Township 16 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM  
Section 19: NE/4

(b) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production and designated as the Bull's Eye-San Andres Pool. The discovery well is Ralph Nix Union Happy Well No. 1 located in Unit O of Section 1, Township 8 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM  
Section 1: SE/4 and S/2 NE/4  
Section 12: NE/4

TOWNSHIP 8 SOUTH, RANGE 29 EAST, NMPM  
Section 6: W/2 SW/4  
Section 7: W/2 NW/4

(c) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for San Andres Production and designated as the Cary-San Andres Pool. The discovery well is Zia Energy, Inc. State C Well No. 1 located in Unit F of Section 17, Township 22 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM  
Section 17: NW/4

(d) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Grayburg production and designated as the Diamond Mound-Grayburg Gas Pool. The discovery well is Mesa Petroleum Company Sink Federal Well No. 1 located in Unit I of Section 9, Township 16 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 27 EAST, NMPM  
Section 9: SE/4

(e) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Diamond Mound-Morrow Gas Pool. The discovery well is Mesa Petroleum Company Derrick Federal Com Well No. 1 located in Unit K of Section 5, Township 16 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 28 EAST, NMPM  
Section 5: Lots 3, 4, 5, 6, 11, 12,  
13, and 14

(f) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Abo production and designated as the Gopher-Abo Gas Pool. The discovery well is Mesa Petroleum Company Catclaw State Well No. 1 located in Unit G of Section 31, Township 17 South, Range 24 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 24 EAST, NMPM  
Section 31: NE/4

(g) CREATE a new pool in Eddy County, New Mexico, classified as an oil pool for Upper Pennsylvanian production and designated as the Grayburg-Upper Pennsylvanian Pool. The discovery well is Depco, Inc. Conoco State Well No. 1 located in Unit K of Section 15, Township 17 South, Range 29 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM  
Section 15: SW/4

(h) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Drinkard production and designated as the Hardy-Drinkard Pool. The discovery well is Amoco Production Company State C Tr. 11 Well No. 11 located in Unit X of Section 2, Township 21 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM  
Section 2: SE/4  
Section 11: NE/4

(i) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Atoka production and designated as the Logan Draw-Atoka Gas Pool. The discovery well is Mesa Petroleum Company Marslo Federal Com Well No. 1 located in Unit L of Section 22, Township 17 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM  
Section 22: W/2

(j) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for Queen production and designated as the Rabbit Flats-Queen Pool. The discovery well is Rapid Company, Inc. Copelan State Well No. 1 located in Unit C of Section 31, Township 10 South, Range 27 East, NMPM. Said pool would comprise:

TOWNSHIP 10 SOUTH, RANGE 27 EAST, NMPM  
Section 31: NE/4 NW/4 and N/2 NE/4

(k) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Wolfcamp production and designated as the Ross Draw-Wolfcamp Gas Pool. The discovery well is Florida Gas Exploration Company Ross Draw Unit Well No. 7 located in Unit J of Section 26, Township 26 South, Range 30 East, NMPM. Said pool would comprise:

TOWNSHIP 26 SOUTH, RANGE 30 EAST, NMPM  
Section 26: S/2  
Section 27: All

(l) CREATE a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Sand Point-Morrow Gas Pool. The discovery well is Perry R. Bass Big Eddy Unit Well No. 72 located in Unit R of Section 3, Township 21 South, Range 28 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 28 EAST, NMPM  
Section 3: S/2

(m) CREATE a new pool in Chaves County, New Mexico, classified as a gas pool for Mississippian production and designated as the Sand Ranch-Mississippian Gas Pool. The discovery well is MCF Oil Corporation Biker Federal Well No. 1 located in Unit G of Section 14, Township 10 South, Range 29 East, NMPM. Said pool would comprise:

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

(n) CREATE a new pool in Chaves County, New Mexico, classified as an oil pool for San Andres production and designated as the North Tom Tom-San Andres Pool. The discovery well is NRM Petroleum Corporation Mooney Well No. 1 located in Unit A of Section 17, Township 7 South, Range 31 East, NMPM. Said pool would comprise:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM  
Section 17: NE/4

(o) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Bone Springs production and designated as the Tonto-Bone Springs Pool. The discovery well is Amoco Production Company Nellis A Federal Well No. 1 located in Unit E of Section 8, Township 19 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Section 8: NW/4

(p) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Mississippian production and designated as the Townsend-Mississippian Gas Pool. The discovery well is Allen K. Trobaugh Eidson Com Well No. 1 located in Unit G of Section 28, Township 16 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM  
Section 28: NE/4

(q) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Fusselman production and designated as the Wantz-Fusselman Pool. The discovery well is N. B. Hunt Mittie Weatherly Well No. 8 located in Unit G of Section 21, Township 21 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 21 SOUTH, RANGE 37 EAST, NMPM  
Section 21: NE/4

(r) EXTEND the Airstrip-Lower Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM  
Section 25: NW/4

(s) EXTEND the West Arkansas Junction-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 36 EAST, NMPM  
Section 28: NW/4

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

TOWNSHIP 21 SOUTH, RANGE 26 EAST, NMPM  
Section 5: S/2

(u) EXTEND the Ber U-Pennsylvanian Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 33 EAST, NMPM  
Section 31: N/2

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

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM  
Section 20: NE/4

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

TOWNSHIP 19 SOUTH, RANGE 25 EAST, NMPM  
Section 11: All

- (x) EXTEND the East Caprock-Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 12 SOUTH, RANGE 32 EAST, NMPM  
Section 14: SW/4  
Section 23: W/2

- (y) CONTRACT the horizontal limits of 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

- and EXTEND the horizontal limits of said pool to include therein:

TOWNSHIP 8 SOUTH, RANGE 30 EAST, NMPM  
Section 4: SE/4

- (z) EXTEND the Chaveroo-San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 32 EAST, NMPM  
Section 34: NW/4

- (aa) EXTEND the Comanche Stateline Tensill-Yates Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM  
Section 21: NW/4

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

TOWNSHIP 23 SOUTH, RANGE 28 EAST, NMPM  
Section 22: NE/4  
Section 23: NW/4

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

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM  
Section 25: W/2

- (dd) EXTEND the Double L-Queen Associated Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM  
Section 1: W/2, SW/4 NE/4 and W/2 SE/4

- (ee) EXTEND the Eagle Creek Perno-Pennsylvanian Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 25 EAST, NMPM  
Section 3: All

- (ff) EXTEND the South Eunice-San Andres Pool in Lea County, New Mexico, to include therein:

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

- (gg) EXTEND the East Gem-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Section 26: S/2

- (hh) EXTEND the East Grana Ridge-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 34 EAST, NMPM  
Section 1: W/2

(ii) EXTEND the Grama Ridge-Wolfcamp Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM  
Section 36: N/2 and SE/4

(jj) EXTEND the Hobbs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM  
Section 34: W/2

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM  
Section 3: NW/4

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

TOWNSHIP 23 SOUTH, RANGE 36 EAST, NMPM  
Section 28: S/2 NW/4

(ll) EXTEND the Justice-Paddock Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 25 SOUTH, RANGE 37 EAST, NMPM  
Section 25: S/2

TOWNSHIP 25 SOUTH, RANGE 38 EAST, NMPM  
Section 30: SW/4

(mm) EXTEND the Langley-Devonian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM  
Section 17: S/2  
Section 28: N/2

(nn) EXTEND the Langley-Ellenburger Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 36 EAST, NMPM  
Section 17: S/2

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

TOWNSHIP 17 SOUTH, RANGE 33 EAST, NMPM  
Section 21: N/2 N/2

(pp) EXTEND the Logan Draw-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 27 EAST, NMPM  
Section 20: All  
Section 21: S/2  
Section 28: E/2  
Section 33: E/2

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

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

(rr) EXTEND the Parkway-Strawn Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM  
Section 25: SW/4

(ss) EXTEND the West Parkway-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM  
Section 21: S/2  
Section 22: All



(tt) EXTEND the South Peterson-Fusselman Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 5 SOUTH, RANGE 32 EAST, NMPM  
Section 25: SE/4

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

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Section 12: E/2

TOWNSHIP 19 SOUTH, RANGE 34 EAST, NMPM  
Section 7: W/2

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

TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPM  
Section 25: SW/4  
Section 36: NW/4

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

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM  
Section 3: E/2  
Section 10: E/2

(xx) EXTEND the Shugart Yates-Seven Rivers Queen-Grayburg Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM  
Section 35: N/2 NE/4

(yy) EXTEND the vertical limits of the Sioux-Yates Pool in Lea County, New Mexico, to include the Tansill formation and redesignate said pool as the Sioux Tansill-Yates Pool, and extend the horizontal limits of said pool to include therein:

TOWNSHIP 26 SOUTH, RANGE 36 EAST, NMPM  
Section 16: N/2 and SE/4

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

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM  
Section 25: NW/4  
Section 26: SE/4  
Section 28: SW/4

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

(aaa) EXTEND the West Tonto-Pennsylvanian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
Section 18: NE/4

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

TOWNSHIP 19 SOUTH, RANGE 29 EAST, NMPM  
Section 11: All  
Section 14: E/2

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

TOWNSHIP 18 SOUTH, RANGE 29 EAST, NMPM  
Section 27: S/2

(ddd) EXTEND the Warren-Tubb Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM  
Section 20: NE/4

(ccc) EXTEND the White Ranch-Mississippian Gas Pool in Chaves County, New Mexico, to include therein:

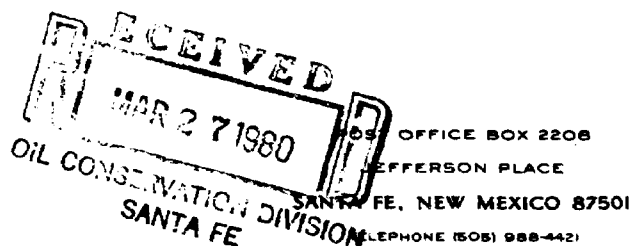
TOWNSHIP 11 SOUTH, RANGE 29 EAST, NMPM  
Section 34: E/2

(fff) EXTEND the Wilson-Strawn Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM  
Section 12: SE/4  
Section 13: NE/4

CAMPBELL AND BLACK, P.A.  
LAWYERS

JACK M. CAMPBELL  
BRUCE D. BLACK  
MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
PAUL R. CALDWELL



March 26, 1980

Mr. Joe D. Ramey  
Division Director  
Oil Conservation Division  
New Mexico Department of Energy & Minerals  
Post Office Box 2088  
Santa Fe, New Mexico 87501

Case 6875

Re: Application of Maurice L. Brown Co. for  
Compulsory Pooling, Lea County, New Mexico

Dear Mr. Ramey:

Enclosed in triplicate is the application of Maurice L. Brown Co. in the above-referenced matter.

The applicant requests that this matter be included on the docket for the examiner hearing scheduled to be held on April 23, 1980.

Very truly yours,

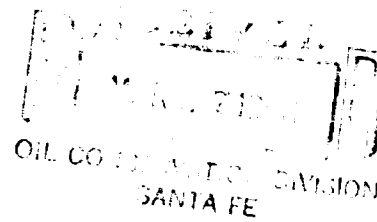
*William F. Carr*

William F. Carr

WFC:lr

Enclosures

cc: Mr. Don Littell



BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF MAURICE L. BROWN CO. FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

Case 6875

APPLICATION

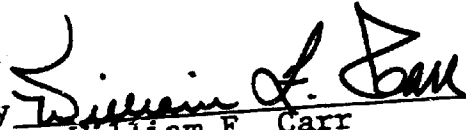
Comes now MAURICE L. BROWN CO., by and through its undersigned attorneys and, as provided by Section 70-2-17, New Mexico Statutes Annotated, 1978 Compilation, hereby makes application for an order pooling all of the mineral interests in the San Andres formation in and under the SE/4 NW/4 of Section 4, Township 9 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof would show the Commission:

1. Applicant is the owner of 75% of the working interest in and under the SE/4 NW/4 of Section 4, and applicant has the right to drill thereon.
2. Applicant proposes to dedicate the above-referenced pooled unit to its No. 2 Evans Well to be drilled at an orthodox location within 150 feet of the center of the SE/4 NW/4 of said Section 4.
3. Applicant has sought and been unable to obtain either voluntary agreement for pooling of farmout from Tenneco Oil Company, owner of a 25% working interest.
4. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

WHEREFORE, applicant prays that this application 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 lands, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and such other and further provisions as may be proper in the premises.

Respectfully submitted,  
CAMPBELL AND BLACK, P.A.

By   
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

BEFORE THE  
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

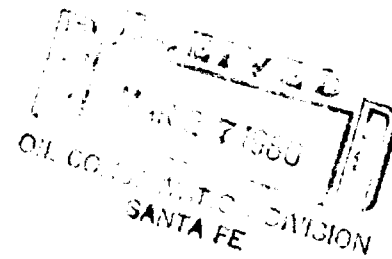
IN THE MATTER OF THE APPLICATION  
OF MAURICE L. BROWN CO. FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

Case 6875

APPLICATION

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4. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

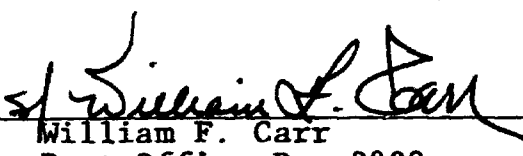


5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

WHEREFORE, applicant prays that this application 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 lands, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and such other and further provisions as may be proper in the premises.

Respectfully submitted,  
CAMPBELL AND BLACK, P.A.

By

  
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

RECEIVED  
OIL CONSERVATION DIVISION  
SANTA FE

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION  
OF MAURICE L. BROWN CO. FOR  
COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

Case 6875

APPLICATION

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2. Applicant proposes to dedicate the above-referenced pooled unit to its No. 2 Evans Well to be drilled at an orthodox location within 150 feet of the center of the SE/4 NW/4 of said Section 4.
3. Applicant has sought and been unable to obtain either voluntary agreement for pooling of farmout from Tenneco Oil Company, owner of a 25% working interest.
4. Said pooling of interest and well completion will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.



5. In order to permit the applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interest should be pooled, and applicant should be designated the operator of the well to be drilled.

WHEREFORE, applicant prays that this application 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 lands, including provisions designating the applicant as operator of the well, providing for applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling, and after completion, including overhead charges, and a risk factor for the risk assumed by the applicant in drilling, completing and equipping the well, and such other and further provisions as may be proper in the premises.

Respectfully submitted,  
CAMPBELL AND BLACK, P.A.

By William F. Carr  
William F. Carr  
Post Office Box 2208  
Santa Fe, New Mexico 87501  
Attorneys for Applicant

DRAFT

dr/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 6875

Order No. R- 6343

APPLICATION OF MAURICE L. BROWN  
CO. FOR COMPULSORY POOLING, LEA  
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on April 23  
19 80, at Santa Fe, New Mexico, before Examiner Richard L. Stamets  
NOW, on this \_\_\_\_\_ day of \_\_\_\_\_, 19 80, 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, Maurice L. Brown Co.  
seeks an order pooling all mineral interests in the San Andres  
formation underlying the SE/4 NW/4  
of Section 4, Township 9 South, Range 34 East  
NMPM, \_\_\_\_\_, Lea 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~~<sup>oil</sup> 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 that 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 that 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~~<sup>paid</sup> estimated well costs exceed reasonable well costs.

→ \$3800<sup>00</sup> per month while drilling  
and \$380<sup>00</sup> per month while producing

(11) That \_\_\_\_\_ per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge 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 August 1, 1980, 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 San Andres formation underlying the SE/4 NW/4 of Section 4, Township 9 South, Range 34 East, NMPM, \_\_\_\_\_, Lea County, New Mexico, are hereby pooled to form a standard 40 - acre <sup>oil</sup> 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 15<sup>th</sup> day of August, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the San Andres formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15<sup>th</sup> day of August, 1980, 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 Maurice L. Brown Co. is hereby designated the operator of the subject well and unit.

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

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

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

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that 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 \$3800<sup>00</sup> per month while drilling and \$380<sup>00</sup> per month while producing are ~~per month~~ hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-  
Case  
Order No.

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

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

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

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

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

71  
Called in by Bill Carr 3/26/80

Maurice L. Brown Company

Compulsory Pooling

San Andres formation

SE/4 NW/4 to be dedicated

4-95-34E

Evans #2