



Application for Compulsory Pooling

Burnham Gas Com 'A' #1 Well, NW/4 Section 12, T29N-R13W

Burnham Gas Com 'B' #1 Well, SW/4 Section 12, T29N-R13W

Basin Fruitland Coal Pool

Undesignated - West Kutz Pictured Cliffs Pool

San Juan County, New Mexico



March 9, 1995

Southern

Rockies

Business

Unit

Mr. William J. LeMay, Director
New Mexico Oil Conservation Division
2040 S. Pacheco Street
P.O. Box 6429
Santa Fe, NM 87505

Application For Compulsory Pooling
W/2 Section 12-T29N-R13W
Basin Fruitland Coal Pool
NW/4 Section 12-T29N-R13W and
SW/4 Section 12-T29N-R13W
Undesignated-West Kutz Pictured Cliffs Pool
San Juan County, New Mexico

Amoco Production Company hereby makes application for compulsory pooling all mineral interests from the surface to the base of the Pictured Cliffs formation underlying the W/2 of Section 12, T29N-R13W in the following manner: the W/2 thereby forming a standard 320 acre gas spacing and proration unit for the Basin Fruitland Coal Pool to be dedicated to the Burnham Gas Com /B/ #1 Well to be drilled at a standard location in the SW/4; the SW/4 thereby forming a standard 160 acre gas spacing and proration unit for the Undesignated-West Kutz Pictured Cliffs Pool also to be dedicated to the Burnham Gas Com /B/ #1 Well to be drilled at a standard location in the SW/4; and the NW/4 thereby forming a standard 160 acre gas spacing and proration unit for the Undesignated-West Kutz Pictured Cliffs Pool to be dedicated to the Burnham Gas Com /A/ #1 Well to be drilled at a standard location in the NW/4.

In support of this application, Amoco states that it is the owner of majority of the working interest in the Basin Fruitland Coal and Undesignated-West Kutz Pictured Cliffs Pools in the W/2 of Section 12, T29N-R13W and should be named operator of the above referenced wells. The hearing should also consider cost of drilling and completing said wells and allocation of such costs as well as actual operating costs and charges for supervision and a charge for risk involved in drilling said wells.

A copy of this application will be submitted to the owners of uncommitted leasehold interests by certified mail. Amoco respectfully requests that this application be set for hearing on the April 6, 1995 docket.


J. W. Hawkins

cc: Julie Jenkins

ADDRESSEE LIST
Burnham Gas Com /A/ #1

- Rosalind Redfern
P. O. Box 2127
Midland, TX 79702-2127

- The Estate of John J. Redfern, Jr.
c/o John J. Redfern III, Independent Executor
P. O. Box 50896
Midland, TX 79710-0896

- Kerr-McGee Corporation
P. O. Box 25861
Oklahoma City, OK 73125-0861

- Roderick Allen Markham
1500 Broadway, Suite 1212
Lubbock, TX 79401-3192

- Manon Markham McMullen
2200 Berkeley
Wichita Falls, TX 76308

- Richardson Production Company
1700 Lincoln, Suite 1700
Denver, CO 80203

- Estate of John J. Christmann, deceased
c/o Christmann Mineral Company
1500 Broadway, Suite 800
Lubbock, TX 79401-3104

ADDRESSEE LIST
Burnham Gas Com /B/ #1

- Rosalind Redfern
P. O. Box 2127
Midland, TX 79702-2127

- The Estate of John J. Redfern, Jr.
c/o John J. Redfern III, Independent Executor
P. O. Box 50896
Midland, TX 79710-0896

- Kerr-McGee Corporation
P. O. Box 25861
Oklahoma City, OK 73125-0861

- Jack Markham
1500 Broadway, Suite 1212
Lubbock, TX 79401-3192

- Richardson Production Company
1700 Lincoln, Suite 1700
Denver, CO 80203

- Estate of John J. Christmann, deceased
c/o Christmann Mineral Company
1500 Broadway, Suite 800
Lubbock, TX 79401-3104

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Rosalind Redfern
P.O. Box 2127
Midland, Tx 79702-2127

4a. Article Number
Z 385 302 167

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
MAR 17 1995

5. Signature (Addressee)
Rosalind Redfern

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

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- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

The Estate of John J. Redfern, Jr.
c/o J. J. Redfern III, Ind. Exec.
P.O. Box 50896
Midland, TX 79710-0896

4a. Article Number
Z 385 302 172

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
MAR 20 1995

5. Signature (Addressee)
John J. Redfern, Jr.

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

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I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Kerr-McGee Corporation
P.O. Box 25861
Oklahoma City, OK 73125-0861

4a. Article Number
Z 385 302 170

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
MAR 11 1995

5. Signature (Addressee)
[Signature]

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

PS Form 3811, December 1991 U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

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I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Estate of John J. Christmann, deceased
 c/o Christmann Mineral Company
 1500 Broadway, Suite 800
 Lubbock, TX 79401-3104

4a. Article Number
 Z 385 302 166

4b. Service Type

Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

5. Signature (Addressee)
Becky Jones

7. Date of Delivery
 3-17-95

6. Signature (Agent)
S. Math

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

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- Complete items 3, and 4a & b.
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I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Richardson Production Company
 1700 Lincoln, Suite 1700
 Denver, CO 80203

4a. Article Number
 Z 385 302 161

4b. Service Type

Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

5. Signature (Addressee)

7. Date of Delivery
 3/15

6. Signature (Agent)
[Signature]

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

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I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Manon Markham McMullen
 2200 Berkeley
 Wichita Falls, TX 76308

4a. Article Number
 Z 385 302 164

4b. Service Type

Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

5. Signature (Addressee)
[Signature]

7. Date of Delivery
 3-17-95

6. Signature (Agent)
[Signature]

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

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I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Roderick A. Markham
1500 Broadway, Suite 1212
Lubbock TX 79401-3192

4a. Article Number

Z 385 302 168

4b. Service Type

- Registered Insured
- Certified COD
- Express Mail Return Receipt for Merchandise

7. Date of Delivery

3-17-95

5. Signature (Addressee)

Roderick A. Markham

6. Signature (Agent)

S. Markham

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

is your RETURN ADDRESS completed on the reverse side?

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- Complete items 3, and 4a & b.
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- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Kerr-McGee Corporation
P.O. Box 25861
Oklahoma City, OK 73125-0861

4a. Article Number
Z 385 302 163

4b. Service Type

Registered Insured

Certified Return Receipt for Merchandise

Express Mail

7. Date of Delivery
MAR 20 1995

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

Thank you for using Return Receipt Service.

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- 2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

The Estate of John J. Redfern, Jr.
c/o John J. Redfern III, Ind. Exec.
P.O. Box:50896
Midland, TX 79710-0896

4a. Article Number
Z 385 302 162

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery
MAR 20 1995

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

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Consult postmaster for fee.

3. Article Addressed to:

Rosalind Redfern
P.O. Box 2127
Midland, TX 79702-2127

4a. Article Number
Z 385 302 169

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery
MAR 17 1995

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

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1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Jack Markham
1500 Broadway, Suite 1212
Lubbock, TX 79401-3192

4a. Article Number

Z 385 302 171

4b. Service Type

- Registered Insured
- Certified COD
- Express Mail Return Receipt for Merchandise

7. Date of Delivery

3-17-95

5. Signature (Addressee)

Henry Stence

6. Signature (Agent)

S. Matthe

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

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3. Article Addressed to:

Richardson Production Company
1700 Lincoln, Suite 1700
Denver, CO 80203

4a. Article Number

Z 385 302 173

4b. Service Type

- Registered Insured
- Certified COD
- Express Mail Return Receipt for Merchandise

7. Date of Delivery

3/17/95

5. Signature (Addressee)

[Signature]

6. Signature (Agent)

[Signature]

8. Addressee's Address (Only if requested and fee is paid)

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2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Estate of John J. Christmann, deceased
c/o Christmann Mineral Company
1500 Broadway, Suite 800
Lubbock, TX 79401-3104

4a. Article Number

Z 385 302 165

4b. Service Type

- Registered Insured
- Certified COD
- Express Mail Return Receipt for Merchandise

7. Date of Delivery

3-17-95

5. Signature (Addressee)

Becky Jones

6. Signature (Agent)

S. Matthe

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 U.S. GPO: 1993-352-714

DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service.

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Pecos Rd., Artec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-102
 Revised February 21, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		1 Pool Code		1 Pool Name	
1 Property Code		1 Property Name			1 Well Number
NW 12 - 29 - 13 PC					
1 OGRID No.		1 Operator Name			1 Elevation
		AMOCO PRODUCTION COMPANY			5355

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
F	12	29 N	13 W		1450	NORTH	1520	WEST	SAN JUAN

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>16</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>
	<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>November 1, 1994</p> <p>Date of Survey _____</p> <p>Signature and Seal of Professional Approver: </p> <p>7016 Certificate Number</p>

Exhibit "A"

Attached to and made a part of that certain Operating Agreement dated January 15, 1995 between Amoco Production Company, as Operator, and Rosalind Redfern, et al, as non-Operators.

I. LANDS SUBJECT TO OPERATING AGREEMENT

Township 29 North, Range 13 West

Section 12: NW/4

II. RESTRICTIONS AS TO DEPTHS OR FORMATIONS

Limited in depth to the Pictured Cliffs formation.

III. ADDRESSES AND PERCENTAGE INTEREST OF PARTIES TO THIS AGREEMENT:

Amoco Production Company
P. O. Box 800
Denver, CO 80201

83.38125%

Rosalind Redfern
P. O. Box 2127
Midland, TX 79702

1.73438%

The Estate of John J. Redfern, Jr.
c/o John J. Redfern III, Independent Executor
P. O. Box 46
Midland, TX 79702

2.64896%

Flag-Redfern Oil Company
P. O. Box 11050
Midland, TX 79702

1.15625%

Robert Allen Markham
1500 Broadway, #1212
Lubbock, TX 79401

2.07734%

Manon Markham McMullen
2200 Berkeley
Wichita Falls, TX 76308

2.07734%

Richardson Production Company
1700 Lincoln, Suite 1700
Denver, CO 80203

2.76979%

Estate of John J. Christmann, deceased
c/o Christmann Mineral Company
1500 Broadway, Suite 800
Lubbock, TX 79407

4.15469%

100.00000%

*Annual
conversion*

*Ken-McBee has
acquired thru assignment
this interest*

*original and
will perform per L*

District I
PO Box 1988, Hobbs, NM 88241-1988
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name	
Property Code	Property Name			Well Number	
	BURNHAM G. C. B			# 1	
OCRID No.	Operator Name			Elevation	
	AMOCO PRODUCTION COMPANY			5476	

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	12	29 N	13 W		850	SOUTH	1190	WEST	SAN JUAN

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>16</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>

Exhibit "A"

Attached to and made a part of that certain Operating Agreement dated February 1, 1995 between Amoco Production Company, as Operator, and Rosalind Redfern, et al, as non-Operators.

I. LANDS SUBJECT TO OPERATING AGREEMENT

Township 29 North, Range 13 West

Section 12: W/2 as to Fruitland Coal
Section 12: SW/4 as to Pictured Cliffs

II. RESTRICTIONS AS TO DEPTHS OR FORMATIONS

Limited in depth to the Pictured Cliffs and Fruitland Coal formations.

III. ADDRESSES AND PERCENTAGE INTEREST OF PARTIES TO THIS AGREEMENT:

	Pictured Cliffs SW/4	Fruitland Coal W/2
Amoco Production Company P. O. Box 800 Denver, CO 80201	50.000%	66.69062%
Rosalind Redfern P. O. Box 2127 Midland, TX 79702	6.250%	3.29648%
The Estate of John J. Redfern, Jr. c/o John J. Redfern III, Independent Executor P. O. Box 50896 Midland, TX 79702	6.250%	5.60888%
Kerr-McGee Corp. P. O. Box 25861 Oklahoma City, OK 73125	4.167%	2.19678%
Jack Markham 1500 Broadway Lubbock, TX 79401	12.500%	6.25000%
Richardson Production Company 1700 Lincoln, Suite 1700 Denver, CO 80203	8.333%	5.55249%
Estate of John J. Christmann, deceased c/o Christmann Mineral Company 1500 Broadway, Suite 800 Lubbock, TX 79407	12.500%	8.32737%
<u>Manon Markham McMullen</u> 2200 Berkeley Wichita Falls, TX 76308	0.000%	1.03869%
Roderick Allen Markham 1500 Broadway, Suite 1212 Lubbock, TX 79401	<u>0.000%</u>	<u>1.03869%</u>
	100.00000%	100.00000%

**Burnham Gas Com /A/ #1
NW/4 of Section 12-T29N-R13W
San Juan County, New Mexico
Timeline**

February 14, 1995:

Amoco Production Company mailed via Certified Mail - Return Receipt Requested proposed AFE and Operating Agreement to all record working interest owners in the Pictured Cliffs formation in the NW/4 of Section 12-T29N-R13W, San Juan County, New Mexico.

February 16, 1995:

Date AFE and Operating Agreement received by Richardson Operating Company, per US Postal Service Form 3811, Domestic Return Receipt.

February 23, 1995:

Cathleen Colby, Land Manager of Richardson called Greg Grotke, engineer, of Amoco. Cathleen expressed Richardson's opinion that Amoco's costs were too high, and asked if Amoco would be willing to trade some of our offset acreage for their acreage in this location.

March 6, 1995:

Amoco received, via FAX, a letter from Richardson proposing to drill a Pictured Cliffs well in the NW/4 of Section 12-T29N-R13W, San Juan County, New Mexico, calling it the ROPCO Fee 12-4 PC Well. This proposal included an AFE, but no Operating Agreement.

Greg Grotke called Cathleen Colby of Richardson to say that the AFE was unexpected. Cathleen told Greg that Richardson would prefer to operate a well in this spacing unit.

March 7, 1995:

Julie Jenkins, Land Negotiator with Amoco called Cathleen Colby with Richardson to request a copy of the Operating Agreement that Richardson would propose to use to govern the operations of this well.

Julie Jenkins of Amoco sent to Cathleen Colby of Richardson a letter, via FAX, stating that Amoco has no interest in any type of sale or exchange of interests.

March 9, 1995:

J. W. Hawkins, proration engineer with Amoco mailed a letter to Mr. William J. LeMay, Director of the NMOCD applying for compulsory pooling of the NW/4 of Section 12-T29N-R13W, San Juan County, New Mexico for the Undesignated-West Kutz Pictured Cliffs Pool. Copies of this letter were sent to all working interest owners in the proposed unit.

March 14, 1995:

Mr. W. Thomas Kellahin hand delivered a letter addressed to Mr. Michael E. Stogner of the NMOCD, applying on behalf of Richardson Operating Company for compulsory pooling, downhole commingling and unorthodox gas well location for the ROPCO Fee 12-4 well. We are unsure of the date we received a copy of this notice.

March 15, 1995:

Date a copy of Amoco's March 9, 1995 letter was received by Richardson Operating Company, per United States Postal Service Form 3811, Domestic Return Receipt.

March 24, 1995:

Amoco Production Company Received signed AFE and Operating Agreement from Manon Markham McMullen, a working interest owner in the well, approving Amoco's proposal.

*Richardson
new
proposed
Amoco's
info.*

February 14, 1995

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Re: Pictured Cliffs Well Proposal
Burnham Gas Com /A/ #1
NW/4 of Section 12-T29N-R13W
San Juan County, New Mexico

WORKING INTEREST OWNERS - ADDRESSEE LIST ATTACHED

Gentlemen:

Amoco Production Company is proposing to drill a Pictured Cliffs well on the captioned acreage. Enclosed for your review is an AFE outlining the estimated cost of the project. Also enclosed is an Operating Agreement which we are proposing to use to govern the operations of this well. Exhibit "A" of the Operating Agreement sets forth what our records indicate your interest to be in the Pictured Cliffs formation.

Please indicate your approval to join in this project by signing both the AFE and Operating Agreement and returning both to my attention as soon as possible. Because we must drill this well as a "package" with 5 other PC wells in order for it to be economic, we will proceed to initiate force-pooling measures to ensure the timely consolidation of all interests. If you have any questions, please feel free to contact me at (303) 830-4844.

Yours very truly,

Julie Talbot Jenkins
Senior Land Negotiator

JAT/ms
encl.

2/18/95

ADDRESSEE LIST
Burnham Gas Com /A/ #1

Rosalind Redfern
P. O. Box 2127
Midland, TX 79702

The Estate of John J. Redfern, Jr.
c/o John J. Redfern III, Independent Executor
P. O. Box 46
Midland, TX 79702

Flag-Redfern Oil Company
P. O. Box 11050
Midland, TX 79702

Robert Allen Markham
1500 Broadway, #1212
Lubbock, TX 79401

Manon Markham McMullen
2200 Berkeley
Wichita Falls, TX 76308

Richardson Production Company
1700 Lincoln, Suite 1700
Denver, CO 80203

Estate of John J. Christmann, deceased
c/o Christmann Mineral Company
1500 Broadway, Suite 800
Lubbock, TX 79407

**Burnham Gas Com /B/ #1
SW/4 of Section 12-T29N-R13W
San Juan County, New Mexico
Timeline**

February 14, 1995:

Amoco Production Company mailed via Certified Mail - Return Receipt Requested proposed AFE and Operating Agreement to all record working interest owners in the Pictured Cliffs formation in the SW/4 of Section 12-T29N-R13W, San Juan County, New Mexico.

February 16, 1995:

Date AFE and Operating Agreement received by Richardson Operating Company, per US Postal Service Form 3811, Domestic Return Receipt.

February 23, 1995:

Cathleen Colby, Land Manager of Richardson called Greg Grotke, engineer, of Amoco. Cathleen expressed Richardson's opinion that Amoco's costs were too high, and asked if Amoco would be willing to trade some of our offset acreage for their acreage in this location.

March 6, 1995:

Amoco received, via FAX, a letter from Richardson proposing to drill a Pictured Cliffs/Fruitland Coal well in the SW/4 of Section 12, calling it the ROPCO Fee 12-3 (A) PC, (B) FC Well. This proposal included an AFE, but no Operating Agreement.

Greg Grotke called Cathleen Colby of Richardson to say that the AFE was unexpected. Cathleen told Greg that Richardson would prefer to operate a well in this spacing unit.

March 7, 1995:

Julie Jenkins, Land Negotiator with Amoco called Cathleen Colby with Richardson to request a copy of the Operating Agreement that Richardson would propose to use to govern the operations of this well.

Julie Jenkins of Amoco sent to Cathleen Colby of Richardson a letter, via FAX, stating that Amoco has no interest in any type of sale or exchange of interests.

March 9, 1995:

J. W. Hawkins, proration engineer with Amoco mailed a letter to Mr. William J. LeMay of the NMOCD applying for compulsory pooling of the SW/4 of Section 12-T29N-R13W, San Juan County, New Mexico for the Undesignated-West Kutz Pictured Cliffs Pool and for the W/2 of Section 12-T29N-R13W, San Juan County, New Mexico for the Basin Fruitland Coal Pool. Copies of this letter were sent to all working interest owners in the proposed units.

March 13, 1995:

Amoco mailed via Certified Mail - Return Receipt Requested a proposed AFE and Operating Agreement to all record interest owners in the Fruitland Coal formation and the Pictured Cliffs formation. This letter amended the original proposal to drill a Fruitland Coal/Pictured Cliffs downhole commingled well, rather than just a Pictured Cliffs as outlined in our original proposal.

March 14, 1995:

Mr. W. Thomas Kellahin hand delivered a letter addressed to Mr. Michael E. Stogner of the NMOCD, applying on behalf of Richardson Operating Company for compulsory pooling, downhole commingling and unorthodox gas well location for the ROPCO Fee 12-3 (A) PC (B) FC well located in the SW/4 of Section 12-T29N-R13W, San Juan County, New Mexico. We are unsure of the date we received this notice from Mr. Kellahin.

March 15, 1995:

Date a copy of Amoco's March 9, 1995 letter was received by Richardson Operating Company, per United States Postal Service Form 3811, Domestic Return Receipt.

March 16, 1995:

Date new PC/FT commingle AFE and Operating Agreement sent under cover letter dated March 13, 1995 was received by Richardson Operating Company, per United States Postal Service Form 3811, Domestic Return Receipt.

February 14, 1995

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Re: Pictured Cliffs Well Proposal
Burnham Gas Com /B/ #1
SW/4 of Section 12-T29N-R13W
San Juan County, New Mexico

WORKING INTEREST OWNERS - ADDRESSEE LIST ATTACHED

Gentlemen:

Amoco Production Company is proposing to drill a Pictured Cliffs well on the captioned acreage. Enclosed for your review is an AFE outlining the estimated cost of the project. Also enclosed is an Operating Agreement which we are proposing to use to govern the operations of this well. Exhibit "A" of the Operating Agreement sets forth what our records indicate your interest to be in the Pictured Cliffs formation.

Please indicate your approval to join in this project by signing both the AFE and Operating Agreement and returning both to my attention as soon as possible. Because we must drill this well as a "package" with 5 other PC wells in order for it to be economic, we will proceed to initiate force-pooling measures to ensure the timely consolidation of all interests. If you have any questions, please feel free to contact me at (303) 830-4844.

Yours very truly,

Julie Talbot Jenkins
Senior Land Negotiator

JAT/ms
encl.

ADDRESSEE LIST
Burnham Gas Com /B/ #1

✓ Rosalind Redfern
P. O. Box 2127
Midland, TX 79702

The Estate of John J. Redfern, Jr.
c/o John J. Redfern III, Independent Executor
P. O. Box 46
Midland, TX 79702

✓ Kerr-McGee Corp.
P. O. Box 25861
Oklahoma City, OK 73125

✓ Jack Markham
1500 Broadway
Lubbock, TX 79401

✓ Richardson Production Company
1700 Lincoln, Suite 1700
Denver, CO 80203

✓ Estate of John J. Christmann, deceased
c/o Christmann Mineral Company
1500 Broadway, Suite 800
Lubbock, TX 79407



MY COPY

Southern

Rockies

Business

Unit

March 13, 1995

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Re: Fruitland Coal/Pictured Cliffs Well Proposal
Burnham Gas Com /B/ #1
W/2 of Section 12-T29N-R13W
San Juan County, New Mexico

WORKING INTEREST OWNERS - ADDRESSEE LIST ATTACHED

Gentlemen:

Reference is made to our previous letter dated February 14, 1995 proposing to drill a Pictured Cliffs well in the SW/4 of Section 12-T29N-R13W, San Juan County, New Mexico. Amoco Production Company now wishes to propose to drill a Fruitland Coal/Pictured Cliffs downhole commingled well on the captioned acreage. The spacing unit for the Fruitland Coal well will be the W/2 of Section 12 and the spacing unit for the Pictured Cliffs formation will be the SW/4 of Section 12. Enclosed for your review are two AFE's outlining the estimated cost of the project. One AFE shows the costs that will be borne by the Fruitland Coal owners and the other shows costs that will be borne by the Pictured Cliffs owners. Also enclosed is a new Operating Agreement which we are proposing to use to govern the operations of this well. Exhibit "A" of the Operating Agreement sets forth what our records indicate your interest to be in the Fruitland Coal and Pictured Cliffs formations.

Please indicate your approval to join in this project by signing both the AFE and Operating Agreement and returning both to my attention as soon as possible. If you have any questions, please feel free to contact me at (303) 830-4844.

Yours very truly,

Julie Talbot Jenkins
Senior Land Negotiator

JAT/ms
encl.

ADDRESSEE LIST
Burnham Gas Com /B/ #1

Rosalind Redfern
P. O. Box 2127
Midland, TX 79702-2127

The Estate of John J. Redfern, Jr.
c/o John J. Redfern III, Independent Executor
P. O. Box 50896
Midland, TX 79710-0896

Kerr-McGee Corporation
P. O. Box 25861
Oklahoma City, OK 73125-0861

Jack Markham
1500 Broadway, Suite 1212
Lubbock, TX 79401-3192

Manon Markham McMullen
2200 Berkeley
Wichita Falls, TX 76308

Roderick Allen Markham
1500 Broadway, Suite 1212
Lubbock, TX 79401

Richardson Production Company
1700 Lincoln, Suite 1700
Denver, CO 80203

Estate of John J. Christmann, deceased
c/o Christmann Mineral Company
1500 Broadway, Suite 800
Lubbock, TX 79401-3104

Drilling Authorization

Property - Burnham Gas Com /A/, Well# 1

SAN JUAN County, NEW MEXICO

Operating Field -

Production Company

Property FLAC - 189552

Well FLAC -
Well Type - Gas

Operator: AMOCO PRODUCTION COMPANY

Operations Center: SAN JUAN OC

LPN#: 687773---

AMOCO's Interest: 0.8338000

Contract#: 000000

Estimated - Total Depth: 1581

Horizon
PC

Reg. Field

Target Depth
1288

Completion: Single

Well Location: 1450' PAL x 1520' FWL sec. 12 - T29N - R13W

Well Hole Location: Same

Summary (Development)	Gross Dry Hole	Gross Completion
Drilling Intangibles		
Drilling Cost: <i>combined with unit</i>	\$36,000	\$36,000
Day Work:	\$2,160	\$4,260
Location:	\$5,000	\$5,000
Survey:	\$5,000	\$7,000
Mud:	\$7,000	\$7,000
Stimulation:	\$0	\$43,000
Other:	\$13,000	\$20,400
Total Intangible:	\$68,160	\$122,660
Well Equipment - Tangibles		
Casing:	\$8,500	\$8,500
Tubing:	\$0	\$4,600
Wellhead:	\$1,500	\$2,500
Other:	\$0	\$0
Total Tangible:	\$10,000	\$15,600
Contingency:	\$12,000	\$28,000
Associated Production Facility:		\$50,000
Direct Production Facility:		\$0
Total This Request:	\$90,160	\$216,260
Previous Estimate:	\$0	\$0
Total to Date Estimate:	\$90,160	\$216,260

Cost to Non-Operator: Cost shown on this
is an estimate only. Non-Operators should
consider these estimates as establishing
a limit on the monies which will be required
to perform the proposed operation.

Non-Operator: _____

By: _____ Date: _____

Contacts:
Technical
GREG E GROTHE
P O BOX 800
DENVER, CO, 80201-0800
303-830-4079
303-830-4777 FAX

Business
Julie A Jenkins
P O BOX 800
DENVER, CO, 80201-0800
(303) 830-4844
(303) 830-4777 FAX

Drilling Authorization

Property - Burnham Gas Com /B/, Well# 1

Blaine County, NEW MEXICO

Property FLAC - 189553

Well FLAC -
Well Type - Gas

Blaine Field -

AMOCO Production Company

Operator: AMOCO PRODUCTION COMPANY

Operations Center: SAN JUAN OC
AMOCO's Interest: 0.5000000

LPN#: 687774---
Contract#: 000000

Estimated - Total Depth: 1664

Horizon Reg. Field
PC

Target Depth
1381

Completion: Single

Location: 850' FSL x 1230' FWL sec. 12 - T29N R13W

Well Hole Location: Same

Summary (Development)

	Gross Dry Hole	Gross Completion
Drilling Intangibles		
Drilling Cost:	\$36,000	\$36,000
Day Work:	\$2,160	\$4,260
Location:	\$5,000	\$5,000
Survey:	\$5,000	\$7,000
Mud:	\$7,000	\$7,000
Stimulation:	\$0	\$43,000
Other:	\$13,000	\$20,400
Total Intangibles:	\$68,160	\$122,660
Well Equipment - Tangibles		
Casing:	\$8,500	\$8,500
Tubing:	\$0	\$4,600
Wellhead:	\$1,500	\$2,500
Other:	\$0	\$0
Total Tangibles:	\$10,000	\$15,600
Contingency:	\$12,000	\$28,000
Associated Production Facility:		\$50,000
Direct Production Facility:		\$0
Total This Request:	\$90,160	\$216,260
Previous Estimate:	\$0	\$0
Total to Date Estimate:	\$90,160	\$216,260

to Non-Operator: Cost shown on this
are estimates only. Non-Operators should
consider these estimates as establishing
commitment on the monies which will be required
to form the proposed operation.

Non-Operator: _____

By: _____ Date: _____

Technical
GREG E GROTEK
P O BOX 800
DENVER, CO, 80201-0800
303-830-4079
303-830-4777 FAX

Business
Julie A Jenkins
P O BOX 800
DENVER, CO, 80201-0800
(303) 830-4844
(303) 830-4777 FAX

Drilling Authorization

Property - Burnham Gas Com /B/, Well# 1

SAN JUAN County, NEW MEXICO
 Operating Field -
 Amoco Production Company

Property FLAC - 189653

Well FLAC -
 Well Type - Gas

Operator: AMOCO PRODUCTION COMPANY
 API#: _____

Operations Center: SAN JUAN OC
 AMOCO's Interest: 0.5000000

LPN#: 697774---
 Contract#: 000000

Comments to Partners: This Cost estimate is revised to include a portion of the drilling and facilities and the FC completion in the proposed PC/FF commingled dual. The other portion of the drilling and facilities will be allocated to the Fruitland Coal working interest owners.

Targets - Total Depth: 1664
 Horizon Reg. Field Target Depth
 FC 1381

Completion: Single

Surface Location: 850' FSL x 1230' FWL sec. 12 - T29N - R13W

Bottom Hole Location: Same

Cost Summary (Development)	Gross Dry Hole	Gross Completion
Drilling Intangibles		
Drilling Cost:	\$18,000	\$18,000
Day Work:	\$1,080	\$3,180
Location:	\$2,500	\$2,500
Survey:	\$2,500	\$4,500
Mud:	\$3,500	\$3,500
Stimulation:	\$0	\$32,000
Other:	\$6,500	\$13,900
Total Intangible:	\$34,080	\$77,580
Well Equipment - Tangibles		
Casing:	\$4,250	\$4,250
Tubing:	\$0	\$2,300
Wellhead:	\$750	\$1,250
Other:	\$0	\$0
Total Tangible:	\$5,000	\$7,800
Contingency:	\$6,000	\$17,000
Associated Production Facility:		\$25,000
Direct Production Facility:		\$0
Total This Request:	\$45,080	\$127,380
Previous Estimate:	\$0	\$0
Total to Date Estimate:	\$45,080	\$127,380

Notice to Non-Operator: Cost shown on this form are estimates only. Non-Operators should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.

Non-Operator: _____
 By: _____ Date: _____

Contacts: Technical
 GREG E GROTHE
 P O BOX 800
 DENVER, CO, 80201-0800
 303-830-4079
 303-830-4777 FAX

Business
 Julie A Jenkins
 P O BOX 800
 DENVER, CO, 80201-0800
 (303) 830-4844
 (303) 830-4777 FAX

Drilling Authorization

Property - Burnham Gas Com /B/ FT, Well# 1

SAN JUAN County, NEW MEXICO

Operating Field -

Amoco Production Company

Property FLAC - 189553

Well FLAC -
Well Type - Gas

Operator: AMOCO PRODUCTION COMPANY
API#: _____

Operations Center: SAN JUAN OC
AMOCO's Interest: 0.5000000

LPN#: 687774---
Contract#: 000000

Comments to Partners: This Cost estimate includes a portion of the drilling and facilities and the FT completion in the proposed PC/FT commingled dual. The other portion of the drilling and facilities will be allocated to the Pictured Cliffs working interest owners.

Targets - Total Depth: 1664
Horizon FT Reg. Field Target Depth 1140

Completion: Single

Surface Location: 850' FSL x 1230' FUL sec. 12 - T29N - R13W

Bottom Hole Location: Same

Cost Summary (Development)	Gross Dry Hole	Gross Completion
Drilling Intangibles		
Drilling Cost:	\$18,000	\$18,000
Day Work:	\$1,080	\$3,180
Location:	\$2,500	\$2,500
Survey:	\$2,500	\$4,500
Mud:	\$3,500	\$3,500
Stimulation:	\$0	\$38,000
Other:	\$6,500	\$13,900
Total Intangible:	\$34,080	\$83,580
Well Equipment - Tangibles		
Casing:	\$4,250	\$4,250
Tubing:	\$0	\$2,300
Wellhead:	\$750	\$1,250
Other:	\$0	\$0
Total Tangible:	\$5,000	\$7,800
Contingency:	\$6,000	\$17,000
Associated Production Facility:		\$25,000
Direct Production Facility:		\$0
Total This Request:	\$45,080	\$133,380
Previous Estimate:	\$0	\$0
Total to Date Estimate:	\$45,080	\$133,380

Notice to Non-Operator: Cost shown on this form are estimates only. Non-Operators should not consider these estimates as establishing any limit on the monies which will be required to perform the proposed operation.

Non-Operator: _____
By: _____ Date: _____

Contacts: Technical
GREG E GROTHE
P O BOX 800
DENVER, CO, 80201-0800
303-830-4079
303-830-4777 FAX

Business
Julie A Jenkins
P O BOX 800
DENVER, CO, 80201-0800
(303) 830-4844
(303) 830-4777 FAX

17
13

AFE Comparison

Burnham Gas Com A #1

	Total AFE
Richardson Operating Company	\$152,117
Amoco Corporation	\$216,260
<hr/>	
Total Difference =	\$64,143

STIMULATION

ROPCO	\$24,000
AMOCO	\$43,000

COMPRESSOR

ROPCO	\$0
AMOCO	\$30,000

CONTINGENCY

ROPCO	\$12,517
AMOCO	\$28,000

*15% of the
Total cost*

Difference of Major Items = \$64,483

AFE Comparison

Burnham Gas Com B #1

	Total AFE
Richardson Operating Company	\$193,979
Amoco Corporation	\$260,760
<hr/>	
Total Difference =	\$66,781

STIMULATION

ROPCO	\$48,000
AMOCO	\$70,000

COMPRESSOR

ROPCO	\$0
AMOCO	\$30,000

CONTINGENCY

ROPCO	\$16,279
AMOCO	\$34,000

Difference of Major Items = \$69,721

Compulsory Pooling

- **Charge for Supervision**

- Drilling - \$3582 / month
- Producing - \$498 / month

- **Charge for Risk**

- Fruitland Coal - 156%
- Pictured Cliffs - 200%

*To include a capex evaluation
Figure*

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (X) Fixed Rate Basis, Paragraph 1A, or
- () Percentage Basis, Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

- () shall be covered by the overhead rates, or
- (X) shall not be covered by the overhead rates.

iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

- (X) shall be covered by the overhead rates, or
- () shall not be covered by the overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 3,582.00
(Prorated for less than a full month)

Producing Well Rate \$ 498.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(b) Producing Well Rates

- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
- (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

1 Deepening, Re-completing or Plugging Back, or a Completion pursuant to Article VI.C.1. Option No. 2, all of such Non-
 2 Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect
 3 to participate. Such relinquishment shall be effective until the proceeds of the sale of such share, calculated at the well, or
 4 market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes,
 5 royalty, overriding royalty and other interests not excepted by Article III.C. payable out of or measured by the production
 6 from such well accruing with respect to such interest until it reverts), shall equal the total of the following:

7 (i) ~~100~~ % of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment
 8 beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment and
 9 piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first
 10 production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other
 11 provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that
 12 interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning
 13 of the operations; and

14 (ii) 300 % of (a) that portion of the costs and expenses of drilling, Reworking, Sidetracking, Deepening,
 15 Plugging Back, testing, Completing, and Re-completing, after deducting any cash contributions received under Article VIII.C,
 16 and of (b) that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections),
 17 which would have been chargeable to such Non-Consenting Party if it had participated therein.

18 Notwithstanding anything to the contrary in this Article VI.B., if the well does not reach the deepest objective Zone
 19 described in the notice proposing the well for reasons other than the encountering of granite or practically impenetrable
 20 substance or other condition in the hole rendering further operations impracticable, Operator shall give notice thereof to each
 21 Non-Consenting Party who submitted or voted for an alternative proposal under Article VI.B.6. to drill the well to a
 22 shallower Zone than the deepest objective Zone proposed in the notice under which the well was drilled, and each such Non-
 23 Consenting Party shall have the option to participate in the initial proposed Completion of the well by paying its share of the
 24 cost of drilling the well to its actual depth, calculated in the manner provided in Article VI.B.4. (a). If any such Non-
 25 Consenting Party does not elect to participate in the first Completion proposed for such well, the relinquishment provisions
 26 of this Article VI.B.2. (b) shall apply to such party's interest.

27 (c) Reworking, Re-completing or Plugging Back. An election not to participate in the drilling, Sidetracking or
 28 Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in
 29 such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full
 30 recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Similarly, an election not to
 31 participate in the Completing or Re-completing of a well shall be deemed an election not to participate in any Reworking
 32 operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at
 33 any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any such
 34 Reworking, Re-completing or Plugging Back operation conducted during the recoupment period shall be deemed part of the
 35 cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties _____ % of
 36 that portion of the costs of the Reworking, Re-completing or Plugging Back operation which would have been chargeable to
 37 such Non-Consenting Party had it participated therein. If such a Reworking, Re-completing or Plugging Back operation is
 38 proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting
 39 Parties in said well.

40 (d) Recoupment Matters. During the period of time Consenting Parties are entitled to receive Non-Consenting Party's
 41 share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all ad valorem,
 42 production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to
 43 Non-Consenting Party's share of production not excepted by Article III.C.

44 In the case of any Reworking, Sidetracking, Plugging Back, Re-completing or Deepening operation, the Consenting
 45 Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all
 46 such equipment shall remain unchanged; and upon abandonment of a well after such Reworking, Sidetracking, Plugging Back,
 47 Re-completing or Deepening, the Consenting Parties shall account for all such equipment to the owners thereof, with each
 48 party receiving its proportionate part in kind or in value, less cost of salvage.

49 Within ninety (90) days after the completion of any operation under this Article, the party conducting the operations
 50 for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to
 51 the well, and an itemized statement of the cost of drilling, Sidetracking, Deepening, Plugging Back, testing, Completing,
 52 Re-completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement
 53 of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the
 54 Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties
 55 shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of
 56 the well, together with a statement of the quantity of Oil and Gas produced from it and the amount of proceeds realized from
 57 the sale of the well's working interest production during the preceding month. In determining the quantity of Oil and Gas
 58 produced during any month, Consenting Parties shall use industry accepted methods such as but not limited to metering or
 59 periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with
 60 any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited
 61 against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such
 62 Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-
 63 Consenting Party. *See page 7a.

64 If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided
 65 for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it as of 7:00 a.m. on the day
 66 following the day on which such recoupment occurs, and, from and after such reversion, such Non-Consenting Party shall
 67 own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as
 68 such Non-Consenting Party would have been entitled to had it participated in the drilling, Sidetracking, Reworking,
 69 Deepening, Re-completing or Plugging Back of said well. Thereafter, such Non-Consenting Party shall be charged with and
 70 shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this
 71 agreement and Exhibit "C" attached hereto.

72 3. Stand-By Costs: When a well which has been drilled or Deepened has reached its authorized depth and all tests have
 73 been completed and the results thereof furnished to the parties, or when operations on the well have been otherwise
 74 terminated pursuant to Article VI.F., stand-by costs incurred pending response to a party's notice proposing a Reworking,