

CASE 3512: Application of PUBCO
PETROLEUM CORP. for force-pooling, _____
RIO ARriba COUNTY, NEW MEXICO.

CASE No.

3512

Application,

TRANSCRIPTS,

SMALL Exhibits

ETC.

CAULKINS OIL COMPANY
1000 FIRST NATIONAL BANK BLDG
DENVER, COLORADO 80202

August 8, 1967

AREA 001-200
000-0001

State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico

Attention: Mr. Daniel S. Nutter

RE: Order No. 3176 of the
Oil Conservation Commission
of the State of New Mexico

Gentlemen:

We are in receipt of a letter dated August 5, 1967, from Pubco Petroleum Corporation in connection with Pubco Federal #13 well drilled in accordance with the above order of the Commission.

We feel that Pubco has inadvertently referred to Paragraph No. 6 of the Order and intended to make reference to Paragraph No. 5. In any event, we do not object to the extended time in which to prepare the statements of actual well costs. We would require that there also be an extension of sixty days to the period in which we have to object to the well costs. Thus, Paragraph 5 would provide for 90 days following completion of the well to furnish the itemized schedule of costs and 120 days following completion of the well for objections thereto.

Yours very truly,

CAULKINS OIL COMPANY

Keith E. Brown
Keith E. Brown,
Vice-President

KLB:1

cc: Pubco Petroleum Corporation
Attention: Mr. Orin C. Crane,
Land Department
Box 1419
Albuquerque, New Mexico 87103

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PUBCO

POST OFFICE BOX 869 • ALBUQUERQUE, NEW MEXICO 87103 • TELEPHONE (505) 247-8835

August 5, 1967

State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico

Attention: Mr. Daniel S. Nutter

Re: Order No. R-3232 of the Oil Conservation
Commission of the State of New Mexico

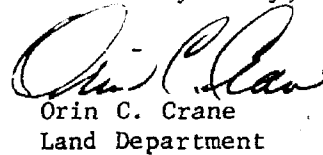
Gentlemen:

Pursuant to Order No. R-3232 entered in Case No. 3568 before the Oil Conservation Commission of the State of New Mexico under application of Pubco Petroleum Corporation for compulsory pooling and an unorthodox location, the Pubco Federal #15 well was drilled and completed as a Dakota gas well on July 12, 1967, at a location within a pooled tract described as Lots 1,2,3,4 and the S $\frac{1}{2}$ N $\frac{1}{2}$ of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico.

Paragraph numbered 6 of the Order provides "That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; . . ." It is our usual experience and we have thus far found it to be true in this case, that the materialmen, suppliers and sub-contractors do not submit statements promptly, and in many cases we continue to receive billings for these services up to 90 days after actual completion of the well. We are therefore requesting an extension of 60 days within which we may accumulate and prepare statements of the actual well costs pursuant to Paragraph 6 of the Order.

Since there were no objections by the non-consenting working interest owners at the time of the hearing in Case No. 3568, we most certainly believe there would be no objections to this extension of time. We will certainly appreciate any considerations the Commission may be able to give us in this matter.

Yours very truly,


Orin C. Crane
Land Department

OCC:sb

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PUBCO

POST OFFICE BOX 869 • ALBUQUERQUE, NEW MEXICO 87103 • TELEPHONE (505) 247-8835

August 5, 1967

State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico

Attention: Mr. Daniel S. Nutter

Re: Order No. 3176 of the Oil Conservation
Commission of the State of New Mexico

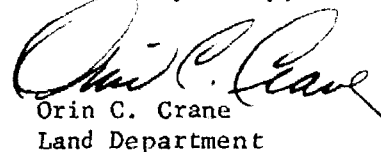
Gentlemen:

Pursuant to Order No. 3176 entered in Case No. 3512 before the Oil Conservation Commission of the State of New Mexico under application of Pubco Petroleum Corporation for compulsory pooling and an unorthodox location, the Pubco Federal #13 well was drilled and completed as a Dakota gas well on July 30, 1967, at a location within a pooled tract described as the S $\frac{1}{2}$ of Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico.

Paragraph numbered 6 of the Order provides "That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; . . ." It is our usual experience and we have thus far found it to be true in this case, that the materialmen, suppliers and sub-contractors do not submit statements promptly, and in many cases we continue to receive billings for these services up to 90 days after actual completion of the well. We are therefore requesting an extension of 60 days within which we may accumulate and prepare statements of the actual well costs pursuant to Paragraph 6 of the Order.

At the time of the hearing in Case No. 3512 the dissenting working interest owners represented by their attorney through Caulkins Oil Company expressed objection only to Pubco's request for a risk factor and we do not believe that Caulkins will object to an extended time for the purposes herein expressed. By copy of this letter to Caulkins Oil Company as representative of each of the non-participating working interest owners, we ask that they promptly advise the Commission that they have no objection to this requested extension of time.

Yours very truly,


Orin C. Crane
Land Department

OCC:sb
cc: Caulkins Oil Company
1130 First National Bank Building
Denver, Colorado 80202
Attention: Mr. Keith L. Brown

67 AUG 7 AM 8 17

PUBCO

POST OFFICE BOX 869 • ALBUQUERQUE, NEW MEXICO 87103 • TELEPHONE (505) 247-8835

October 10, 1967

State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico

Attention: Mr. Daniel S. Nutter

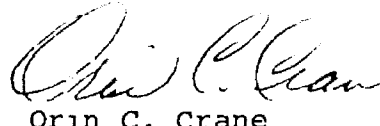
Re: Case No. 3512
Order No. R-3176

Gentlemen:

Pursuant to Order No. R-3176, entered in Case No. 3512 by the State of New Mexico Oil Conservation Commission, under date of January 9, 1967, with specific reference to paragraph numbered 5 of said Order, we are enclosing for the Commission and each known working interest owner involved in the Pubco Federal #13 Well, located on a communitized tract for the Basin-Dakota Gas Pool described as the S $\frac{1}{2}$ of Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico, an itemized schedule of actual well costs.

It is our understanding that in the absence of objections, these actual well costs shall be considered as the reasonable well costs for all purposes of said Order No. R-3176.

Very truly yours,


Orin C. Crane
Land Department

OCC:mm

Enclosure

cc: See Attached Addressee List

ADDRESSEE LIST

Depco, Inc
825 Petroleum Club Building
Denver, Colorado 80202

Husky Oil Company
1808 Fidelity Union Tower
Dallas, Texas 75201

Mrs. Lorena Mayer Nidorf
c/o Myron S. Fox
9441 Wilshire Blvd.
Suite 616
Beverly Hills, California 90212

Mr. Louis G. Zimmerman
150 Bagley Avenue, Suite 1700
Detroit, Michigan 48226

Mr. George Herbert Zimmerman
150 Bagley Avenue, Suite 1700
Detroit, Michigan 48226

Mrs. Mary H. Zimmerman
150 Bagley Avenue, Suite 1700
Detroit, Michigan 48226

Mr. Ernest Kanzler
1700 Club-Exchange Building
Detroit, Michigan 48226

Mr. Ernest R. Breech
12723 Telegraph Road
Detroit, Michigan

Caulkins Oil Company
1130 First National Bank Building
Denver, Colorado

PUBCO FEDERAL #13
NE SW, SECTION 21: T-26N, R-6W
RIO ARriba COUNTY, NEW MEXICO

OCT 20 1964

Schedule of Actual Well Costs

| <u>Month</u> <u>Paid</u> | <u>Description</u> | <u>Amount</u> \$ |
|-----------------------------|--|--|
| Jan. | Modrall, Seymour, Sperling, Roehl & Harris Legal services - re: Application, pre- paration, and attendance at hearing for compulsory pooling. | 198.34 |
| Jan. | Payroll | |
| | Salaries | \$51.19 |
| | Vacation | 3.92 |
| | Payroll taxes | 2.50 |
| | Payroll insurance | .43 |
| | Benefits | <u>5.51</u> |
| | | 63.55 |
| Mar. | Rio Arriba County Clerk Communitization Agreement | 18.75 |
| June | Kinney Engineering Survey location and elevation | 270.37 |
| June | Atchison Construction Co. Build road and location | 1,107.87 |
| June | Eddie's Welding Cut-off 8-5/8" casing | 4.12 |
| June | B. F. Walker, Inc. Haul wellhead parts, shoe, and centralizers | 2.88 |
| June | Mid-Continent Supply Guide shoe and 2-centralizers for 8-5/8" casing. | 118.20 |
| June | Byron Jackson, Inc. Cement and service for surface casing. Administrative Overhead 6/27-6/30-4 days @ \$400/mo. | 972.58 53.33 |
| July | Chilton Oil Co. Kerosene for drilling mud | 100.04 |
| July | Mid-Continent Supply Hauling surface casing | 60.19 |
| July | Arapahoe Drilling Co. Drilling 7468' @ \$4.60 13.25 hrs. WDP @ \$1,000/day 7.50 hrs. WODP @ \$900/day New Mexico tax | 34,352.80 552.08 281.25 <u>527.79</u> |
| | | 35,713.92 |

Federal #13

| <u>Month</u> | <u>Paid</u> | <u>Description</u> | <u>Amount</u> |
|--------------|----------------------|---|----------------|
| | | | \$ |
| July | Bird Oil Tool Co. | | |
| | | 2-3-7/8" Hughes rock bits | \$218.52 |
| | | Drilling head rubber | 110.01 |
| | | Rental of - casing scrapper | 106.00 |
| | | 3% New Mexico tax | 13.04 |
| | | Discount | <u>(6.57)</u> |
| | | | 441.00 |
| July | Mid-Continent Supply | | |
| | | Hauling production casing | 52.60 |
| July | Cudd's Aztec Welders | | |
| | | Cut-off and bevel production casing | 76.71 |
| July | Milchem, Inc. | | |
| | | Mud and additives | 6,104.12 |
| July | Mason Advertising | | |
| | | Well sign | 10.98 |
| July | Oasis Company | | |
| | | Haul fracture water | 1,326.64 |
| July | Plateau, Inc. | | |
| | | Mud oil | 225.15 |
| July | Payroll | | |
| | | Salaries | 277.42 |
| | | Vacation | 5.43 |
| | | Payroll taxes | 12.21 |
| | | Payroll insurance | 5.29 |
| | | Benefits | <u>9.36</u> |
| | | | 309.71 |
| July | Mid-Continent Supply | | |
| | | 8-5/8" 24# J-55 ST&C (13 jts.) | |
| | | 409.25' @ \$292.81/cft. | 1,198.32 |
| | | Freight 10,443# @ \$.555 cwt. | 57.96 |
| | | 3% New Mexico tax | 37.69 |
| | | Discount | <u>(24.72)</u> |
| | | | 1,269.25 |
| | | 4-1/2" 10.5# J-55 ST&C (10 jts) | |
| | | 324.50' @ \$132.90/cft. | 431.26 |
| | | Freight 3496# @ \$.555/cwt. | 19.40 |
| | | 3% New Mexico tax | 13.52 |
| | | Discount | <u>(8.90)</u> |
| | | | 455.28 |
| July | Pubco Stores | | |
| | | 4-1/2" 10.5# J-55 ST&C (219 jts) | |
| | | 7185.51' @ \$132.90/cft. | 9,549.54 |
| | | Freight 76,202# @ \$.80/cwt. | 609.62 |
| | | Test to 4400# psi @ \$5/ton | 190.50 |
| | | 3% New Mexico tax | <u>310.49</u> |
| | | | 10,660.15 |
| | | Downgrade 27.54' cut-off above 4-1/2" from "A" to "C" | 20.43 |
| | | 2-3/8 4.7# N-80 EUE tubing (234 jts) | |
| | | 7440.84' @ \$83.29/cft. | 6,197.48 |
| | | Freight 35,302# @ \$.80/cwt | 282.42 |
| | | 3% New Mexico tax | <u>194.40</u> |
| | | Cond. "B" -75% | 6,674.30 |
| | | | 5,005.73 |

Federal #13

| <u>Month</u> <u>Paid</u> | <u>Description</u> | <u>Amount</u> |
|-----------------------------|---|-----------------|
| July | General Liability Insurance | \$ 16.62 |
| | Engineer's expense | 158.31 |
| | Geologists expense | 103.12 |
| | Administrative Overhead | |
| | 7/1 - 7/17 - 17 days @ \$400/mo. | 219.35 |
| Aug. | Dowell | |
| | Sand fracture | 12,099.05 |
| Aug. | Baker Oil Tools | |
| | 2-4-1/2" cementing collars | 968.00 |
| | Float collar box and pin | 110.45 |
| | Thread sealing compound | 8.50 |
| | 3% New Mexico tax | <u>32.61</u> |
| | | 1,119.56 |
| Aug. | Quadco | |
| | Repair WKM gate valve used for casing blowdown | 86.63 |
| Aug. | B. F. Walker, Inc. | |
| | Haul tubing & Xmas tree | 153.79 |
| | Move rig to location | <u>403.55</u> |
| | | 557.34 |
| Aug. | Oil Center Tool | |
| | Casinghead, C-22, 8-5/8" x 10" | |
| | 900 | 237.29 |
| | Casing hanger C-21, 10" x 4-1/2" | 156.24 |
| | Tubing head, T-16, 6" x 10" 900 | 482.39 |
| | Tubing hanger, T-16, 6" x 2-3/8" | 40.04 |
| | Adapter, B-2-P, 6" x 2" x 2-3/8" | 113.27 |
| | 3-Valves, WKM 2" 3000# FE full port | 1,069.27 |
| | Misc. gauges and connections | 477.80 |
| | Freight to Farmington | 91.26 |
| | 3% New Mexico tax | <u>80.03</u> |
| | | 2,747.59 |
| Aug. | Bovaird Supply | |
| | Seating nipple and tubing discs | 12.37 |
| Aug. | Mid-Continent Supply | |
| | Centralizers for 4-1/2" casing | 171.05 |
| | Stop rings and wall scratchers | 113.80 |
| | Fill up collar and guide shoe | 208.70 |
| | 3% New Mexico tax | 14.81 |
| | Discount | <u>(10.17)</u> |
| | | 498.19 |
| Aug. | Schlumberger Well Services | |
| | Hyper jet shaped charge | 2,284.80 |
| | Perforating depth control tool | 337.63 |
| | Baker bridge plug service | 1,153.60 |
| | Induction electric log | 206.00 |
| | Gamma Ray Neutron log | <u>1,450.74</u> |
| | | 5,432.77 |
| Aug. | Reames Well Service | |
| | Completion Rig | 2,936.00 |
| | Haul rig from location | 325.50 |
| | Swab cups and oil saver rubbers | 19.75 |
| | 3% New Mexico tax | <u>98.44</u> |
| | | 3,379.69 |

Federal #13

| <u>Month</u> <u>Paid</u> | <u>Description</u> | <u>Amount</u> \$ |
|-----------------------------|--|----------------------------|
| Aug. | Valley Steel Products Sale of 8-5/8" and 4-1/2" thread protectors | (12.03) |
| Aug. | Pubco Stores 1-2", 3000# WKM Valve, full port S/N 153957-1 | 356.42 |
| | 1-2", 2000# WKM ball valve, Reg port | 39.55 |
| | 1-2", 3000# WKM Valve, full port-purchased on Voucher 8-388 | <u>(356.42)</u> 39.55 |
| Sept. | Olman Heath Company Type HLP-12-MT production unit S/N 16134 | 3,945.22 |
| Sept. | Pubco Stores 2-3/8" 4.7# N-80 EUE tubing used for production unit hook-up (4 jts. and 1 PO), 132.07' @ 83.29/cft. | 110.00 |
| | Freight 621# @ .80/cwt. | 4.96 |
| | 3% New Mexico tax | <u>3.45</u> |
| | Cond. "B" -75% | 118.41 88.81 |
| Sept. | Bryan Jackson Cement and services for pro- duction casing | 5,326.39 |
| Sept. | M & H Trucking Haul oil for mud | 108.15 |
| Sept. | National Tank 300 bbl. 1/4 x 3/16 welded steel S/N E-22073, w/stairway, 30" walk- way, misc. connections and acces- sories | 1,818.16 |
| Sept. | Olman Heath Installed production equipment | 483.95 |
| Sept. | B. F. Walker Haul production casing | 816.68 |
| Sept. | Mid-Continent Supply Misc. connections for production unit | 332.67 |
| Sept. | Atchison Construction Co. Fill pits and clean location | <u>361.34</u> |
| | Total Well Costs | <u><u>\$104,381.37</u></u> |

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3512
Order No. R-3176

APPLICATION OF PUBCO PETROLEUM CORPORATION
FOR COMPULSORY POOLING, RIO ARriba COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 4, 1967,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 9th day of January, 1967, the Commission, a
quorum being present, 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 Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Pubco Petroleum Corporation, seeks
an order pooling all mineral interests in the Basin-Dakota Gas
Pool underlying the S/2 of Section 21, Township 26 North, Range 6
West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well in the S/2 of said Section 21 to the Basin-Dakota
Gas Pool.

(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

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CASE No. 3512
Order No. R-3176

interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas 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 40% 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 said 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 \$70.00 per month should be fixed as the reasonable cost of operating the subject well and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.

(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.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the S/2 of Section 21,

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CASE No. 3512
Order No. R-3176

Township 26 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to the Pubco Federal Well No. 13 to be located in Unit K of said Section 21.

(2) That Pubco Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.

(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 Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 30 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:

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CASE No. 3512

Order No. R-3176

(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, 40% 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 \$70.00 per month is hereby fixed as the reasonable cost of operating the subject well, and the operator is hereby authorized to withhold from production the proportionate share of such cost 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 be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

Theresa M. ...

-5-

CASE No. 3512


Order No. R-3176

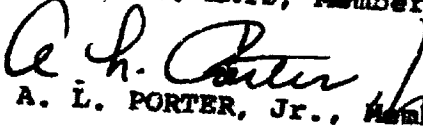
(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

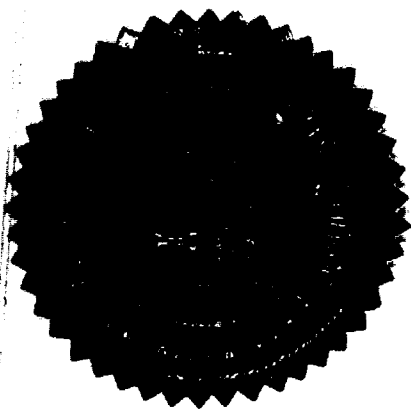
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


GUYTON B. HAYS, Member


A. L. PORTER, Jr., Member & Secretary



esr/

GOVERNOR
DAVID F. CARGO
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 2088
SANTA FE

January 9, 1967

Mr. James E. Sperling
Modrall, Seymour, Sperling, Roehl
& Harris
Attorneys at Law
Post Office Box 466
Albuquerque, New Mexico

Re: Case No. 3512
Order No. R-3176
Applicant:
PUBCO PETROLEUM CORPORATION

Dear Sir:

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

Very truly yours,

A handwritten signature in cursive script, reading "A. L. Porter, Jr.".

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC

Other Mr. Robert Fox

DEPCO, Inc.

Production & Exploration

825 Petroleum Club Bldg.
DENVER, COLORADO 80202

AREA CODE 303
Phone No. 292-0980

September 21, 1966

Re: Proposed Pubco Well #13
S $\frac{1}{2}$ Sec. 21-26N-6W, NMPM
Rio Arriba County, New Mexico

Pubco Petroleum Corporation
P. O. Box 869
Albuquerque, New Mexico 87103

Attention Mr. Orin C. Crane, Records Supervisor

Gentlemen:

Reference is made to your letters of May 13, 1966, to all of the working interest owners in SE $\frac{1}{4}$ Section 21-26N-6W, NMPM, Rio Arriba County, New Mexico and your letter of May 16, 1966, addressed to International Oil & Gas Corporation concerning your proposed #13 Dakota Formation Well to be drilled in S $\frac{1}{2}$ of Section 21.

Depco, Inc. and Husky Oil Company, who have succeeded in equal shares to the interest of International Oil & Gas Corporation, wish to pay their proportionate part of the cost of the proposed well and not be forced pooled or be subject to a non-consent penalty. The two companies would be willing to enter into a mutually acceptable operating agreement with Pubco providing our co-working interest owners in SE $\frac{1}{4}$ of Section 21 would also, or Pubco has obtained and furnished us with a forced pooling order from the New Mexico Conservation Commission for the Dakota Formation under S $\frac{1}{2}$ of Section 21. As you may know our interest in SE $\frac{1}{4}$ of Section 21 and other lands is subject to an Operating Agreement dated July 1, 1962, in which Caulkins Oil Company is designated Operator. Under the circumstances I do not see how we can enter into an operating agreement with Pubco covering SE $\frac{1}{4}$ without the joinder of the other working interest owners or the forced pooling order.

Case 3512
Pubco & I. No. 2

Pubco Petroleum Corporation

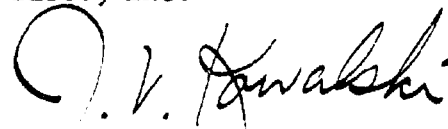
-2-

September 21, 1966

We are in the process now of reviewing your proposed operating agreement and shall furnish you the comments of Depco-Husky in the near future.

Very truly yours,

DEPCO, INC.

A handwritten signature in dark ink, appearing to read "J. V. Kowalski". The signature is fluid and cursive, with the first name "J." and last name "Kowalski" clearly legible.

J. V. Kowalski
Land Department

JVK/cw

cc: Caulkins Oil Company
1130 First National Bank Building
Denver, Colorado

W. B. Macey
Husky Oil Company
5500 No. Colorado Blvd.
Commerce City, Colorado

Zimmerman Estates
150 Bagley Avenue, Suite 1700
Detroit, Michigan 48226

June 1, 1966

Pubco Petroleum Corporation
Box 869
Albuquerque, New Mexico 87103

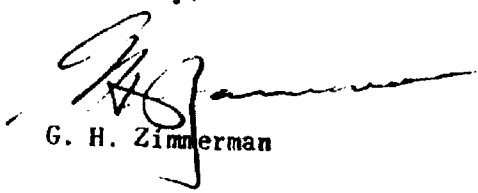
Att: Mr. Orin C. Crane
Records Supervisor

Re: Pubco Federal No. #13
Proposed Communitization
S/2, Sec. 21-26N-6W, NMPM
Rio Arriba County, New Mexico

Gentlemen:

We have considered your letter of May 13th, but do not
believe it advisable for us to drill at this time.

Sincerely,



G. H. Zimmerman

GHZ:B

cc: Mr. George P. Caulkins, Jr.
Mr. A. C. McLee

Telephones: Area Code 213
274-5126 or 272-7554

Myron S. Fox
9441 Wilshire Boulevard - Suite 616
Beverly Hills, California 90212

May 24, 1966

Mr. Orin C. Crane
Records Supervisor
Pubco Petroleum Corporation
Box 869
Albuquerque, New Mexico 87103

Dear Mr. Crane:

Referring to your letter of the 13th of May,
please be advised that Mrs. Lorena Mayer Nidorf does not wish
to join in the drilling of the proposed well as outlined in
your letter.

Very truly yours,

M.S. Fox
Myron S. Fox,
Business Manager for
Mrs. Lorena Mayer Nidorf

Copy to: Caulkins Oil Company

fl

V

ERNEST KANZLER
1700 CLUB-EXCHANGE BUILDING
DETROIT, MICHIGAN 48226

May 23, 1966

Mr. Orin C. Crane
Records Supervisor
Pubco Petroleum Corporation
Box 869
Albuquerque, New Mexico 87103

Dear Mr. Crane:

Referring to yours of the 13th and enclosures, please be advised that the Kanzler ownerships do not desire to join in the drilling of the proposed well as outlined in your letter.

Very truly yours,


A. C. McLee

Copy to: Caulkins Oil Company

Ernest R. Breech
Myron S. Fox
G. H. Zimmerman

ERNEST R. BREECH

May 23, 1966

Pubco Petroleum Corporation
Box 869
Albuquerque, New Mexico 87103

Attention: Orin C. Crane
Records Supervisor

Re: Pubco Federal No. #13
Proposed Communitization
S/2, Sec. 21-26N-6W, NMPM
Rio Arriba County, New Mexico

Gentlemen:

Replying to your letter of May 13, I understand you have been informed by Caulkins Oil Company that Southern Union Gas Company has a contract with the Co-Owners providing for the purchase of the maximum amount of gas which Co-Owners wells presently will produce, and that they are unwilling to release the subject acreage from this contract.

Under the circumstances, it seems inadvisable to sign the Communitization Agreement and other papers which you sent to me with your letter.

Sincerely,



ERNEST R. BREECH

12723 Telegraph Road
Detroit 39, Michigan

TO PETROLEUM CORPORATION

May 16, 1966

Brookhaven Oil Company and
Dacresa Corporation
P. O. Box 1267
Scottsdale, Arizona

Attention: Mr. Thos. B. Scott, Jr.

Re: Pubco Federal #13 - Proposed Communitization
S½ Section 21, T-26-N, R-6-W, N.M.P.M.
Rio Arriba County, New Mexico

Gentlemen:

Pubco Petroleum Corporation is in the process of forming a communitized area for the drilling of a Dakota test well within the S½ of Section 21, Township 26 North, Range 6 West, N.M.P.M. This communitization will involve Federal Lease No. SF-079185 covering the SW¼ of Section 21, under which Brookhaven and Dacresa Corporation own an overriding royalty interest subject to right of conversion to a working interest upon well payout. Also affected will be the SE¼ of Section 21 which is covered by Federal Lease No. NM-03553, under which Brookhaven and Dacresa own an overriding royalty interest.

Since Brookhaven and Dacresa are working interest owners of record under SF-079185, it is necessary that they join in signing the communitization agreement. We are therefore enclosing three copies of the communitization for Brookhaven and three for Dacresa. Attached to each set are fifteen signature and acknowledgement pages. You may retain one copy for each company. All signature and acknowledgement pages plus the two remaining copies of the agreement should be returned to us upon proper execution.

Complete counterpart sets will be filed with the United States Geological Survey and placed on record in Rio Arriba County. A copy of the Certificate of Approval along with the applicable recording data will be furnished to you as soon as available. You will also be provided with copies of all signature and acknowledgement pages for each of the other parties to the agreement.

U. S. PETROLEUM CORPORATION

Brookhaven Oil Company and
Dacres Corporation

-2-

May 16, 1966

Since we are anxious to complete all necessary paperwork preliminary to the start of actual physical operations, we request your very earliest possible handling.

Yours very truly,

Orin C. Crane
Records Supervisor

CC:ab

Enclosures

PAN AMERICAN PETROLEUM CORPORATION

May 16, 1966

Pan American Petroleum Corporation
Security Life Building
Denver, Colorado 80202

Attention: Mr. E. F. Pracko

Re: Pubco Federal #13 - Proposed Communitization
S $\frac{1}{4}$ Section 21, T-26-N, R-6-W, N.M.P.M.
Rio Arriba County, New Mexico

Gentlemen:

Pubco Petroleum Corporation is in the process of forming a communitized area for the drilling of a Dakota test well within the S $\frac{1}{4}$ of Section 21, Township 26 North, Range 6 West, N.M.P.M. This communitization will involve Federal Lease No. SF-079185 covering the SW $\frac{1}{4}$ of Section 21, under which Pan American owns an overriding royalty interest subject to right of conversion to a working interest upon well payout. Also affected will be the SE $\frac{1}{4}$ of Section 21, which is covered by Federal Lease No. NM-03553, under which Pan American owns an overriding royalty interest.

Since Pan American is a working interest owner of record under SF-079185, it is necessary that they join in signing the communitization agreement. We are therefore enclosing three copies of the communitization agreement. Attached are fifteen signature and acknowledgement pages. You may retain one copy and all signature and acknowledgement pages plus the two remaining copies of the agreement should be returned to us upon proper execution.

Complete counterpart sets will be filed with the United States Geological Survey and placed on record in Rio Arriba County. A copy of the Certificate of Approval along with the applicable recording data will be furnished to you as soon as available. You will also be provided with copies of all signature and acknowledgement pages for each of the other parties to the agreement.

Since we are anxious to complete all necessary paperwork preliminary to the start of actual physical operations, we request your very earliest possible handling.

Yours very truly,

OCC:eo
Enclosures

Orin C. Crane
Records Supervisor

May 16, 1966

International Oil & Gas Corporation
825 Petroleum Club Building
Denver, Colorado 80202

Attention: Mr. J. V. Kowalski

Re: Pubco Federal No. 13 - Proposed Communitization
S $\frac{1}{2}$, Section 21, T-26-N, R-6-W, N.M.P.M.
Rio Arriba County, New Mexico

Gentlemen:

In following with previous discussions with your Company relative to commitment of your working interest under Federal Lease No. NM-03553, we are enclosing three copies of a communitization agreement and a like number of copies of the operating agreement which we propose to use in communitization of the S $\frac{1}{2}$ of Section 21, Township 26 North, Range 6 West.

Attached to each agreement are fifteen signature and acknowledgement pages. Since we are having the agreements executed in counterpart, we felt that execution and acknowledgement pages without attached documents would provide a considerably more efficient means of handling.

Provided the enclosures are found to be in order, we ask that you retain two copies of each agreement and that you execute and return all remaining materials. Complete counterpart sets of the communitization agreement will be filed with the United States Geological Survey and recorded in Rio Arriba County, whereupon you will be provided with the applicable recording data and a copy of the Certificate of Approval. You will be provided with signature and acknowledgement pages for all parties executing the agreements. We trust that this method of handling will be satisfactory, and we ask your most expeditious handling of these enclosures.

In addition to the above mentioned enclosures, we are also providing two copies of our detailed Well Cost Estimate, one copy of which should be signed in approval on behalf of International and returned along with the other documents.

As a matter of information, we are enclosing a copy of the letter which was mailed to all other working interest owners under NM-03553. We believe that our intention is quite clearly stated

INTERNATIONAL OIL & GAS CORPORATION
-2-

May 16, 1960

In the enclosed letter, and we hope that we have your complete cooperation in this matter. If you have any suggestions or if you have any intentions in making other arrangements with the various other working interest owners, we ask that you keep us informed accordingly.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosures

May 16, 1966

Caulkins Oil Company
1130 First National Bank Building
Denver, Colorado 80202

Attention: Mr. A. F. Holland

Re: Pubco Federal #13 - Proposed Communitization
S $\frac{1}{2}$ Section 21, T-26-N, R-6-W, N.M.P.M.
Rio Arriba County, New Mexico

Gentlemen:

We have heretofore requested the joinder of Caulkins Oil Company, et al, in forming a communitized area for the drilling of a Dakota test well to embrace the S $\frac{1}{2}$ of Section 21, Township 26 North, Range 6 West. You rejected our initial proposal, but because of your recent Dakota completion in the N $\frac{1}{2}$ of Section 21, we feel that it is imperative that the south offset be drilled.

While we are in sympathy with any marketing conditions that would create economic hardship for Caulkins, such as mentioned in your letter of March 18, 1966, we cannot visualize how this would have a bearing on additional drilling as we are proposing. Because of your rejection, we have found it necessary to go directly to each working interest owner under NM-03553, Caulkins' interest being strictly through a vested right of operation by virtue of an operating agreement with all working interest owners of record.

As a matter of information, we are enclosing a copy of the letter addressed to the various working interest owners. We believe our intention is clearly set forth in that letter, and we ask that you reconsider your position and that you join with us in the drilling of the proposed well.

We are therefore enclosing for your consideration and execution three copies of a communitization agreement and a like number of copies of the proposed operating agreement. Also attached to these agreements are fifteen sets of signature and acknowledgement pages.

Dankins Oil Company

-2-

May 16, 1966

Should we gain your cooperation we ask that you retain one copy of each agreement, returning all remaining materials properly executed and acknowledged. Two copies of our detailed Well Cost Estimate are enclosed, one of which should be signed and returned along with the other material. Since we are anxious to commence actual physical operations, we ask that you give this matter your immediate attention.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosures

PUBCO PETROLEUM CORPORATION

BOX 488

ALBUQUERQUE, NEW MEXICO 87108

TELEPHONE
505 247-8836
505 247-8837

Copies of this letter sent to:

May 13, 1966

Mr. Ernest R. Breech
Mr. Ernest Kanzler
Mrs. Mary H. Zimmerman
Mr. George Herbert Zimmerman
Mr. Louis G. Zimmerman
Mrs. Lorena Mayer Nidorf

Re: Pubco Federal No. #13
Proposed Communitization
S/2, Sec. 21-26N-6W, NMPM
Rio Arriba County, New Mexico

Pubco Petroleum Corporation, as owner of the operating rights under the SW/4 of Section 21, Township 26 North, Range 6 West, has heretofore proposed to Caulkins Oil Company the drilling of a Dakota formation test well to be located within a pooled spacing unit covering the S/2 of Section 21 thus to include the SE/4 of the section which is covered by United States Oil and Gas Lease No. NM-03553. This lease and the right of operation is vested in Caulkins Oil Company under Operating Agreement with you, International Oil & Gas Corporation and others.

Caulkins Oil Company rejected our initial proposal indicating that it would not be advantageous due to certain marketing problems. There has been some indication that Caulkins would be willing to join in the proposed well if they were designated as operator. It is our opinion, however, that Pubco Petroleum Corporation can operate the property with a high degree of efficiency and more economically than could Caulkins.

In support of our belief, we are submitting for your consideration three (3) copies of a Communitization Agreement; two (2) copies of an Operating Agreement and two (2) copies of our detailed Well Cost Estimate. In addition, we are also enclosing fifteen (15) copies of the signature and acknowledgement pages for the Communitization Agreement and a like number of these pages for the Operating Agreement. We ask that you retain one (1) of each agreement, and one (1) copy of the Well Cost Estimate.

You should execute two (2) copies of the Communitization Agreement, one (1) copy of the Operating Agreement and one (1) copy of the Well Cost Estimate, along with all copies of the signature pages provided for each agreement. Upon acknowledgement before a Notary Public, they should be returned to us for further

May 13, 1966

handling. Complete counterpart sets of the Communitization Agreement will be filed with the United States Geological Survey and in the records of Rio Arriba County, New Mexico; we will provide you with a copy of the certificate of approval and the applicable county recording data as soon as it is available. We shall also furnish you with signature and acknowledgement pages for both the Communitization Agreement and the unit Operating Agreement as signed and acknowledged by all other parties involved.

Before signing any of the enclosed documents, we ask that you verify your percentage of interest, the spelling of your name, and your mailing address, as set forth in the agreements and exhibits attached thereto, and should there be any corrections required, we ask that you so advise and we shall make appropriate adjustments and furnish revised pages accordingly. In this connection, we should mention that your interest as indicated in these agreements are those as appear in the record of the Bureau of Land Management in Santa Fe, New Mexico.

While we presume that you would normally wish to have the concurrence of Caulkins Oil Company prior to your joining in a venture such as we have proposed, it becomes necessary that we contact you directly in view of the previous rejection to our proposal by Caulkins. Caulkins has no interest in the lease or lands other than that granted to them by you as one of the record title owners. Our proposed drillsite is immediately offset to the North by a Dakota formation well which was drilled by Caulkins on other lands covered by the same lease which we are asking you to commit to our well. Additionally, we must point out that in the event of non-cooperation and non-joinder by you or any of the other parties who are owners of lease NM-03553, we shall go before the New Mexico Oil Conservation Commission to gain whatever relief or advantage that may be afforded us through that regulatory body. Since we wish to commence this well without undue delay, we respectfully solicit your cooperation and most expeditious handling of this matter.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC/jpc

Enclosure

CAULKINS OIL COMPANY

1150 FIRST NATIONAL BANK BLDG.

DENVER 2, COLORADO

AREA CODE 303
621-1101

March 18, 1966

?

Pubco Petroleum Corporation
Box 1419
Albuquerque, New Mexico 87108

Attention: Mr. Orin C. Crane

Re: Proposed Communitizations
S $\frac{1}{2}$ Sec. 17 - 26N-6W
S $\frac{1}{2}$ Sec. 21 - 26N-6W
Rio Arriba County, New Mexico

Dear Mr. Crane:

This will acknowledge your letters of February 18 and March 8, 1966, regarding communitizations of the above captioned acreage.

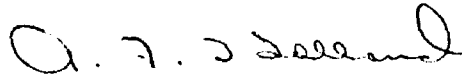
We apologize for the delay in replying. However, it has been necessary for us to review our gas market situation in order to furnish an answer to your request.

Our present gas marketing situation is such that we cannot sell additional gas for the drilling of new ventures. This being the case, to participate in the drilling of a well does not increase our current revenues. There is no economic reason for us to participate in drilling at this time; and until this matter is resolved, we cannot recommend further drilling to our participants.

We appreciated hearing from you and regret that we cannot furnish you an affirmative answer until our marketing situation is improved.

Yours very truly,

CAULKINS OIL COMPANY



A.F. Holland

AFH:r

✓

BP CO PETROLEUM CORPORATION

March 8, 1966

C
O
P
Y

Mr. A. F. Holland
Caulkins Oil Company
1130 First National Bank Building
Denver, Colorado 80202

Re: Proposed Communitisations
S $\frac{1}{4}$ Sec. 17 - 26N-6W
S $\frac{1}{4}$ Sec. 21 - 26N-6W
Rio Arriba County, New Mexico

Dear Mr. Holland:

On February 18 I forwarded our detailed Well Cost Estimate for the proposed communitisations, as above subject, along with a copy of an Operating Agreement which we propose to use in this connection. We also requested certain lease information and solicited Caulkins joiner in these ventures.

We are anxious to commence operations at the very earliest possible date. Your prompt reply will be most appreciated.

Very truly yours,

Orin C. Crane

OCC:ed

AIRMAIL

Y

February 18, 1966

Mr. A. F. Holland
Caulkins Oil Company
1130 First National Bank Building
Denver, Colorado 80202

Re: Proposed Communitizations
S $\frac{1}{2}$ Sec. 17 -26N -6W
S $\frac{1}{2}$ Sec. 21 -26N -6W
Rio Arriba County, New Mexico

Dear Mr. Holland:

In following with our recent telephone conversation relative to our proposal to drill two dakota test wells on communitized tracts to embrace the acreage above described, I am enclosing two (2) copies of a detailed Well Cost Estimate for each proposed communitization. In addition thereto, I am enclosing a copy of an Operating Agreement which is basically the same as the one your Company utilized under the Breech D-118 Well in the W $\frac{1}{2}$ Sec. 1 -26N -6W. This Agreement, however, has been somewhat modified with respect to non-consent provisions for workovers, such modifications being basically drawn from the Ross Martin 610 Form Operating Agreement for Non-Federal lands. We believe you will find this Agreement to be satisfactory. There has been use of this Agreement in communitizations involving Tenneco, El Paso, Texaco, Continental, etc. The accounting procedure is the Copas Form and provides for combined fixed rates which are in comparison with others operating in the San Juan Basin considerably lower.

Additionally, I am enclosing a copy of a current Leasehold Ownership Takeoff which reflects the various interests shown of record in the Bureau of Land Management offices at Santa Fe. You will observe that the various interests recited for Earnest R. Breech, et al do not correspond with the interests shown for these parties under your Breech D-118 Well. In the event you desire to join us in drilling the proposed wells, we will appreciate your providing the exact interest breakdown and names of the parties that will execute the communitization agreements. If they are the same as appears on the instruments under the Breech D-118 Well, it will be a simple matter for us to prepare the documents accordingly. If you and your associates are agreeable in joining in these two wells, we ask that you sign and return one (1) copy of the Well Cost Estimate.

TO: Mr. A. F. Holland
FROM: Mr. Orin C. Crane
DATE: February 18, 1966
PAGE: No. 2

If you have any questions concerning the enclosed form of Operating Agreement, please contact me by telephone, and I will be glad to discuss them thoroughly with you.

Yours very truly,

PUBCO PETROLEUM CORPORATION

Orin C. Crane
District Landman

OCC:sw

Enclosures


PUBCO PETROLEUM CORPORATION
Well Cost Estimate

Well Name: Pubco Federal No. 13 Location: S/2, Sec. 21-26N-6W County: Rio Arriba State: N.M.

Estimated T.D. 7600 Formation Dakota Prospect Tocito

| Tangible Costs: | | Producer | Dry Hole |
|--------------------------------------|--|------------|-----------|
| Casing: | | | |
| Surface 8 5/8" 32#, H-40, 300' | | \$ 1,100 | \$ 1,100 |
| Production 4 1/2" 10.5#, J-55, 7600' | | 10,300 | - |
| Intermediate | | - | - |
| Tubing 2 1/16" or 2 3/8" | | 4,200 | - |
| Surface Equipment: | | | |
| Gas Production Unit | | 4,900 | - |
| 300 bbl. Tank & access | | 1,800 | - |
| Misc. Lines & conn. | | 3,000 | - |
| Wellhead | | 2,100 | 500 |
| Total Tangible Costs | | \$ 27,400 | \$ 1,600 |
| Intangible Costs: | | | |
| Supervision | | \$ 1,000 | \$ 500 |
| Drilling Footage 7600 @ \$4.00 | | 30,400 | 30,400 |
| Rig Days @ \$ | | 1,000 | 500 |
| Other Completion Rig | | 3,500 | - |
| Trucking | | 1,500 | 500 |
| Fuel | | - | - |
| Water for frac | | 5,000 | - |
| Cement & cementing | | 6,200 | 1,200 |
| Mud | | 3,500 | 3,500 |
| Logs & Tests | | | |
| Logging | | 2,200 | 2,200 |
| Roads & Locations | | 1,000 | 1,000 |
| Formation Stimulation | | 15,000 | - |
| Other Intangible: | | | |
| Guide Shoes, Centralizers, etc. | | 2,000 | 500 |
| Perforating | | 3,000 | - |
| Miscellaneous | | 1,300 | 700 |
| Total Intangible | | \$ 76,600 | \$ 41,000 |
| Total Well Cost | | \$ 104,000 | \$ 42,600 |

| | | | | |
|----------------------|-----------|------------------|------------------|-------------------|
| Interests: | % | | | |
| Pubco | <u>50</u> | <u>\$ 52,000</u> | <u>\$ 21,300</u> | <u> </u> |
| Others | <u>50</u> | <u>\$ 52,000</u> | <u>\$ 21,300</u> | <u> </u> |
| Caulkins Oil, et al) | | | | |

| | |
|--|--|
| <p>PUBCO PETROLEUM CORPORATION</p> <p>By  _____</p> <p>Frank D. Gorham, Jr. President</p> | <p>Joint Interest Approval</p> <p>DATE _____ 19____</p> <p>By _____</p> <p>COMPANY _____</p> |
|--|--|

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

APPLICATION OF PUBCO PETROLEUM
CORPORATION FOR THE POOLING OF
ALL INTERESTS IN THE SOUTH 1/2
OF SECTION 21, TOWNSHIP 26 NORTH,
RANGE 6 WEST, N.M.P.M., RIO ARRIBA
COUNTY, NEW MEXICO, TO FORM A SPACING
UNIT IN THE BASIN DAKOTA GAS POOL AND
FOR ALLOCATION OF COSTS OF SAID WELL,
INCLUDING A CHARGE FOR THE RISK OF
DRILLING A WELL ON SUCH UNIT.

33 MAY 23 1950

No. 3512

A P P L I C A T I O N

Comes now PUBCO PETROLEUM CORPORATION and makes application to the Oil Conservation Commission of New Mexico for an order pooling all of the interests in the South 1/2 of Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico, and containing 320 acres and in support of such application states:

1. Applicant is the owner of 100% of the working interest in the SW/4 of Section 21, subject to certain overriding royalty interest and proposes to drill a well to the Dakota Formation upon a drilling unit, consisting of the above described 320 acres, which comprises a drilling unit within the Basin Dakota Gas Pool as designated by the order of this Commission.

2. Depco, Inc. and Husky Oil Company are the owners in equal shares of 45% of the working interest under Federal Oil and Gas Lease to which the SE/4 of Section 21 is subject, and the following persons are owners of undivided interest in said working interests in the following percentages:

| | |
|---|--------|
| Ernest R. Breech: | 5.00% |
| Lorena Mayer Nidorf: | 10.00% |
| Ernest Kanzler: | 18.00% |
| Ernest Kanzler, Trustee for Robert Hudson Kanzler: | 6.00% |

| | |
|---|-------|
| Ernest Kanzler, Trustee for Ernest Kanzler, Jr.: | 6.00% |
| George H. Zimmerman, Trustee of the Doris Zimmerman Trust of December 30, 1950: | 2.00% |
| George H. Zimmerman, Trustee of the Elaine Zimmerman Trust of July 31, 1953: | 2.00% |
| George Herbert Zimmerman, Trustee of the Jessie Zimmerman Hitchens Trust of May 28, 1956: | 2.00% |
| Mary H. Zimmerman, Successor Trustee for Helen L. Zimmerman: | 1.00% |
| George Herbert Zimmerman, Trustee for Georgia Zimmerman: | 1.00% |
| George Herbert Zimmerman: | 1.00% |
| Louis G. Zimmerman: | 1.00% |

The working interest is subject to certain overriding royalty interest

3. Applicant proposes to drill a well on the drilling unit comprised of the S/2 of Section 21, to a depth to adequately test the Dakota Formation underlying said drilling unit, which Dakota Formation comprises a common source of supply underlying said drilling unit.

4. Applicant has attempted to form said drilling unit by the voluntary agreement of the parties, but the owners of interest within the SE/4 of Section 21, have declined and refused to join in the drilling of said well.

5. The royalty interest under said drilling unit is common. Said interest being owned by the United States.

6. The issuance of the order requested by this application for the pooling of the interest within said drilling unit, will avoid the drilling of unnecessary wells and will protect correlative rights and prevent waste.

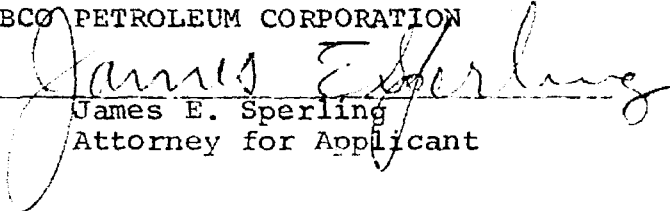
WHEREFORE, applicant prays that the Commission set this application for hearing before the Commission's duly appointed

examiner, and after notice and hearing as provided by law, that the Commission enter its order pooling the above-described 320 tract. Said order should contain a provision for allocation of costs of drilling and operation, together with a charge for the risk involved in drilling said well on said unit, and for the payment of the same, all as provided by the New Mexico Statutes.

Respectfully submitted,

PUBCO PETROLEUM CORPORATION

By


James E. Sperling
Attorney for Applicant

MODRALL, SEYMOUR, SPERLING
ROEHL & HARRIS
P. O. Box 466
Albuquerque, New Mexico

DOCKET: EXAMINER HEARING - WEDNESDAY, JANUARY 1, 1967

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

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, Alternate Examiner:

CASE 3439: (This case continued from the October 11, 1966 examiner hearing
and will be dismissed).

In the matter of the hearing called by the Oil Conservation
Commission on its own motion to permit Scanlon and Shepard and
all other interested parties to show cause why the following
Scanlon and Shepard wells in Township 20 North, Range 9 West,
McKinley County, New Mexico, should not be plugged and abandoned
in accordance with a Commission-approved plugging program:
Santa Fe Pacific Railroad Lease: Wells Nos. 1, 3, 4, 5, 7, and
8, all in Unit P, No. 10 in Unit H, and No. 2 in Unit L, all in
Section 21; Well No. 6 in Unit L and Nos. 9 and 12 in Unit M
of Section 22 and Nos. 11 and 13 in Unit D of Section 27, Ray
Well No. 1 in Unit C, State Wells Nos. 1 and 2 in Unit A, and
State K-1883 No. 1 in Unit B, all in Section 28.

CASE 3440: (This case continued from the October 11, 1966, examiner
hearing and will be dismissed).

In the matter of the hearing called by the Oil Conservation Com-
mission on its own motion to permit Osborn & Weir, and all inter-
ested parties, to show cause why the following Osborn & Weir
wells in Township 20 North, Range 9 West, McKinley County, New
Mexico, should not be plugged and abandoned in accordance with a
Commission-approved plugging program: Scanlon Well No. 17 in Unit P
of Section 21 and Nos. 14 and 18 in Unit M of Section 22, Scanlon
Ray Wells No. 5 in Unit A and No. 6 in Unit C of Section 28.

CASE 3441: (This case continued from the October 11, 1966, examiner hearing
and will be dismissed).

In the matter of the hearing called by the Oil Conservation
Commission on its own motion to permit LaMar Trucking, Inc.,
and all interested parties, to show cause why their State Well
Well No. 1 located 495 feet from the North and West lines of
Section 28, Township 20 North, Range 9 West, McKinley County,
New Mexico, should not be plugged and abandoned in accordance
with a Commission-approved plugging program.

CASE 3506: Application of Standard Oil Company of Texas for a unit agreement,
Lea County, New Mexico. Applicant, in the above-styled cause,
seeks approval of the Maljamar-Grayburg Unit Area comprising
3,441 acres, more or less, of Federal, State and Fee lands in

Docket No. 1-67

-2-

(Case 3506 continued)

Sections 2, 3, 4, 8, 9, 10, 11, 14, and 15, Township 17 South, Range 32 East, Lea County, New Mexico.

CASE 3507: Application of Standard Oil Company of Texas for a waterflood expansion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to expand its Maljamar-Grayburg Waterflood Project in its proposed Maljamar-Grayburg Unit Area by the injection of water into the Grayburg formation through thirteen additional injection wells. Applicant also seeks administrative procedure for further expansion of said project at a later date.

CASE 3508: Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the approval of the Vacuum Abo Unit Area, comprising 3640 acres, more or less, of State and Fee lands in Townships 17 and 18 South, Range 35 East, Lea County, New Mexico.

CASE 3509: Application of Phillips Petroleum Company for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance project in its Vacuum-Abo Unit by the injection of gas into the Abo Reef formation through two wells located in Section 33, Township 17 South, Range 35 East, and Section 4, Township 18 South, Range 35 East, Vacuum-Abo Reef Pool, Lea County, New Mexico. Applicant further seeks the promulgation of special rules to govern operation of said pressure maintenance project.

CASE 3278 (Reopened)

In the matter of Case No. 3278 being reopened pursuant to the provisions of Order No. R-2944, which order established 80-acre spacing units for the Stateline-Ellenburger Pool, Lea County, New Mexico, for a period of eighteen months. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 3277 (Reopened)

In the matter of Case No. 3277 being reopened to consider the necessity for the continuance of the special allowables assigned to wells in the Stateline-Ellenburger Pool, Lea County, New Mexico.

CASE 3510: Application of United States Smelting Refining and Mining Company for an unorthodox gas well location, Lea County, New Mexico. Applicant in the above-styled cause, seeks approval for its Federal Well No. 2 at an unorthodox location 760 feet from the South line and 2080 feet from the West line of Section 11, Township 20 South, Range 34 East, Lea-Pennsylvanian Gas Pool, Lea County, New Mexico.

CASE 3511: Application of Thomas A. Dugan for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Navajo Federal Well No. 1 completed in the Gallup formation at an unorthodox gas well location 660 feet from the North and West lines of Section 26, Township 28 North, Range 15 West, San Juan County, New Mexico, said well to be dedicated to the NW/4 of said Section 26.

CASE 3512: Application of Pubco Petroleum Corporation for force-pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin-Dakota Gas Pool underlying the S/2 of Section 21, Township 26 North, Range 6 West, Rio Arriba County, New Mexico, and allocating well costs including a risk factor for a well to be drilled on said spacing unit.

CASE 3513: Application of Midwest Oil Corporation for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Vada-Pennsylvanian Pool, Lea County, New Mexico, including a provision for 160-acre proration units.

CASE 3514: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider suspending the scheduled cancellation of underproduction which accrued to certain wells in the Eumont Gas Pool during the first six months of 1966 and which was not made-up during the second six months period and was therefore subject to cancellation January 1, 1967. The underproduction being considered for suspension of cancellation accrued as a result of the sale of the connecting pipeline for said wells from an intra-state company to an inter-state company resulting in necessity for FPC approval of sales. The wells, which were shut-in and not produced during the period FPC approval was being obtained, are certain wells formerly connected to Southern Union Gas Company and owned by the following operators: Southern Union, Mc-Tex, Penrose, Tidewater, Fields, Atlantic, Skelly, Clark & Christie, Aztec, and Great Western Drilling.

J. R. MODRALL
JAMES E. SPERLING
JOSEPH E. ROEHL
GEORGE T. HARRIS, JR.
DANIEL A. SISK
LELAND S. SEDBERRY, JR.
ALLEN C. DEWEY, JR.
FRANK H. ALLEN, JR.
JAMES P. SAUNDERS, JR.

JAMES A. PARKER
HENRY G. COORS
JOHN R. COONEY
KENNETH L. HARRIGAN

LAW OFFICES OF
MODRALL, SEYMOUR, SPERLING, ROEHL & HARRIS

SIMMS BUILDING
P. O. BOX 466
ALBUQUERQUE, NEW MEXICO 87103

JOHN F. SIMMS (1885-1954)
AUGUSTUS T. SEYMOUR
(1907-1965)

TELEPHONE 243-4511
AREA CODE 505

November 22, 1966

Case
3512

Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

NOV 23 1966

Dear Mr. Porter:

Enclosed please find the Application of Pubco Petroleum Corporation for the pooling of all interests in the S/2 of Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico.

Will you please docket the Application and set the matter for hearing after notice.

Very truly yours,

James E. Sperling
JAMES E. SPERLING

JES: ng
Enc:

DOCKET MAILED
Date *12-22-66*
W

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 4, 1967

IN THE MATTER OF:

Application of Pubco Petroleum
Corporation for force-pooling, Rio
Arriba County, New Mexico.

Case No. 3512

BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: We will call next, Case 3512.

MR. HATCH: Case 3512: Application of Pubco Petroleum Corporation for force-pooling, Rio Arriba County, New Mexico.

MR. SPERLING: Jim Sperling of Hedrall Seymour Sperling Roehl & Harris, Albuquerque, appearing for the Applicant. We have two witnesses, Mr. Ramsey and Mr. Crane.

(Witnesses sworn)

O.C. CRANE, called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. SPERLING:

Q Would you state your name, please?

A O.C. Crane.

Q What is your place of residence, by whom are you employed, and in what capacity?

A Albuquerque, Pubco Corporation; I am supervisor in the Land Department.

Q Mr. Crane, are you familiar with the relief which is sought by the Applicant in this case?

A I am.

(Whereupon, Applicant's Exhibit 1 marked for identification)

Q Mr. Crane, I want to call your attention first to what has been marked as Exhibit A which is a plat and which

appears to indicate along with other information the proposed unit which is the subject of this application, is that correct?

A That is correct.

Q Now, you stated that you were familiar with the application and the relief sought. I assume in that connection you are familiar with the ownership of the various interests underlying the respective tracts which are the subject of the application?

A Yes, I am.

Q Would you please refer now to whatever memoranda you need and explain that ownership by reference to the plat?

A The shaded area is owned 100% by Pubco. We have 100% of the operating rights. The southeast quarter of the section which is within the red outline is owned by a number of parties being International or was International Oil and Gas Corporation. That's now Depco, I think, and Husky Oil Company, Ernest R. Breech, Lorena Mayer Nidorf, Ernest Kanzler, Ernest Kanzler, as Trustee for Robert Hudson Kanzler. Did you wish the percentages of ownership involved there?

Q No, this is in exhibit form is it not, which we will be in a position to introduce to the Commission?

A Ernest Kanzler as Trustee for Ernest Kanzler, Jr., George H. Zimmerman, Trustee of the Doris Zimmerman Trust, George H. Zimmerman, Trustee of the Elaine Zimmerman Trust,

George Herbert Zimmerman, Trustee of the Jessie Zimmerman Hitchens Trust, Mary H. Zimmerman, Successor Trustee for Helen L. Zimmerman, George Herbert Zimmerman, for Georgia Zimmerman, and George Herbert Zimmerman and Louis G. Zimmerman and those constitute the working interest owners in the southeast quarter of the section.

Q Now, you mentioned Depco and Husky. First, what percentage of interest do they own in the southeast quarter of this half-section?

A They have a 45% interest.

Q And the other rather lengthy list makes up the remaining, whatever it is?

A That is correct.

Q The application describes the location which as its subject is a Dakota projected drilling unit within the Basin-Dakota Pool comprising the south half of Section 21, Township 26 North, Range 6 West, Rio Arriba County, New Mexico, is that correct?

A That's correct.

Q And the interest owners concerning whom you have testified are interest owners in the southeast quarter of that section?

A That is correct.

(Whereupon, Applicant's Exhibit 2 marked for identification)

Q Now, this packet which we have marked as Exhibit 2 contains a number of documents. Would you identify those, please?

A The larger, legal-size documents, the one on the bottom and the operating agreement was submitted to these various parties. The three documents following that are the communitization agreement as we had proposed which was also for a -- like copies were submitted to these parties. The particular ones here have been signed by the lessees of record. Under Pubco's lease we hold operating rights only. The balance of the material in the packet commencing with a well cost estimate which was also forwarded to the various working interest owners and the following correspondence commencing on February 12, 1966 and closing with the top piece of correspondence from Depco to Pubco under the date of September 21, 1966 is the balance of the correspondence that was had in this connection.

Q Do I understand from your testimony that all of the parties which you have named earlier in your testimony have been contacted with a view toward effecting voluntary formation of the unit comprising the south half of Section 21, Township 26 North, Range 6 West?

dearnley-meier

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A That is correct.

Q Do I also understand that what appears to be correspondence other than the well cost estimate are copies of letters directed on or received from these various interest owners?

A Yes.

Q Well, since the application has been filed I assume that the efforts to voluntarily communitize this well location and the acreage to be dedicated to it have produced no result?

A They are all in the negative.

Q Is there contained in this packet a copy of the letter from you directed to the various, or a copy of which went to the various interest owners setting forth the plan?

A That is correct. It's the letter dated May 13, 1966, which is about the fifth letter up, I believe.

MR. NUTTER: May 16th?

A This was May 13th. That was a joint letter sent to Mr. Breech and Mr. Ranzler.

MR. NUTTER: I found it.

Q (By Mr. Sperling) I notice in examining this packet previously, there doesn't appear to be any correspondence from Husky. Can you explain why?

A Our original correspondence was with International. It was purchased jointly by Decco and Husky around mid-year.

Depco represents the interests purchased from International sofar as the two companies are concerned in the state of New Mexico.

Q I notice on the letter from Depco a copy went to Mr. W.B. Masey, Husky Oil Company in Commerce City, Colorado. I notice in reading the Depco letter a rather interesting sentence. It says, "Referring to Depco and Husky the two companies would be willing to enter into a mutually acceptable operating agreement with Pubco providing our company working in the southwest quarter of Section 21 would also or Pubco has obtained and furnished us with a forced pooling order from the Oil Conservation Commission for the Dakota Section 21?"

A You want that explained?

Q Yes. It says, "As we understand it is that they have contractual arrangements as successor to International with Caulkins Oil Company in Denver, who acts as operator, physical operator only, for all of these parties and they felt that they would be in violation of their contractual arrangements as succssor to International." Well, I don't want to attempt to interpret the meaning of that sofar as the Commission is concerned, but is the essence of what you are saying insofar as communicating with me is concerned, that they really have no objection to joining except for what they

feel might be a contractual limitation?

A That's right.

Q That's what it means to you?

A That's what I have been told.

Q I believe the application states that Pubco desires to be the operator of this unit?

A That's correct.

Q Do you have anything further?

A Not that I can think of right now.

MR. SPERLING: That's all I have of this witness.

MR. NUTTER: The other witness will go into the cost of the well and cost of operation, and so forth?

MR. SPERLING: Yes, sir.

BY MR. NUTTER:

Q Mr. Crane, the interest in the southeast quarter is 55 per cent to this Breech, Nidorf and Zimmerman group and forty-five per cent to Depco and Husky as successor of International. Is this entire thing an undivided interest that all these people have?

A Yes, it is.

Q Among the two companies and these various groups and trustees the working interest ownership is 100% among them all?

A That is right.

Q You actually know where all of these various groups are and have been able to make contact with each of them and each of them has replied in the negative with one exception here of this sentence which Mr. Sperling read, contained in the Depco letter?

A That's right.

MR. NUTTER: Any further questions of Mr. Crane?
You may be excused.

(Witness excused)

CHARLES RAMSEY, called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. SPERLING:

Q Would you state your name, please?

A Charles Ramsey.

Q Where do you live, Mr. Ramsey, by whom are you employed and in what capacity?

A I am employed by Pubco Petroleum Corporation in Albuquerque as Area Production Manager.

Q Have you previously testified before the Commission to the extent that your qualifications are a matter of record?

A Yes.

Q I take it that you are familiar with the application

of Pubco Petroleum Corporation in this matter?

A Yes, sir.

Q Would you please now refer to what has been marked as Exhibit 1 and tell us in addition to the obvious indications on it what information is contained on this plat?

A This is a location plat as Mr. Crane has pointed out, showing the proposed location subject to terrain limitations and the proposed communitized area. I have also shown on here the Dakota Gas Wells which have been completed in the surrounding area mainly in Township 26 North, Range 6 West. And under each Dakota Gas Well I have shown the most recent available deliverability test which we use as one guideline as the quality of the reservoir in the area and I have drawn lines of equal deliverability in this particular area. I think it is important to note that the proposed location is beyond the southwestern edge of the known production. The known Dakota production, to date, is all north and east of the well that we intend to drill and there further to the west in Township 20, Range 7 West, two Dakota dry holes which did not produce any gas from the Dakota.

Q Does Pubco have any wells in this area?

A We have two wells which are located approximately two miles east and half a mile north of the proposed location.

Q When were those wells drilled, approximately?

A They were drilled one year ago as of this time.

Q Now, Mr. Ramsey, in connection with your study of this area, have you had occasion to prepare and submit along with the correspondence which comprises Exhibit 2 an estimate of the cost of this well?

A Yes, we prepared a detailed cost estimate of the well, based on our actual costs in drilling the two wells that we have drilled in the area, plus other operators' experience and that cost as a producing well, our best estimate at this time was \$104,000.00. That is a completed producing Dakota well.

Q Now, does the information which you have collected and shown on Exhibit 1 give you any basis for projecting or proof signifying the success, probably success, or lack of it insofar as the proposed location is concerned?

A Well, we are basically drilling the well for three reasons: Number One, we are being drained by the well in the same section to the northeast of us which coincidentally was drilled by the people who own the other portion of this 320 that we are communitizing. We also have lease obligations which require that we drill this well and we are also on, if you will note, what I would call a deliverability trend which runs northeast to southwest across this main Dakota

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sand body trend. We are also faced however, with -- and I have shown this by the dashed zero deliverability line -- we are also faced with the possibility of a dry hole based on lack of production to the west of us, a dry hole, two dry holes, in fact, over in the adjacent township and I might point out also in the immediate vicinity one mile to the east of us the two wells offsetting each other, one with a deliverability over two million and one with a deliverability around seven hundred thousand.

Q What sections and what particular wells are you referring to there?

A That would be the Caulkins Breech Number 321, and Section 15 in the southwest of 15 the Caulkins - Ruder No. 344 which would be in Section 22 in the northwest quarter of that section.

Q And the variation between the deliverabilities of those two wells is what?

A We have a variation there of actually something approximating threefold in wells that are roughly 40-acre locations apart; my point being there that the deliverability in this area can change rapidly from location to location. We are hoping to be on this cross trend and hope that we will continue this cross trend. However, there is obviously

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considerable possibility that we could have a dry hole.

Q Well, then this does represent a step out from known production?

A That's correct.

Q Having in mind the factors that you have mentioned which apparently are pro and con, are you prepared to make, for the benefit of the record, an estimate of the risk factor involved in drilling of this well at the estimated cost which you have indicated?

A Well, of course, risk factors vary from person to person. I would say in this case that we have certainly no better than a fifty-fifty risk, just on the basis that we have production on one side of us and dry holes on the other, would be one practical way of looking at it.

Q But you are hopeful that you are in the trend, which as you see it now, extends southwest-northwest and apparently is indicative of better deliverabilities than some of those either to the north or the south of this apparent trend?

A Right. We would hope for a deliverability of at least six to eight hundred MCF per day.

Q Now, on the basis of the estimated well cost and on the basis of what you hope the deliverability will be, and assuming a risk factor of 150% what would be the period for recovery of Tubco's expenditure in drilling this well,

assuming, of course, that it is productive?

A If we encounter the quality of Dakota well that we believe we will, we will have a return of our investment of somewhere between five and seven years variation there, depending on the actual deliverability that we get.

In this case, it would take us something between seven and nine years to recover, as you suggest, 150% of our estimated \$104,000.00.

Q Can you transpose that into interest per cent on investment?

A If we were to have a 150% penalty in this case, which we would, as I understand it, we would be able to recover 150% of our drilling money before these pool parties came back for their share of the income. This would be equivalent to our loaning them their share of the drilling investment at less than six per cent interest, something in the neighborhood of five to five and three quarters per cent, which by today's tight money standards, is a pretty good deal for them.

Q Do you have anything else, Mr. Ramsey?

A I don't believe so.

MR. SPERLING: That's all I have on direct.

BY MR. NUTTER:

Q Mr. Ramsey, you estimate here that a dry hole would

cost \$42,600.00?

A Yes, sir, that's correct. That would be for what you might call a conventional dry hole without any casing. Unfortunately, as we are all aware, in this Dakota you are commonly forced to set casing. I would say the dry hole would not cost less than forty-two thousand and probably it's going to run you almost as much as a completed well, something in the ninety thousand dollar category on a practical basis.

Q Have you made any estimate as to what operating cost is?

A Our operating costs out there are direct, what we call direct expenses, normally run \$70.00 a month and in addition to that, I don't know exactly what overhead figure.

Q Direct costs are \$70.00 per month. Well, this is based on Pubco's experience in operating Basin-Dakota wells?

A Yes, sir.

Q Is there any Dakota production south of this area that you are talking about?

A There is some, I believe, it would be about five miles to the southeast. There is another sandbar buildup down here to the southeast. It is more or less in line with this extension of that main sand body.

Q Would that be down in about 25 North, 5 West?

A I believe there is, yes. The main body of it would

be, I believe, there is some that extends into 25 North 6 West, if I am not mistaken. There is somewhat of a gap in there has been some additional drilling between these sand bodies the last year.

Q You realize that the Statutes of the State of New Mexico provide that the Commission may authorize up to fifty per cent risk factor in a forced pooling case and I don't know if you are aware or not, but it has been the Commission's policy to reserve this fifty per cent risk factor for cases where there would be a maximum of risk. Do you feel you have a maximum of risk for drilling a well here?

A Well, I think that's a matter of definition. Obviously, if we were drilling in a county where there is no production in the entire county, that would probably be more risk than this. However, I think the point that we are trying to make here is that although we are in the vicinity of production, we are stepping out beyond known production and I feel also that this factor of interest rate of less than six per cent which is effective to these people, I feel is pretty good.

Q Actually, if the Commission should enter a forced pooling order here you would take that forced pooling order to Depco and then they would cooperate with you in the drilling of this well and advance their share of the money?



A That's correct.

Q And this other group which has declined owns 55% of the southeast quarter of the section?

A Well, I guess that's right.

MR. NUTTER: Are there any further questions of Mr. Ramsey?

MR. FOX: Robert Fox, Kellahin & Fox, P.O. Box 1769, Santa Fe. I am speaking on behalf of Caulkins Oil to which reference has been made by the witnesses and Caulkins does not oppose the forced pooling of the acreage but they, by way of explanation, they did not elect to join in the drilling for the well on the tract here because they, Caulkins, are under a contract to Southern Union which agreement provides for minimum gas purchases, which are presently below allowables. Therefore, if production is obtained, Caulkins cannot sell anymore gas and will profit nothing by the additional well, although productive, since the proposed well is offset by production as the witness has already stated and, of course, which side of the road is being advanced depends on whose goose is being cooked, to mix the metaphors. And since the Basin-Dakota, generally speaking, is well-established, Caulkins does not feel that the risk factor is justified under the order to be entered by the Commission or if any, at a very minimum.

MR. NUTTER: Thank you. Are there any other questions of Mr. Parney? He may be excused.

(Witness excused.)

MR. SPERLING: I would like to offer Exhibit 1 through 3.

MR. NUTTER: Applicant's Exhibits 1 through 3 will be admitted in evidence. What was three?

MR. SPERLING: There were only two, I'm sorry.

(Whereupon, Applicant's Exhibits 1 and 2 admitted in evidence)

MR. NUTTER: Do you have anything further, Mr. Sperling?

MR. SPERLING: No, sir.

MR. NUTTER: Does anyone have anything further they wish to offer in Case 3512? We will take the case under advisement.

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PAGE 20

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, KAY EMBREE, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission Examiner at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

Kay Embree
Court Reporter

I do hereby certify that the foregoing is
a correct record of the proceedings in
the Matter of Petition of Case No. 3512
heard on at 1/4 1967.
Examiner
New Mexico Oil Conservation Commission

PUBCO

POST OFFICE BOX 869 • ALBUQUERQUE, NEW MEXICO 87103 • TELEPHONE (505) 247-8835

March 3, 1967

State of New Mexico Oil
Conservation Commission
Santa Fe, New Mexico

Attention: Mr. Daniel S. Nutter

Re: Case No. 3512
Order No. R-3176

Gentlemen:

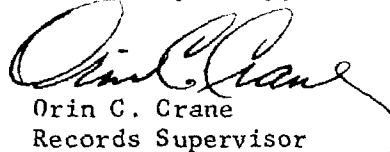
Reference is made to numbered Paragraph 12 of the Order
No. R-3176 which reads:

"(12) That all proceeds from production from
the subject well which are not disbursed for any
reason shall be placed in escrow in Rio Arriba County,
New Mexico, to be paid to the true owner thereof
upon demand and proof of ownership; that the operator
shall notify the Commission of the name and address of
said escrow agent within 90 days from the date of this
order."

In compliance with this provision, please be advised that at
such time as necessary to appoint an escrow agent for the purposes
expressed in the quoted provision, we shall appoint the First National
Bank of Rio Arriba, Box 8, Espanola, New Mexico, as said agent. We
point out, however, that we do not anticipate a need for the escrow
agent within the immediate future.

We trust that the foregoing will adequately satisfy the
quoted provision of Order No. R-3176.

Yours very truly,


Orin C. Crane
Records Supervisor

OCC:dc
cc: The First National Bank
of Rio Arriba
Box 8
Espanola, New Mexico
Attention: Mr. R. E. Huddle, Jr.

DEPCO, Inc.

Production & Exploration

825 Petroleum Club Bldg.
DENVER, COLORADO 80202

AREA CODE 303
Phone No. 292-0980

September 21, 1966

Re: Proposed Pubco Well #13
S $\frac{1}{2}$ Sec. 21-26N-6W, NMPM
Rio Arriba County, New Mexico

Pubco Petroleum Corporation
P. O. Box 869
Albuquerque, New Mexico 87103

Attention Mr. Orin C. Crane, Records Supervisor

Gentlemen:

Reference is made to your letters of May 13, 1966, to all of the working interest owners in SE $\frac{1}{4}$ Section 21-26N-6W, NMPM, Rio Arriba County, New Mexico and your letter of May 16, 1966, addressed to International Oil & Gas Corporation concerning your proposed #13 Dakota Formation Well to be drilled in S $\frac{1}{2}$ of Section 21.

Depco, Inc. and Husky Oil Company, who have succeeded in equal shares to the interest of International Oil & Gas Corporation, wish to pay their proportionate part of the cost of the proposed well and not be forced pooled or be subject to a non-consent penalty. The two companies would be willing to enter into a mutually acceptable operating agreement with Pubco providing our co-working interest owners in SE $\frac{1}{4}$ of Section 21 would also, or Pubco has obtained and furnished us with a forced pooling order from the New Mexico Conservation Commission for the Dakota Formation under S $\frac{1}{2}$ of Section 21. As you may know our interest in SE $\frac{1}{4}$ of Section 21 and other lands is subject to an Operating Agreement dated July 1, 1962, in which Caulkins Oil Company is designated Operator. Under the circumstances I do not see how we can enter into an operating agreement with Pubco covering SE $\frac{1}{4}$ without the joinder of the other working interest owners or the forced pooling order.

BEFORE EXAMINER NUTTER
CIL CONSERVATION COMMISSION
Applicant EXHIBIT NO. 2
CASE NO. 3512

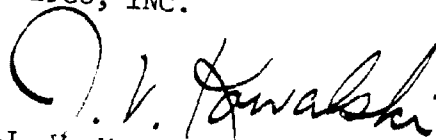
Pubco Petroleum Corporation -2-

September 21, 1966

We are in the process now of reviewing your proposed operating agreement and shall furnish you the comments of Depco-Husky in the near future.

Very truly yours,

DEPCO, INC.



J. V. Kowalski
Land Department

JVK/cw
cc: Caulkins Oil Company
1130 First National Bank Building
Denver, Colorado

W. B. Macey
Husky Oil Company
5500 No. Colorado Blvd.
Commerce City, Colorado

Zimmerman Estates
150 Bagley Avenue, Suite 1700
Detroit, Michigan 48226

June 1, 1966

Pubco Petroleum Corporation
Box 869
Albuquerque, New Mexico 87103

Att: Mr. Orin C. Crane
Records Supervisor

Re: Pubco Federal No. #13
Proposed Communitization
S/2, Sec. 21-26N-6W, NMPM
Rio Arriba County, New Mexico

Gentlemen:

We have considered your letter of May 13th, but do not
believe it advisable for us to drill at this time.

Sincerely,


G. H. Zimmerman

GHZ:B

cc: Mr. George P. Caulkins, Jr.
Mr. A. C. McLee

Telephones: Area Code 213
274-5126 or 272-7551

Myron S. Fox
9441 Wilshire Boulevard - Suite 616
Beverly Hills, California 90212

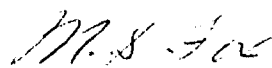
May 24, 1966

Mr. Orin C. Crane
Records Supervisor
Pubco Petroleum Corporation
Box 869
Albuquerque, New Mexico 87103

Dear Mr. Crane:

Referring to your letter of the 13th of May,
please be advised that Mrs. Lorena Mayer Nidorf does not wish
to join in the drilling of the proposed well as outlined in
your letter.

Very truly yours,



Myron S. Fox,
Business Manager for
Mrs. Lorena Mayer Nidorf

Copy to: Caulkins Oil Company

fl

V

ERNEST KANZLER
1700 CLUB EXCHANGE BUILDING
DETROIT, MICHIGAN 48226

May 23, 1966

Mr. Orin C. Crane
Records Supervisor
Pubco Petroleum Corporation
Box 869
Albuquerque, New Mexico 87103

Dear Mr. Crane:

Referring to yours of the 13th and enclosures, please be advised that the Kanzler ownerships do not desire to join in the drilling of the proposed well as outlined in your letter.

Very truly yours,


A. C. McLee

Copy to: Caulkins Oil Company

Ernest R. Breech
Myron S. Fox
G. H. Zimmerman

V

ERNEST R. BREECH

May 23, 1966

Pubco Petroleum Corporation
Box 869
Albuquerque, New Mexico 87103

Attention: Orin C. Crane
Records Supervisor

Re: Pubco Federal No. #13
Proposed Communitization
S/2, Sec. 21-26N-6W, NMPM
Rio Arriba County, New Mexico

Gentlemen:

Replying to your letter of May 13, I understand you have been informed by Caulkins Oil Company that Southern Union Gas Company has a contract with the Co-Owners providing for the purchase of the maximum amount of gas which Co-Owners wells presently will produce, and that they are unwilling to release the subject acreage from this contract.

Under the circumstances, it seems inadvisable to sign the Communitization Agreement and other papers which you sent to me with your letter.

Sincerely,



ERNEST R. BREECH

12723 Telegraph Road
Detroit 39, Michigan

PUBCO PETROLEUM CORPORATION

May 16, 1966

Brookhaven Oil Company and
Dacresa Corporation
P. O. Box 1267
Scottsdale, Arizona

Attention: Mr. Thos. B. Scott, Jr.

Re: Pubco Federal #13 - Proposed Communitization
S $\frac{1}{4}$ Section 21, T-26-N, R-6-W, N.M.P.M.
Rio Arriba County, New Mexico

Gentlemen:

Pubco Petroleum Corporation is in the process of forming a communitized area for the drilling of a Dakota test well within the S $\frac{1}{4}$ of Section 21, Township 26 North, Range 6 West, N.M.P.M. This communitization will involve Federal Lease No. SF-079185 covering the SW $\frac{1}{4}$ of Section 21, under which Brookhaven and Dacresa Corporation own an overriding royalty interest subject to right of conversion to a working interest upon well payout. Also affected will be the SE $\frac{1}{4}$ of Section 21 which is covered by Federal Lease No. NM-03553, under which Brookhaven and Dacresa own an overriding royalty interest.

Since Brookhaven and Dacresa are working interest owners of record under SF-079185, it is necessary that they join in signing the communitization agreement. We are therefore enclosing three copies of the communitization for Brookhaven and three for Dacresa. Attached to each set are fifteen signature and acknowledgement pages. You may retain one copy for each company. All signature and acknowledgement pages plus the two remaining copies of the agreement should be returned to us upon proper execution.

Complete counterpart sets will be filed with the United States Geological Survey and placed on record in Rio Arriba County. A copy of the Certificate of Approval along with the applicable recording data will be furnished to you as soon as available. You will also be provided with copies of all signature and acknowledgement pages for each of the other parties to the agreement.

TO PETROLEUM CORPORATION

Brookhaven Oil Company and
Dacres Corporation

-2-

May 16, 1966

Since we are anxious to complete all necessary paperwork preliminary to the start of actual physical operations, we request your very earliest possible handling.

Yours very truly,

Orin C. Crane
Records Supervisor

OCG:sb

Enclosures

PAN AMERICAN PETROLEUM CORPORATION

May 16, 1966

Pan American Petroleum Corporation
Security Life Building
Denver, Colorado 80202

Attention: Mr. B. F. Pracko

Re: Pubco Federal #13 - Proposed Communitization
S $\frac{1}{4}$ Section 21, T-26-N, R-6-W, N.M.P.M.
Rio Arriba County, New Mexico

Gentlemen:

Pubco Petroleum Corporation is in the process of forming a communitized area for the drilling of a Dakota test well within the S $\frac{1}{4}$ of Section 21, Township 26 North, Range 6 West, N.M.P.M. This communitization will involve Federal Lease No. SF-079185 covering the SW $\frac{1}{4}$ of Section 21, under which Pan American owns an overriding royalty interest subject to right of conversion to a working interest upon well payout. Also affected will be the SE $\frac{1}{4}$ of Section 21, which is covered by Federal Lease No. NM-03553, under which Pan American owns an overriding royalty interest.

Since Pan American is a working interest owner of record under SF-079185, it is necessary that they join in signing the communitization agreement. We are therefore enclosing three copies of the communitization agreement. Attached are fifteen signature and acknowledgement pages. You may retain one copy and all signature and acknowledgement pages plus the two remaining copies of the agreement should be returned to us upon proper execution.

Complete counterpart sets will be filed with the United States Geological Survey and placed on record in Rio Arriba County. A copy of the Certificate of Approval along with the applicable recording data will be furnished to you as soon as available. You will also be provided with copies of all signature and acknowledgement pages for each of the other parties to the agreement.

Since we are anxious to complete all necessary paperwork preliminary to the start of actual physical operations, we request your very earliest possible handling.

Yours very truly,

OCC:ab
Enclosures

Orin C. Crane
Records Supervisor

PETROLEUM CLUB BUILDING

May 16, 1966

International Oil & Gas Corporation
425 Petroleum Club Building
Denver, Colorado 80202

Attention: Mr. J. V. Koralaki

Re: Pubco Federal No. 13 - Proposed Communitization
S $\frac{1}{2}$, Section 21, T-26-N, R-6-W, N.M.P.M.
Rio Arriba County, New Mexico

Gentlemen:

In following with previous discussions with your Company relative to commitment of your working interest under Federal Lease No. NM-03553, we are enclosing three copies of a communitization agreement and a like number of copies of the operating agreement which we propose to use in communitization of the S $\frac{1}{2}$ of Section 21, Township 26 North, Range 6 West.

Attached to each agreement are fifteen signature and acknowledgement pages. Since we are having the agreements executed in counterpart, we felt that execution and acknowledgement pages without attached documents would provide a considerably more efficient means of handling.

Provided the enclosures are found to be in order, we ask that you retain two copies of each agreement and that you execute and return all remaining materials. Complete counterpart sets of the communitization agreement will be filed with the United States Geological Survey and recorded in Rio Arriba County, whereupon you will be provided with the applicable recording data and a copy of the Certificate of Approval. You will be provided with signature and acknowledgement pages for all parties executing the agreements. We trust that this method of handling will be satisfactory, and we ask your most expeditious handling of these enclosures.

In addition to the above mentioned enclosures, we are also providing two copies of our detailed Well Cost Estimate, one copy of which should be signed in approval on behalf of International and returned along with the other documents.

As a matter of information, we are enclosing a copy of the letter which was mailed to all other working interest owners under NM-03553. We believe that our intention is quite clearly stated

International Oil & Gas Corporation -2-

May 16, 1966

In the enclosed letter, and we hope that we have your complete cooperation in this matter. If you have any suggestions or if you have any intentions in making other arrangements with the various other working interest owners, we ask that you keep us informed accordingly.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosures

May 16, 1966

Caulkins Oil Company
1130 First National Bank Building
Denver, Colorado 80202

Attention: Mr. A. F. Holland

Re: Pubco Federal #13 - Proposed Communitization
S $\frac{1}{2}$ Section 21, T-26-N, R-6-W, N.M.P.M.
Rio Arriba County, New Mexico

Gentlemen:

We have heretofore requested the joinder of Caulkins Oil Company, et al, in forming a communitized area for the drilling of a Dakota test well to embrace the S $\frac{1}{2}$ of Section 21, Township 26 North, Range 6 West. You rejected our initial proposal, but because of your recent Dakota completion in the N $\frac{1}{4}$ of Section 21, we feel that it is imperative that the south offset be drilled.

While we are in sympathy with any marketing conditions that would create economic hardship for Caulkins, such as mentioned in your letter of March 18, 1966, we cannot visualize how this would have a bearing on additional drilling as we are proposing. Because of your rejection, we have found it necessary to go directly to each working interest owner under NM-03553, Caulkins' interest being strictly through a vested right of operation by virtue of an operating agreement with all working interest owners of record.

As a matter of information, we are enclosing a copy of the letter addressed to the various working interest owners. We believe our intention is clearly set forth in that letter, and we ask that you reconsider your position and that you join with us in the drilling of the proposed well.

We are therefore enclosing for your consideration and execution three copies of a communitization agreement and a like number of copies of the proposed operating agreement. Also attached to these agreements are fifteen sets of signature and acknowledgement pages.

Dunkins Oil Company

-2-

May 16, 1966

Should we gain your cooperation we ask that you retain one copy of each agreement, returning all remaining materials properly executed and acknowledged. Two copies of our detailed Well Cost Estimate are enclosed, one of which should be signed and returned along with the other material. Since we are anxious to commence actual physical operations, we ask that you give this matter your immediate attention.

Yours very truly,

Orin C. Crane
Records Supervisor

OCG:sb

Enclosures

PUBCO PETROLEUM CORPORATION

BOX 868

ALBUQUERQUE, NEW MEXICO 87108

TELEPHONE
505 247-8835
505 247-8837

Copies of this letter sent to:

May 13, 1966

Mr. Ernest R. Breech
Mr. Ernest Kanzler
Mrs. Mary H. Zimmerman
Mr. George Herbert Zimmerman
Mr. Louis G. Zimmerman
Mrs. Lorena Mayer Nidorf

Re: Pubco Federal No. #13
Proposed Communitization
S/2, Sec. 21-26N-6W, NMPM
Rio Arriba County, New Mexico

Pubco Petroleum Corporation, as owner of the operating rights under the SW/4 of Section 21, Township 26 North, Range 6 West, has heretofore proposed to Caulkins Oil Company the drilling of a Dakota formation test well to be located within a pooled spacing unit covering the S/2 of Section 21 thus to include the SE/4 of the section which is covered by United States Oil and Gas Lease No. NM-03553. This lease and the right of operation is vested in Caulkins Oil Company under Operating Agreement with you, International Oil & Gas Corporation and others.

Caulkins Oil Company rejected our initial proposal indicating that it would not be advantageous due to certain marketing problems. There has been some indication that Caulkins would be willing to join in the proposed well if they were designated as operator. It is our opinion, however, that Pubco Petroleum Corporation can operate the property with a high degree of efficiency and more economically than could Caulkins.

In support of our belief, we are submitting for your consideration three (3) copies of a Communitization Agreement; two (2) copies of an Operating Agreement and two (2) copies of our detailed Well Cost Estimate. In addition, we are also enclosing fifteen (15) copies of the signature and acknowledgement pages for the Communitization Agreement and a like number of these pages for the Operating Agreement. We ask that you retain one (1) of each agreement, and one (1) copy of the Well Cost Estimate.

You should execute two (2) copies of the Communitization Agreement, one (1) copy of the Operating Agreement and one (1) copy of the Well Cost Estimate, along with all copies of the signature pages provided for each agreement. Upon acknowledgement before a Notary Public, they should be returned to us for further

May 13, 1966

handling. Complete counterpart sets of the Communitization Agreement will be filed with the United States Geological Survey and in the records of Rio Arriba County, New Mexico; we will provide you with a copy of the certificate of approval and the applicable county recording data as soon as it is available. We shall also furnish you with signature and acknowledgement pages for both the Communitization Agreement and the unit Operating Agreement as signed and acknowledged by all other parties involved.

Before signing any of the enclosed documents, we ask that you verify your percentage of interest, the spelling of your name, and your mailing address, as set forth in the agreements and exhibits attached thereto, and should there be any corrections required, we ask that you so advise and we shall make appropriate adjustments and furnish revised pages accordingly. In this connection, we should mention that your interest as indicated in these agreements are those as appear in the record of the Bureau of Land Management in Santa Fe, New Mexico.

While we presume that you would normally wish to have the concurrence of Caulkins Oil Company prior to your joining in a venture such as we have proposed, it becomes necessary that we contact you directly in view of the previous rejection to our proposal by Caulkins. Caulkins has no interest in the lease or lands other than that granted to them by you as one of the record title owners. Our proposed drillsite is immediately offset to the North by a Dakota formation well which was drilled by Caulkins on other lands covered by the same lease which we are asking you to commit to our well. Additionally, we must point out that in the event of non-cooperation and non-joinder by you or any of the other parties who are owners of lease NM-03553, we shall go before the New Mexico Oil Conservation Commission to gain whatever relief or advantage that may be afforded us through that regulatory body. Since we wish to commence this well without undue delay, we respectfully solicit your cooperation and most expeditious handling of this matter.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC/jpc

Enclosure

CAULKINS OIL COMPANY

3333 FIFTH NATIONAL BANK BLDG.
DENVER 2, COLORADO

AREA CODE 303
623-1761

March 18, 1966

?

Pubco Petroleum Corporation
Box 1419
Albuquerque, New Mexico 87108

Attention: Mr. Orin C. Crane

Re: Proposed Communitizations
S $\frac{1}{2}$ Sec. 17 - 26N-6W
S $\frac{1}{2}$ Sec. 21 - 26N-6W
Rio Arriba County, New Mexico

Dear Mr. Crane:

This will acknowledge your letters of February 18 and March 8, 1966, regarding communitizations of the above captioned acreage.

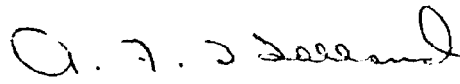
We apologize for the delay in replying. However, it has been necessary for us to review our gas market situation in order to furnish an answer to your request.

Our present gas marketing situation is such that we cannot sell additional gas for the drilling of new ventures. This being the case, to participate in the drilling of a well does not increase our current revenues. There is no economic reason for us to participate in drilling at this time; and until this matter is resolved, we cannot recommend further drilling to our participants.

We appreciated hearing from you and regret that we cannot furnish you an affirmative answer until our marketing situation is improved.

Yours very truly,

CAULKINS OIL COMPANY


A.F. Holland

AFH:r

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ECO PETROLEUM CORPORATION

March 8, 1966

C
O
P
Y

Mr. A. F. Holland
Caulkins Oil Company
1130 First National Bank Building
Denver, Colorado 80202

Re: Proposed Commitizations
S $\frac{1}{4}$ Sec. 17 - 26N-6W
S $\frac{1}{4}$ Sec. 21 - 26N-6W
Rio Arriba County, New Mexico

Dear Mr. Holland:

On February 18 I forwarded our detailed Well Cost Estimate for the proposed commitizations, as above subject, along with a copy of an Operating Agreement which we propose to use in this connection. We also requested certain lease information and solicited Caulkins joinder in these ventures.

We are anxious to commence operations at the very earliest possible date. Your prompt reply will be most appreciated.

Very truly yours,

Orin C. Crane

OCC:ed

AIRMAIL

Y

February 18, 1966

Mr. A. F. Holland
Caulkins Oil Company
1130 First National Bank Building
Denver, Colorado 80202

Re: Proposed Communitizations
S $\frac{1}{4}$ Sec. 17 -26N -6W
S $\frac{1}{4}$ Sec. 21 -26N -6W
Rio Arriba County, New Mexico

Dear Mr. Holland:

In following with our recent telephone conversation relative to our proposal to drill two dakota test wells on communitized tracts to embrace the acreage above described, I am enclosing two (2) copies of a detailed Well Cost Estimate for each proposed communitization. In addition thereto, I am enclosing a copy of an Operating Agreement which is basically the same as the one your Company utilized under the Breech D-118 Well in the W $\frac{1}{4}$ Sec. 1 -26N -6W. This Agreement, however, has been somewhat modified with respect to non-consent provisions for workovers, such modifications being basically drawn from the Ross Martin 610 Form Operating Agreement for Non-Federal lands. We believe you will find this Agreement to be satisfactory. There has been use of this Agreement in communitizations involving Tenneco, El Paso, Texaco, Continental, etc. The accounting procedure is the Copas Form and provides for combined fixed rates which are in comparison with others operating in the San Juan Basin considerably lower.

Additionally, I am enclosing a copy of a current Leasehold Ownership Takeoff which reflects the various interests shown of record in the Bureau of Land Management offices at Santa Fe. You will observe that the various interests recited for Earnest R. Breech, et al do not correspond with the interests shown for these parties under your Breech D-118 Well. In the event you desire to join us in drilling the proposed wells, we will appreciate your providing the exact interest breakdown and names of the parties that will execute the communitization agreements. If they are the same as appears on the instruments under the Breech D-118 Well, it will be a simple matter for us to prepare the documents accordingly. If you and your associates are agreeable in joining in these two wells, we ask that you sign and return one (1) copy of the Well Cost Estimate.

TO: Mr. A. F. Holland
FROM: Mr. Orin C. Crane
DATE: February 18, 1966
PAGE: No. 2

If you have any questions concerning the enclosed form of Operating Agreement, please contact me by telephone, and I will be glad to discuss them thoroughly with you.

Yours very truly,

PUECO PETROLEUM CORPORATION

Orin C. Crane
District Landman

OCC:sw

Enclosures

PUBCO PETROLEUM CORPORATION
Well Cost Estimate

Well Name: Pubco Federal No. 13 Location S/2, Sec. 21-26N-6W County: Rio Arriba State: N.M.

Estimated T.D. 7600 Formation Dakota Prospect Tocito

| <u>Tangible Costs:</u> | | Producer | Dry Hole |
|--------------------------------------|--|------------|-----------|
| Casing: | | | |
| Surface 8 5/8" 32#, H-40, 300' | | \$ 1,100 | \$ 1,100 |
| Production 4 1/2" 10.5#, J-55, 7600' | | 10,300 | - |
| Intermediate | | - | - |
| Tubing 2 1/16" or 2 3/8" | | 4,200 | - |
| Surface Equipment: | | | |
| Gas Production Unit | | 4,900 | - |
| 300 bbl. Tank & access | | 1,800 | - |
| Misc. Lines & conn. | | 3,000 | - |
| Wellhead | | 2,100 | 500 |
| Total Tangible Costs | | \$ 27,400 | \$ 1,600 |
| <u>Intangible Costs:</u> | | | |
| Supervision | | \$ 1,000 | \$ 500 |
| Drilling Footage 7600 @ \$4.00 | | 30,400 | 30,400 |
| Rig Days @ \$ | | 1,000 | 500 |
| Other Completion Rig | | 3,500 | - |
| Trucking | | 1,500 | 500 |
| Fuel | | - | - |
| Water for frac | | 5,000 | - |
| Cement & cementing | | 6,200 | 1,200 |
| Mud | | 3,500 | 3,500 |
| Logs & Tests | | | |
| Logging | | 2,200 | 2,200 |
| Roads & Locations | | 1,000 | 1,000 |
| Formation Stimulation | | 15,000 | - |
| Other Intangible: | | | |
| Guide Shoes, Centralizers, etc. | | 2,000 | 500 |
| Perforating | | 3,000 | - |
| Miscellaneous | | 1,300 | 700 |
| Total Intangible | | \$ 76,600 | \$ 41,000 |
| Total Well Cost | | \$ 104,000 | \$ 42,600 |

| | | | |
|------------|----|-----------|-----------|
| Interests: | % | | |
| Pubco | 50 | \$ 52,000 | \$ 21,300 |
| Others | 50 | \$ 52,000 | \$ 21,300 |

aulkins Oil, et al)

PUBCO PETROLEUM CORPORATION

By Frank D. Gorham, Jr.
President

Joint Interest Approval

DATE _____ 19____

By _____

COMPANY _____

APPROVAL-CERTIFICATION-DETERMINATION

Pubco Federal #13

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the Regional Oil and Gas Supervisors of the Geological Survey by Order approved June 14, 1962 (27 F.R. 6395), I do hereby:

- A. Approve the attached communitization agreement covering the S/2 Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico, as to dry gas and associated liquid hydrocarbons producible from the Dakota formation.
- B. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of the agreement.

Dated: _____

Contract No. _____

Regional Oil and Gas Supervisor
U. S. Geological Survey

COMMUNITIZATION AGREEMENT

Pubco Federal #13

THIS AGREEMENT, entered into as of the 11th day of May, 1966, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto",

W I T N E S S E T H:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 26 North, Range 6 West, N.M.P.M.
Section 21: S/2
Rio Arriba County, New Mexico

containing 320.00 acres, more or less, and this agreement shall extend to and include only the Dakota formation underlying said lands and the dry gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "A" designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Oil and Gas Supervisor.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations.

5. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with nondiscrimination provisions of Paragraphs (1) through (7) of Section 202 of Executive Order No. 11246, as amended, (30 Fed. Reg. 12319), unless exempted by order of the Secretary of Labor issued pursuant to Section 204 of said Executive Order No. 11246.

6. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

7. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.

8. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

9. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

10. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

11. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representatives, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are or can be produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representatives, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation or production if, within sixty (60) days thereafter, reworking or

drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction.

12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representatives, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

13. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

15. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

ATTEST:

PUBCO PETROLEUM CORPORATION

Jack F. Shaw
Jack F. Shaw, Assistant Secretary

By: Frank D. Gorham, Jr.
Frank D. Gorham, Jr., President

Date: May 12, 1964

ATTEST:

CAULKINS OIL COMPANY

Secretary

By: _____
President

DATE: _____

ATTEST:

INTERNATIONAL OIL & GAS CORPORATION

Secretary

By: _____
President

DATE: _____

ATTEST:

PAN AMERICAN PETROLEUM CORPORATION

Secretary

By: *[Signature]*
President

DATE: _____

ATTEST:

DACRESA CORPORATION

Secretary

By: _____
President

DATE: _____

ATTEST:

BROOKHAVEN OIL COMPANY

Secretary

By: _____
President

DATE: _____

DATE: _____

ERNEST R. BREECH

DATE: _____

LORENA MAYER NIDORF

DATE: _____

ERNEST KANZLER, Individually, and as
TRUSTEE FOR ROBERT HUDSON KANZLER and
ERNEST KANZLER, JR.

DATE: _____

GEORGE HERBERT ZIMMERMAN, a/k/a
GEORGE H. ZIMMERMAN, Individually and
as TRUSTEE for GEORGIA ZIMMERMAN, and
as TRUSTEE of the ELAINE ZIMMERMAN TRUST
of JULY 31, 1953, the JESSIE ZIMMERMAN
HITCHENS TRUST of MAY 28, 1956, and the
DORIS ZIMMERMAN TRUST of DECEMBER 30,
1950.

DATE: _____

MARY H. ZIMMERMAN, Successor TRUSTEE
for HELEN L. ZIMMERMAN

DATE: _____

LOUIS G. ZIMMERMAN

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by _____
President of CAULKINS OIL COMPANY, a Corporation, on behalf of
said Corporation.

My Commission Expires:

Notary Public in and for the City and
County of Denver, State of Colorado.

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by _____
President of INTERNATIONAL OIL & GAS CORPORATION, a Corporation,
on behalf of said Corporation.

My Commission Expires:

Notary Public in and for the City
and County of Denver, State of
Colorado.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____
day of _____, 1966, by ERNEST R. BREECH.

My Commission Expires:

Notary Public in and for Wayne County
State of Michigan.

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by LORENA MAYER NIDORF.

My Commission Expires:

Notary Public in and for Los Angeles
County, State of California

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by ERNEST KANZLER, INDIVIDUALLY, and as
TRUSTEE for ERNEST KANZLER, JR., and ROBERT HUDSON KANZLER.

Notary Public in and for Wayne County,
State of Michigan.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by GEORGE HERBERT ZIMMERMAN, a/k/a/ GEORGE
H ZIMMERMAN, Individually and as TRUSTEE for GEORGIA ZIMMERMAN, and as TRUSTEE
of the ELAINE ZIMMERMAN TRUST of JULY 31, 1953, the JESSIE ZIMMERMAN HITCHENS
TRUST of MAY 28, 1956, and the DORIS ZIMMERMAN TRUST of DECEMBER 30, 1950.

My Commission Expires:

Notary Public in and for Wayne County,
State of Michigan.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by MARY H. ZIMMERMAN, Successor TRUSTEE
for HELEN ZIMMERMAN.

My Commission Expires:

Notary Public in and for Wayne County,
State of Michigan.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by LOUIS G. ZIMMERMAN.

My Commission Expires:

Notary Public in and for Wayne County,
State of Michigan

STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

The foregoing instrument was acknowledged before me this 12th day of
January, 1966, by FRANK D. GORHAM, JR., President of PUBCO PETROLEUM
CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires:

Malcolm Anderson

Notary Public in and for the County
of Bernalillo, State of New Mexico

STATE OF COLORADO)
CITY &) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by Its Attorney in Fact, J. S. YANCEY, PAN AMERICAN PETROLEUM CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires:

My Commission expires May 5, 1969

Notary Public in and for the
County of _____,
State of _____

STATE OF ARIZONA)
COUNTY OF MARICOPA) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by THOMAS B. SCOTT, JR., President of DACRESA CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires:

Notary Public in and for the
County of Maricopa, State of
Arizona.

STATE OF ARIZONA)
COUNTY OF MARICOPA) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by THOMAS B. SCOTT, JR., President of BROOKHAVEN OIL COMPANY, a Corporation, on behalf of said Corporation.

My Commission Expires:

Notary Public in and for the
County of Maricopa, State of
Arizona.

EXHIBIT "A"

to

AGREEMENT DATED THE 11th DAY OF MAY,
1966, BETWEEN PUBCO PETROLEUM CORPORATION (OPERATOR) AND
INTERNATIONAL OIL & GAS CORPORATION, ET AL (NON-OPERATORS)
Pubco Federal #13

OPERATOR OF COMMUNITIZED AREA: PUBCO PETROLEUM CORPORATION

DESCRIPTION OF COMMUNITIZED AREA: S/2 Section 21, Township 26N,
Range 6W, N. M. P. M.,
Rio Arriba County, New Mexico

DESCRIPTION OF LEASES COMMITTED

TRACT I

| | |
|----------------------------------|--|
| Lessor: | United States of America |
| Lessees of Record: | Pan American Petroleum Corporation Dacresa Corporation and Brookhaven Oil Company |
| Serial No. of Lease: | SF-079185 |
| Date of Lease: | October 1, 1948 |
| Description of Lands Committed: | <u>Township 26 North, Range 6 West, N.M.P.M.</u> Section 21: SW/4 |
| Number of Acres | 160.00 |
| Working Interest and Percentage: | Pubco Petroleum Corporation: 100% (Subject to the Overriding Royalty Interests set forth below) |
| Royalty Interest and Percentage: | United States of America: 12.5% |
| O. R. R. I. and Percentage: | Pan American Petroleum Corporation: 27.2925% of 12.5% of 8/8 O. R. I. (converting to 27.2925% of 25% W. I. when Operator has recovered 100% of its cost of drilling, equipping and producing any test well involving the described lands.) Dacresa Corporation: 56.332% of 12.5% of 8/8 O. R. I. (converting to 56.332% of 25% W. I. when Operator has recovered 100% of its cost of drilling, equipping and produc- ing any test well involving the described lands.) Brookhaven Oil Company: 16.3755% of 12.5% of 8/8 O. R. I. (converting to 16.3755% of 25% W. I. when Operator has recovered 100% of its cost of drilling, equipping and producing any test well involving the described lands.) |

TRACT II

Lessor: United States of America

Lessees of Record: International Oil & Gas Corporation
Ernest R. Breech
Lorena Mayer Nidorf
Ernest Kanzler
Ernest Kanzler, Trustee for
Robert Hudson Kanzler
Ernest Kanzler, Trustee for
Ernest Kanzler, Jr.
George H. Zimmerman, Trustee of the
Doris Zimmerman Trust of December 30, 1950
George H. Zimmerman, Trustee of the
Elaine Zimmerman Trust of July 31, 1953
George Herbert Zimmerman, Trustee of the
Jessie Zimmerman Hitchens Trust
of May 28, 1956
Mary H. Zimmerman, Successor Trustee for
Helen L. Zimmerman
George Herbert Zimmerman, Trustee for
Georgia Zimmerman
George Herbert Zimmerman
Louis G. Zimmerman

Serial No. of Lease: NM-03553

Date of Lease: October 1, 1948

Description of Lands Committed: Township 26 North, Range 6 West, N. M. P. M.
Section 21: SE/4

Number of Acres: 160.00

Working Interest and Percentage: International Oil & Gas Corporation: 45.00%
Ernest R. Breech: 5.00%
Lorena Mayer Nidorf: 10.00%
Ernest Kanzler: 18.00%
Ernest Kanzler, Trustee for
Robert Hudson Kanzler: 6.00%
Ernest Kanzler, Trustee for
Ernest Kanzler, Jr.: 6.00%
George H. Zimmerman, Trustee of the
Doris Zimmerman Trust of
December 30, 1950: 2.00%
George H. Zimmerman, Trustee of the
Elaine Zimmerman Trust of
July 31, 1953: 2.00%
George Herbert Zimmerman, Trustee
of the Jessie Zimmerman Hitchens
Trust of May 28, 1956: 2.00%
Mary H. Zimmerman, Successor Trustee
for Helen L. Zimmerman: 1.00%
George Herbert Zimmerman, Trustee
for Georgia Zimmerman: 1.00%
George Herbert Zimmerman: 1.00%
Louis G. Zimmerman: 1.00%

Royalty Interest and Percentage: United States of America: 12.50%

O.R.R.I. and Percentage:

| | |
|---|----------|
| Dacresa Corporation | 1.41000% |
| Brookhaven Oil Company | .40875% |
| Pan American Petroleum Corporation | .68125% |
| R. L. Crockett | .08330% |
| Pipeline Transportation, Inc. | .08330% |
| Sally Mims | .04165% |
| Republic National Bank of Dallas for the Account of Harriet M. Buchenau | .04165% |
| Doris Mims Henderson | .08330% |
| Frank A. Schultz | .03340% |
| P. T. Bee | .03340% |
| Mrs. Lula Mae Petrie | .01670% |
| The Sidney B. Petrie Trust, First National Bank in Dallas, Agent Account #263-04881 | .01670% |
| W. C. Smith | .03330% |
| J. W. Bartlett | .03330% |

RECAPITULATION

| <u>Tract Number</u> | <u>No. of Acres Committed</u> | <u>Percentage of Interest in Communitized Area</u> |
|---------------------|-----------------------------------|--|
| I | 160.00 | 50.00% |
| II | <u>160.00</u> | <u>50.00%</u> |
| | 320.00 | 100.00% |

APPROVAL-CERTIFICATION-DETERMINATION

Pubco Federal #13

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the Regional Oil and Gas Supervisors of the Geological Survey by Order approved June 14, 1962 (27 F.R. 6395), I do hereby:

A. Approve the attached communitization agreement covering the S/2 Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico, as to dry gas and associated liquid hydrocarbons producible from the Dakota formation.

B. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of the agreement.

Dated. _____

Contract No. _____

Regional Oil and Gas Supervisor
U. S. Geological Survey

COMMUNITIZATION AGREEMENT

Pubco Federal #13

THIS AGREEMENT, entered into as of the 11th day of May, 1966, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto",

W I T N E S S E T H:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 26 North, Range 6 West, N.M.P.M.
Section 21: S/2
Rio Arriba County, New Mexico

containing 320.00 acres, more or less, and this agreement shall extend to and include only the Dakota formation underlying said lands and the dry gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "A" designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Oil and Gas Supervisor.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations.

5. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with nondiscrimination provisions of Paragraphs (1) through (7) of Section 202 of Executive Order No. 11246, as amended, (30 Fed. Reg. 12319), unless exempted by order of the Secretary of Labor issued pursuant to Section 204 of said Executive Order No. 11246.

6. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

7. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.

8. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

9. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

10. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

11. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representatives, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are or can be produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representatives, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation or production if, within sixty (60) days thereafter, reworking or

drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction.

12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representatives, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

13. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

15. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

ATTEST:

PUBCO PETROLEUM CORPORATION

Jack F. Shaw
Jack F. Shaw, Assistant Secretary

By: Frank D. Gorham, Jr.
Frank D. Gorham, Jr., President

Date: May 1, 1966

ATTEST:

CAULKINS OIL COMPANY

Secretary

By: _____
President

DATE: _____

ATTEST:

INTERNATIONAL OIL & GAS CORPORATION

Secretary

By: _____
President

DATE: _____

ATTEST:

PAN AMERICAN PETROLEUM CORPORATION

Secretary

By: _____
President

DATE: _____

ATTEST:

DACRESA CORPORATION

Thomas B. Borch

Secretary

By: *Thomas B. Borch*

President

DATE: *2/1/61*

ATTEST:

BROOKHAVEN OIL COMPANY

Secretary

By: _____
President

DATE: _____

DATE: _____

ERNEST R. BREECH

DATE: _____

LORENA MAYER NIDORF

DATE: _____

ERNEST KANZLER, Individually, and as
TRUSTEE FOR ROBERT HUDSON KANZLER and
ERNEST KANZLER, JR.

DATE: _____

GEORGE HERBERT ZIMMERMAN, a/k/a
GEORGE H. ZIMMERMAN, Individually and
as TRUSTEE for GEORGIA ZIMMERMAN, and
as TRUSTEE of the ELAINE ZIMMERMAN TRUST
of JULY 31, 1953, the JESSIE ZIMMERMAN
HITCHENS TRUST of MAY 28, 1956, and the
DORIS ZIMMERMAN TRUST of DECEMBER 30,
1950.

DATE: _____

MARY H. ZIMMERMAN, Successor TRUSTEE
for HELEN L. ZIMMERMAN

DATE: _____

LOUIS G. ZIMMERMAN

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by _____
President of CAULKINS OIL COMPANY, a Corporation, on behalf of
said Corporation.

My Commission Expires:

Notary Public in and for the City and
County of Denver, State of Colorado.

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by _____
President of INTERNATIONAL OIL & GAS CORPORATION, a Corporation,
on behalf of said Corporation.

My Commission Expires:

Notary Public in and for the City
and County of Denver, State of
Colorado.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____
day of _____, 1966, by ERNEST R. BREECH.

My Commission Expires:

Notary Public in and for Wayne County
State of Michigan.

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by LORENA MAYER NIDORF.

My Commission Expires:

Notary Public in and for Los Angeles
County, State of California

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by ERNEST KANZLER, INDIVIDUALLY, and as
TRUSTEE for ERNEST KANZLER, JR., and ROBERT HUDSON KANZLER.

Notary Public in and for Wayne County,
State of Michigan.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by GEORGE HERBERT ZIMMERMAN, a/k/a/ GEORGE
H. ZIMMERMAN, Individually and as TRUSTEE for GEORGIA ZIMMERMAN, and as TRUSTEE
of the ELAINE ZIMMERMAN TRUST of JULY 31, 1953, the JESSIE ZIMMERMAN HITCHENS
TRUST of MAY 28, 1956, and the DORIS ZIMMERMAN TRUST of DECEMBER 30, 1950.

My Commission Expires:

Notary Public in and for Wayne County,
State of Michigan.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by MARY H. ZIMMERMAN, Successor TRUSTEE
for HELEN ZIMMERMAN.

My Commission Expires:

Notary Public in and for Wayne County,
State of Michigan.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by LOUIS G. ZIMMERMAN.

My Commission Expires:

Notary Public in and for Wayne County,
State of Michigan

STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

The foregoing instrument was acknowledged before me this 24th day of
August, 1966, by FRANK D. GORHAM, JR., President of PUBCO PETROLEUM
CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires:
August 24, 1968

William E. ...
Notary Public in and for the County
of Bernalillo, State of New Mexico

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____, PAN AMERICAN PETROLEUM CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires: _____

Notary Public in and for the
County of _____,
State of _____

STATE OF ARIZONA)
COUNTY OF MARICOPA) ss.

The foregoing instrument was acknowledged before me this 18th day of January, 1966, by THOMAS B. SCOTT, JR., President of DACRESA CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires: _____

Vernon F. Brown
Notary Public in and for the
County of Maricopa, State of
Arizona.

STATE OF ARIZONA)
COUNTY OF MARICOPA) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by THOMAS B. SCOTT, JR., President of BROOKHAVEN OIL COMPANY, a Corporation, on behalf of said Corporation.

My Commission Expires: _____

Notary Public in and for the
County of Maricopa, State of
Arizona.

EXHIBIT "A"

to,

AGREEMENT DATED THE 11th DAY OF MAY,
1966, BETWEEN PUBCO PETROLEUM CORPORATION (OPERATOR) AND
INTERNATIONAL OIL & GAS CORPORATION, ET AL (NON-OPERATORS)
Pubco Federal #13

OPERATOR OF COMMUNITIZED AREA: PUBCO PETROLEUM CORPORATION

DESCRIPTION OF COMMUNITIZED AREA: S/2 Section 21, Township 26N,
Range 6W, N. M. P. M.,
Rio Arriba County, New Mexico

DESCRIPTION OF LEASES COMMITTED

TRACT I

| | |
|----------------------------------|--|
| Lessor: | United States of America |
| Lessees of Record: | Pan American Petroleum Corporation Dacresa Corporation and Brookhaven Oil Company |
| Serial No. of Lease: | SF-079185 |
| Date of Lease: | October 1, 1948 |
| Description of Lands Committed: | <u>Township 26 North, Range 6 West, N.M.P.M.</u> Section 21: SW/4 |
| Number of Acres | 160.00 |
| Working Interest and Percentage: | Pubco Petroleum Corporation: 100% (Subject to the Overriding Royalty Interests set forth below) |
| Royalty Interest and Percentage: | United States of America: 12.5% |
| O. R. R. I. and Percentage: | Pan American Petroleum Corporation: 27.2925% of 12.5% of 8/8 O. R. I. (converting to 27.2925% of 25% W. I. when Operator has recovered 100% of its cost of drilling, equipping and producing any test well involving the described lands.) Dacresa Corporation: 56.332% of 12.5% of 8/8 O. R. I. (converting to 56.332% of 25% W. I. when Operator has recovered 100% of its cost of drilling, equipping and produc- ing any test well involving the described lands.) Brookhaven Oil Company: 16.3755% of 12.5% of 8/8 O. R. I. (converting to 16.3755% of 25% W. I. when Operator has recovered 100% of its cost of drilling, equipping and producing any test well involving the described lands.) |

TRACT II

Lessor: United States of America

Lessees of Record: International Oil & Gas Corporation
Ernest R. Breech
Lorena Mayer Nidorf
Ernest Kanzler
Ernest Kanzler, Trustee for
Robert Hudson Kanzler
Ernest Kanzler, Trustee for
Ernest Kanzler, Jr.
George H. Zimmerman, Trustee of the
Doris Zimmerman Trust of December 30, 1950
George H. Zimmerman, Trustee of the
Elaine Zimmerman Trust of July 31, 1953
George Herbert Zimmerman, Trustee of the
Jessie Zimmerman Hitchens Trust
of May 28, 1956
Mary H. Zimmerman, Successor Trustee for
Helen L. Zimmerman
George Herbert Zimmerman, Trustee for
Georgia Zimmerman
George Herbert Zimmerman
Louis G. Zimmerman

Serial No. of Lease: NM-03553

Date of Lease: October 1, 1948

Description of Lands Committed: Township 26 North, Range 6 West, N. M. P. M.
Section 21: SE/4

Number of Acres: 160.00

Working Interest and Percentage: International Oil & Gas Corporation: 45.00%
Ernest R. Breech: 5.00%
Lorena Mayer Nidorf: 10.00%
Ernest Kanzler: 18.00%
Ernest Kanzler, Trustee for
Robert Hudson Kanzler: 6.00%
Ernest Kanzler, Trustee for
Ernest Kanzler, Jr.: 6.00%
George H. Zimmerman, Trustee of the
Doris Zimmerman Trust of
December 30, 1950: 2.00%
George H. Zimmerman, Trustee of the
Elaine Zimmerman Trust of
July 31, 1953: 2.00%
George Herbert Zimmerman, Trustee
of the Jessie Zimmerman Hitchens
Trust of May 28, 1956: 2.00%
Mary H. Zimmerman, Successor Trustee
for Helen L. Zimmerman: 1.00%
George Herbert Zimmerman, Trustee
for Georgia Zimmerman: 1.00%
George Herbert Zimmerman: 1.00%
Louis G. Zimmerman: 1.00%

Royalty Interest and Percentage: United States of America: 12.50%

O.R.R.I. and Percentage:

| | |
|---|----------|
| Dacresa Corporation | 1.41000% |
| Brookhaven Oil Company | .40875% |
| Pan American Petroleum Corporation | .68125% |
| R. L. Crockett | .08330% |
| Pipeline Transportation, Inc. | .08330% |
| Sally Mims | .04165% |
| Republic National Bank of Dallas for the Account of Harriet M. Buchenau | .04165% |
| Doris Mims Henderson | .08330% |
| Frank A. Schultz | .03340% |
| P. T. Bee | .03340% |
| Mrs. Lula Mae Petrie | .01670% |
| The Sidney B. Petrie Trust, First National Bank in Dallas, Agent Account #263-04881 | .01670% |
| W. C. Smith | .03330% |
| J. W. Bartlett | .03330% |

RECAPITULATION

| <u>Tract Number</u> | <u>No. of Acres Committed</u> | <u>Percentage of Interest in Communitized Area</u> |
|---------------------|-----------------------------------|--|
| I | 160.00 | 50.00% |
| II | <u>160.00</u> | <u>50.00%</u> |
| | 320.00 | 100.00% |

APPROVAL-CERTIFICATION-DETERMINATION

Pubco Federal #13

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the Regional Oil and Gas Supervisors of the Geological Survey by Order approved June 14, 1962 (27 F.R. 6395), I do hereby:

- A. Approve the attached communitization agreement covering the S/2 Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico, as to dry gas and associated liquid hydrocarbons producible from the Dakota formation.
- B. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of the agreement.

Dated, _____

Contract No. _____

Regional Oil and Gas Supervisor
U. S. Geological Survey

COMMUNITIZATION AGREEMENT

Pubco Federal #13

THIS AGREEMENT, entered into as of the 11th day of May, 1966, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto",

W I T N E S S E T H:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 26 North, Range 6 West, N.M.P.M.
Section 21: S/2
Rio Arriba County, New Mexico

containing 320.00 acres, more or less, and this agreement shall extend to and include only the Dakota formation underlying said lands and the dry gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substance") producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "A" designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Oil and Gas Supervisor.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations.

5. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with nondiscrimination provisions of Paragraphs (1) through (7) of Section 202 of Executive Order No. 11246, as amended, (30 Fed. Reg. 12319), unless exempted by order of the Secretary of Labor issued pursuant to Section 204 of said Executive Order No. 11246.

6. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

7. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and amended.

8. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

9. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

10. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

11. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representatives, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are or can be produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representatives, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or

drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction.

12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representatives, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

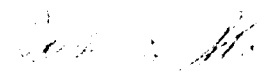
13. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

15. This agreement may be executed in any number of counterparts, none of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.


ATTEST:



Jack F. Shaw, Assistant Secretary

Date: MAY 17 1966

PUBCO PETROLEUM CORPORATION

By: 

Frank D. Gorham, Jr., President

ATTEST:

CAULKINS OIL COMPANY

Secretary

By: _____
President

DATE: _____

ATTEST:

INTERNATIONAL OIL & GAS CORPORATION

Secretary

By: _____
President

DATE: _____

ATTEST:

PAN AMERICAN PETROLEUM CORPORATION

Secretary

By: _____
President

DATE: _____

ATTEST:

DACRESA CORPORATION

Secretary

By: _____
President

DATE: _____

ATTEST:

BROOKHAVEN OIL COMPANY

James J. Carroll
Secretary

By: *John B. Smith*
President

DATE: *May 18, 1956*

DATE: _____

ERNEST R. BREECH

DATE: _____

LORENA MAYER NIDORF

DATE: _____

ERNEST KANZLER, Individually, and as
TRUSTEE FOR ROBERT HUDSON KANZLER and
ERNEST KANZLER, JR.

DATE: _____

GEORGE HERBERT ZIMMERMAN, a/k/a
GEORGE H. ZIMMERMAN, Individually and
as TRUSTEE for GEORGIA ZIMMERMAN, and
as TRUSTEE of the ELAINE ZIMMERMAN TRUST
of JULY 31, 1953, the JESSIE ZIMMERMAN
HITCHENS TRUST of MAY 28, 1956, and the
DORIS ZIMMERMAN TRUST of DECEMBER 30,
1950.

DATE: _____

MARY H. ZIMMERMAN, Successor TRUSTEE
for HELEN L. ZIMMERMAN

DATE: _____

LOUIS G. ZIMMERMAN

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by _____
President of CAULKINS OIL COMPANY, a Corporation, on behalf of
said Corporation.

My Commission Expires:

Notary Public in and for the City and
County of Denver, State of Colorado.

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by _____
President of INTERNATIONAL OIL & GAS CORPORATION, a Corporation,
on behalf of said Corporation.

My Commission Expires:

Notary Public in and for the City
and County of Denver, State of
Colorado.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____
day of _____, 1966, by ERNEST R. BREECH.

My Commission Expires:

Notary Public in and for Wayne County
State of Michigan.

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by LORENA MAYER NIDORF.

My Commission Expires:

Notary Public in and for Los Angeles
County, State of California

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____ day
of _____, 1966, by ERNEST KANZLER, INDIVIDUALLY, and as
TRUSTEE for ERNEST KANZLER, JR., and ROBERT HUDSON KANZLER.

Notary Public in and for Wayne County,
State of Michigan.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by GEORGE HERBERT ZIMMERMAN, a/k/a/ GEORGE H ZIMMERMAN, Individually and as TRUSTEE for GEORGIA ZIMMERMAN, and as TRUSTEE of the ELAINE ZIMMERMAN TRUST of JULY 31, 1953, the JESSIE ZIMMERMAN HITCHENS TRUST of MAY 28, 1956, and the DORIS ZIMMERMAN TRUST of DECEMBER 30, 1950.

My Commission Expires: _____

Notary Public in and for Wayne County,
State of Michigan.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by MARY H. ZIMMERMAN, Successor TRUSTEE for HELEN ZIMMERMAN.

My Commission Expires: _____

Notary Public in and for Wayne County,
State of Michigan.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by LOUIS G. ZIMMERMAN.

My Commission Expires: _____

Notary Public in and for Wayne County,
State of Michigan

STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by FRANK D. GORHAM, JR., President of PUBCO PETROLEUM CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires: _____

Notary Public in and for the County
of Bernalillo, State of New Mexico

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____, PAN AMERICAN PETROLEUM CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires: _____

Notary Public in and for the
County of _____,
State of _____

STATE OF ARIZONA)
COUNTY OF MARICOPA) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by THOMAS B. SCOTT, JR., President of DACRESA CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires: _____

Notary Public in and for the
County of Maricopa, State of
Arizona.

STATE OF ARIZONA)
COUNTY OF MARICOPA) ss.

The foregoing instrument was acknowledged before me this 11th day of May, 1966, by THOMAS B. SCOTT, JR., President of BROOKHAVEN OIL COMPANY, a Corporation, on behalf of said Corporation.

My Commission Expires:

MY COMMISSION EXPIRES NOV. 18, 1966

Norman J. Krammer
Notary Public in and for the
County of Maricopa, State of
Arizona.

EXHIBIT "A"

to

AGREEMENT DATED THE 11/16 DAY OF May,
1966, BETWEEN PUBCO PETROLEUM CORPORATION (OPERATOR) AND
INTERNATIONAL OIL & GAS CORPORATION, ET AL (NON-OPERATORS)
Pubco Federal #13

OPERATOR OF COMMUNITIZED AREA: PUBCO PETROLEUM CORPORATION

DESCRIPTION OF COMMUNITIZED AREA: S/2 Section 21, Township 26N,
Range 6W, N. M. P. M.,
Rio Arriba County, New Mexico

DESCRIPTION OF LEASES COMMITTED

TRACT I

| | |
|----------------------------------|--|
| Lessor: | United States of America |
| Lessees of Record: | Pan American Petroleum Corporation Dacresa Corporation and Brookhaven Oil Company |
| Serial No. of Lease: | SF-079185 |
| Date of Lease: | October 1, 1948 |
| Description of Lands Committed: | <u>Township 26 North, Range 6 West, N.M.P.M.</u> <u>Section 21: SW/4</u> |
| Number of Acres | 160.00 |
| Working Interest and Percentage: | Pubco Petroleum Corporation: 100% (Subject to the Overriding Royalty Interests set forth below) |
| Royalty Interest and Percentage: | United States of America: 12.5% |
| O. R. R. I. and Percentage: | Pan American Petroleum Corporation: 27.2925% of 12.5% of 3/8 O. R. I. (converting to 27.2925% of 25% W. I. when Operator has recovered 100% of its cost of drilling, equipping and producing any test well involving the described lands.) Dacresa Corporation: 56.332% of 12.5% of 8/8 O. R. I. (converting to 56.332% of 25% W. I. when Operator has recovered 100% of its cost of drilling, equipping and produc- ing any test well involving the described lands.) Brookhaven Oil Company: 16.3755% of 12.5% of 8/8 O. R. I. (converting to 16.3755% of 25% W. I. when Operator has recovered 100% of its cost of drilling, equipping and producing any test well involving the described lands.) |

TRACT II

Lessor: United States of America

Lessees of Record: International Oil & Gas Corporation
Ernest R. Breech
Lorena Mayer Nidorf
Ernest Kanzler
Ernest Kanzler, Trustee for
Robert Hudson Kanzler
Ernest Kanzler, Trustee for
Ernest Kanzler, Jr.
George H. Zimmerman, Trustee of the
Doris Zimmerman Trust of December 30, 1950
George H. Zimmerman, Trustee of the
Elaine Zimmerman Trust of July 31, 1953
George Herbert Zimmerman, Trustee of the
Jessie Zimmerman Hitchens Trust
of May 28, 1956
Mary H. Zimmerman, Successor Trustee for
Helen L. Zimmerman
George Herbert Zimmerman, Trustee for
Georgia Zimmerman
George Herbert Zimmerman
Louis G. Zimmerman

Serial No. of Lease: NM-03553

Date of Lease: October 1, 1948

Description of Lands Committed: Township 26 North, Range 6 West, N. M. P. M.
Section 21: SE/4

Number of Acres: 160.00

Working Interest and Percentage: International Oil & Gas Corporation: 45.00%
Ernest R. Breech: 5.00%
Lorena Mayer Nidorf: 10.00%
Ernest Kanzler: 18.00%
Ernest Kanzler, Trustee for
Robert Hudson Kanzler: 6.00%
Ernest Kanzler, Trustee for
Ernest Kanzler, Jr.: 6.00%
George H. Zimmerman, Trustee of the
Doris Zimmerman Trust of
December 30, 1950: 2.00%
George H. Zimmerman, Trustee of the
Elaine Zimmerman Trust of
July 31, 1953: 2.00%
George Herbert Zimmerman, Trustee
of the Jessie Zimmerman Hitchens
Trust of May 28, 1956: 2.00%
Mary H. Zimmerman, Successor Trustee
for Helen L. Zimmerman: 1.00%
George Herbert Zimmerman, Trustee
for Georgia Zimmerman: 1.00%
George Herbert Zimmerman: 1.00%
Louis G. Zimmerman: 1.00%

Royalty Interest and Percentage: United States of America: 12.50%

O.R.R.I. and Percentage:

| | |
|---|----------|
| Dacresa Corporation | 1.41000% |
| Brookhaven Oil Company | .40875% |
| Pan American Petroleum Corporation | .68125% |
| R. L. Crockett | .08330% |
| Pipeline Transportation, Inc. | .08330% |
| Sally Mims | .04165% |
| Republic National Bank of Dallas for the Account of Harriet M. Buchenau | .04165% |
| Doris Mims Henderson | .08330% |
| Frank A. Schultz | .03340% |
| P. T. Bee | .03340% |
| Mrs. Lula Mae Petrie | .01670% |
| The Sidney B. Petrie Trust, First National Bank in Dallas, Agent Account #263-04881 | .01670% |
| W. C. Smith | .03330% |
| J. W. Bartlett | .03330% |

RECAPITULATION

| <u>Tract Number</u> | <u>No. of Acres Committed</u> | <u>Percentage of Interest in Communitized Area</u> |
|---------------------|-----------------------------------|--|
| I | 160.00 | 50.00% |
| II | <u>160.00</u> | <u>50.00%</u> |
| | 320.00 | 100.00% |

OPERATING AGREEMENT

THIS AGREEMENT, made and entered into as of the 11th day of May 1966, by and between PUBCO PETROLEUM CORPORATION; CAULKINS OIL COMPANY; INTERNATIONAL OIL & GAS CORPORATION; ERNEST R. BREECH; LORENA MAYER NIDORF; ERNEST KANZLER, Individually, and as TRUSTEE for ROBERT HUDSON KANZLER and ERNEST KANZLER, JR.; GEORGE HERBERT ZIMMERMAN, a/k/a GEORGE H. ZIMMERMAN, Individually and as TRUSTEE for GEORGIA ZIMMERMAN and as TRUSTEE of the ELAINE ZIMMERMAN TRUST of July 31, 1953, the JESSIE ZIMMERMAN HITCHENS TRUST of May 28, 1956, and the DORIS ZIMMERMAN TRUST of December 30, 1950; MARY H. ZIMMERMAN, SUCCESSOR TRUSTEE for HELEN L. ZIMMERMAN; and LOUIS G. ZIMMERMAN;

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of certain oil and gas leases, more particularly described in Exhibit "A" attached hereto, insofar as said leases cover the following described land situated in Rio Arriba County, New Mexico, to-wit:

Township 26 North, Range 6 West, N.M.P.M.

Section 21: S/2
Containing 320.00 acres, more or less;

and

WHEREAS, said parties desire to enter into an operating agreement providing for the joint development and operation of that portion of the lands described in said Exhibit "A," which comprises the Dakota Formation;

NOW, THEREFORE, the parties hereto have agreed and do hereby agree as follows:

I.

For the purposes hereof, it is agreed that the aforementioned leases, insofar as same cover the Dakota Formation within and underlying the above described lands, have been pooled and communitized to form a unit covering only the dry gas and associated liquid hydrocarbons in the Dakota Formation in, to and under the above described land. It is the intention of the parties hereto, in forming said unit, to pool and communitize all leases which they may now own covering any interest in dry gas and associated liquid hydrocarbons in the communitized stratum. Such

unit is created by the Communitization Agreement, of even date herewith, executed by the interest owners under the above referred to lands.

II.

Pubco Petroleum Corporation is hereby designated and shall act as Operator of such unit in accordance with the terms and provisions of this agreement. Operator shall have full and complete management of the development and operation of said unit for natural gas and liquid hydrocarbons extracted from the Dakota Formation as an entirety, but Operator agrees that no well shall be commenced upon said unit projected to that Formation except the well hereinafter provided for without the consent of Non-Operator (the term "Non-Operator", as used in this agreement, shall be deemed to include all Non-Operating parties, whether one or more).

Operator may resign as Operator at any time by giving notice to Non-Operator, in writing, sixty (60) days in advance of the effective date of such resignation, and, in such event, the working interest owners of said unit shall immediately select a successor. In the event Operator shall sell or otherwise dispose of all of its interest in said unit, the right of operation herein conferred shall not run with the transfer or assignment of such interest or inure to the benefit of Operator's assignee, but Non-Operator and Operator's assignee shall immediately select a new Operator.

When a change of Operator takes place, irrespective of how same may be brought about, the outgoing Operator or the incoming Operator either may require an audit of the books and accounts of the outgoing Operator which are applicable to the subject premises, and, in the event such request is made, same shall be made by a firm of independent Certified Public Accountants designated by the new Operator, and the cost thereof shall be an expense of the joint account.

III.

As soon as practicable after the date hereof, Operator shall commence or cause to be commenced drilling operations for the joint account of the parties hereto and shall thereafter drill said well to a depth sufficient to test the Dakota Formation, unless salt, caprock, cavities, heaving shale, abnormal water flow, or other impenetrable substances making further drilling impracticable are encountered in said well at a lesser depth. The parties hereto may also mutually agree to discontinue drilling operations at a lesser depth. Upon completion of

said well, if it is a commercial well, Operator shall notify Non-Operator of the date said well is connected to a gas gathering system, if it is so connected.

In the event a well capable of producing gas in paying quantities is shut in, Operator shall immediately notify Non-Operator thereof, except that Operator shall not be required to notify the Non-Operator if the well should be shut in for limited periods of time in order to balance production during peak load periods or for reasons of making mechanical repairs. All production obtained from the unit area and all material and equipment acquired hereunder for the joint account of the parties hereto shall be owned by the parties hereto in the proportions hereinafter specified in Article IV of this agreement.

IV.

The entire costs and expense involved in drilling, completing and operating said well, if said well is a commercial well, or in plugging and abandoning, if said well is a dry hole or non-commercial well, shall be borne by the parties hereto, as follows:

| | |
|--|--------|
| Pubco Petroleum Corporation | 50.00% |
| International Oil & Gas Corporation | 22.50% |
| Ernest R. Breech | 2.50% |
| Lorena Mayer Nidorf | 5.00% |
| Ernest Kanzler | 9.00% |
| Ernest Kanzler, Trustee for Robert Hudson Kanzler | 3.00% |
| Ernest Kanzler, Trustee for Ernest Kanzler, Jr. | 3.00% |
| George H. Zimmerman, Trustee of the Doris Zimmerman Trust of December 30, 1950 | 1.00% |
| George H. Zimmerman, Trustee of the Elaine Zimmerman Trust of July 31, 1953 | 1.00% |
| George Herbert Zimmerman, Trustee of the Jessie Zimmerman Hitchens Trust of May 28, 1956 | 1.00% |
| Mary H. Zimmerman, Successor Trustee for Helen L. Zimmerman | .50% |
| George Herbert Zimmerman, Trustee for Georgia Zimmerman | .50% |
| George Herbert Zimmerman | .50% |
| Louis G. Zimmerman | .50% |

Unless Operator elects to require any Non-Operator to advance its share of the costs and expenses, as hereinafter provided, Operator shall initially advance and pay all costs and expenses for the drilling of the well provided for in Article III hereof, as well as operation expenses of said unit, and shall charge each Non-Operator with its pro rata part thereof on the basis of its proportionate interest in the unit as set out above.

All such costs, expenses, credits and related matter, and the method of

handling the accounting with respect thereto, shall be in accordance with the provisions of the Accounting Procedure, attached hereto as Exhibit "B" and made a part hereof for all purposes.

In the event of any conflict between the provisions contained in the body of this agreement and those contained in said Exhibit "B," the provisions of this agreement shall govern to the extent of such conflict.

In the event that Operator elects to require any Non-Operator to advance its proportionate share of the above mentioned costs and expenses, Operator shall submit an itemized estimate of such costs and expenses for the succeeding calendar month to such Non-Operator, showing therein the proportionate part of the estimated costs and expenses chargeable to such Non-Operator. With fifteen (15) days after receipt of said estimate, such Non-Operator shall pay to the Operator its proportionate share of the estimated costs and expenses. If payment of the estimated costs and expenses is not made when due, the unpaid balance thereof shall bear interest at the rate of six percent (6%) per annum from the due date until paid. Adjustments between estimated and actual costs and expenses shall be made by Operator at the close of each calendar month and the account of the respective parties adjusted accordingly.

The well to be drilled on the communitized unit shall be drilled on a competitive contract basis at the usual rates prevailing in the field. However, Operator, if it so desires, may employ its own tools and equipment; provided that in no event shall the charges therefor exceed the prevailing rate in the field, 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.

Without the consent of all parties: (a) No well shall be drilled on the unit except the well expressly provided for in Article III of this agreement, it being understood that the consent to the drilling of the well shall include consent to all necessary expenditures in the drilling, testing, completing, and equipping of the well, including necessary tankage; (b) the well shall not be reworked, plugged back or deepened except as expressly provided for in Article V of this agreement, it being understood that the consent to the reworking, plugging back or deepening of the well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well to produce,

including necessary tankage; (c) Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Five Thousand Dollars (\$5,000.00) except in connection with 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 the other parties. Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of \$1,500.00.

V.

If all the parties cannot mutually agree upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the unit, any party or parties wishing to rework, deepen or plug back such a well may give the other parties 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 parties 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 parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties 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.

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 Article IV 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 reworked, deepened or plugged back under the provisions of this section results in a producer of 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 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 all of its operating rights and working interest in and to such well, and the Consenting Parties shall own all of such Non-Consenting Party's working interest and operating rights of said well. If the well after being reworked, deepened or plugged back is completed as a producer of gas in paying quantities, the operating rights and working interest so relinquished by Non-Consenting Party shall revert to it at such time as the proceeds or market value of that portion of the production obtained from the well after such deepening, reworking or plugging back, which would have accrued to such Non-Consenting Party's interest if the well had been reworked, deepened or plugged back for the account of all parties (after deducting production tax, royalty, overriding royalty and other interests, payable out of or measured by the production from such well accruing with respect to such interest) shall equal to the total of the following: (a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section, it being agreed

that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and (b) 200% of that portion of the costs and expenses of reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Article XV, and 200% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

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 deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

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 reworking, 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, until reversion to Non-Consenting Party 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 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 balance it shall be paid to such Non-Consenting Party.

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 interests in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the 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 "B," attached hereto.

The provisions of this section shall have no application whatsoever to the drilling of the well provided for in Article III hereof, but shall apply to the reworking, deepening, or plugging back of said well after it has been drilled to the depth specified in Article III, if it is, or thereafter shall prove to be, a dry hole or non-commercial well.

VI.

Operator shall have a lien on the interest of Non-Operator which is subject to this agreement, the proceeds from the sale of their share of production therefrom, and the material and equipment thereon to secure Operator in the payment of any sum due to Operator hereunder from Non-Operator, such lien to be enforceable as any other mortgage lien. The lien herein provided for shall not extend to any royalty rights attributable to any interest subjected hereto.

In the event any party fails to pay any amount owing by it to Operator as its share of such costs and expense 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 dry gas and associated liquid hydrocarbons, the proceeds accruing to the working interest or interests in the unit of the delinquent party up to the amount owing by such party, and each purchaser is authorized to rely upon Operator's statement as to the amount owing by such party.

Except as provided in the first paragraph of this Article VI, Operator shall keep the jointly owned leases free and clear of all encumbrances, levies and claims, and also of all labor and mechanic's liens for or on account of labor

employed or materials purchased by it.

Each party shall always have the exclusive right and privilege of receiving in kind or separately disposing of its proportionate share of the production saved from the premises covered by this agreement; provided, however, should any Non-Operator fail to take in kind or separately dispose of its proportionate share of production, Operator shall nevertheless have the right to produce the dry gas and associated liquid hydrocarbons from the premises, and shall have the right, subject to revocation at will by the party owning same, to purchase such production or sell the same to others for the time being at not less than the market price prevailing in the area and not less than the price which Operator received for its portion of such production. Operator shall not sell gas produced from the premises covered by this agreement and owned by a Non-Operator into interstate commerce unless such Non-Operator shall have received not less than sixty (60) day's notice of such intended sale. Any extra expense incurred by Operator as the result of the exercise by any party of its right to take or dispose of its share of production in kind shall be borne by the party so exercising such right. Any sales by Operator of Non-Operator's production shall be only for such reasonable periods of time as are commensurate with the minimum needs of the industry under the circumstances, but in no event shall such sale be for a period in excess of one (1) year.

VII.

Subject to the provisions of Article VI above, surplus material and equipment belonging to the joint account which, in the judgment of Operator, is not necessary for the development and operation thereof, may be sold by Operator for the benefit of the joint account, or may be divided in kind between the parties hereto. Proper charges and credits shall be made by Operator as provided in the accounting procedure marked Exhibit "B" attached hereto.

VIII.

Non-Operator shall have access to the premises at all reasonable times to inspect and observe any operations thereon, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto, and Operator, upon request, shall furnish Non-Operator with copies of all drilling reports, well logs, electric

logs, well surveys, core analyses and core descriptions, 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 wells drilled hereunder.

IX.

No jointly owned well which is producing or has once produced shall be abandoned without the mutual consent of the parties hereto. If one of the parties elects to abandon a well and the other party or parties elects not to abandon the same, the party electing to abandon same shall so advise the other party or parties in writing, and the latter shall have ten (10) days from receipt of said notice in which to elect whether to agree to the abandonment of said well or to purchase the interest in said well of the abandoning party or parties. If any party or parties desiring to continue the operation of the well elects to purchase the interest of any abandoning party, it shall pay to such party or parties desiring to abandon, in cash, the agreed value of the latter's interest in the salvage of the material and equipment in and on said well, said value to be determined in accordance with the provisions of the attached Exhibit "B" designated as Accounting Procedure, and, upon receipt of such sum, the party or parties electing to abandon such well shall assign, without warranty of title, to the other party or parties, its interest in said well and the production from the formation or formations from which it was last producing. If more than one party elects to continue the operations of the well, the interest of the abandoning parties shall be paid for and thereafter owned by said parties in the proportions set forth in Article IV hereof.

Neither shall the leasehold interest covered by this agreement be surrendered in whole or in part unless the parties mutually consent thereto. Should any party or parties at any time desire to surrender its interest, and should the other party or parties not agree or consent to such surrender, the surrendering party or parties shall assign, without express or implied warranty of title, all of its leasehold interest in the premises, and, subject to this agreement, to the party or parties not desiring to surrender, and thereupon such assigning party shall be relieved from all obligations thereafter (but not theretofore) accruing hereunder. From and after the making of such assignment, the assigning party or parties shall have no further interest in the interest assigned, but shall be entitled to be paid for its interest in any material on

the premises at its salvage value, determined as provided in the attached Exhibit "B." If more than one party does not desire to surrender its interest, the interest of the surrendering party or parties shall be owned by such non-surrendering parties in the proportions set forth in Article IV hereof.

The liability of the parties hereunder shall be several and not joint or collective. Each party hereto shall be responsible only for its obligations as herein set out, and shall be liable only for its proportionate share of the cost of developing and operating the premises subject hereto. It is expressly agreed that it is not the purpose or intention of this agreement to create, nor shall same be construed as creating, any mining partnership, commercial partnership or other partnership relations, nor shall the operations of the parties hereunder be construed or considered as a joint venture. Pursuant to the provisions of Section 761 (a) of the Internal Revenue Code of 1954, and the regulations promulgated thereunder, election is hereby made to exclude this agreement and all operations thereunder from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such additional or further evidence of said election as may be required by regulations issued under said Subchapter K, or, should said regulations require each party to execute such further evidence, each party agrees to execute such evidence, or to join in the execution thereof.

X.

Operator shall not be liable for any loss of property or of time caused by strikes, riots, fires, tornadoes, floods or for any other cause beyond the control of Operator through the exercise of reasonable diligence.

Non-discrimination: In connection with the performance of work under this agreement, the Operator agrees to comply with Non-discrimination provisions of Paragraphs (1) through (7) of Section 202 of Executive Order No. 11246, as amended, (30 Fed. Reg. 12319), unless exempted by order of the Secretary of Labor issued pursuant to Section 204 of said Executive Order No. 11246. All of the provisions of this agreement are hereby expressly made subject to all applicable Federal or State Laws, orders, rules and regulations, and, in the event this contract or any provision thereof is found to be inconsistent with or contrary to any such law, order, rule or regulation, the latter shall be deemed to control and this

contract shall be regarded as modified accordingly, and, as so modified, shall continue in full force and effect.

XI.

Operator shall render, for ad valorem tax purposes, the entire leasehold rights and interest covered by this agreement, and all physical property located thereon, and shall pay, for the joint account, all such ad valorem taxes at the time and in the manner required by law. Operator shall bill Non-Operators for their proportionate shares of such tax payments as set out in the attached Accounting Procedure.

XII.

This agreement shall become effective as of the date hereof upon execution by the parties hereto, notwithstanding the date of execution, and shall remain in full force and effect for a period of one (1) year and so long thereafter as natural gas and liquid hydrocarbons extracted therefrom are produced from the Dakota Formation from any part of said communitized unit in paying quantities, provided that, prior to production in paying quantities from said communitized unit and upon fulfillment of all the requirements of the Oil Conservation Commission of the State of New Mexico, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by the mutual agreement of all the parties hereto.

XIII.

All notices, reports and correspondence required or made necessary by the terms of this agreement shall be deemed to have been properly served if and when sent by mail or telegraphed to the parties at the following addresses:

Pubco Petroleum Corporation
Post Office Box 869
Albuquerque, New Mexico 87103

George Herbert Zimmerman
Suite 1700, 150 Bagley Avenue
Detroit 26, Michigan

Caulkins Oil Company
1130 First National Bank Building
Denver, Colorado 80202

Mary H. Zimmerman
Suite 1700, 150 Bagley Avenue
Detroit 26, Michigan

Ernest Kanzler
1700 Club-Exchange Building
Detroit 26, Michigan

International Oil & Gas Corporation
825 Petroleum Club Building
Denver, Colorado 80202

Ernest R. Breech
Box 236
Bloomfield Hills, Michigan

Louis G. Zimmerman
1700 Club-Exchange Building
Detroit 26, Michigan

Lorena Mayer Nidorf
197 North Canon Drive
Beverly Hills, California

Each party may change its address by appropriate written notice to the other party.

XIV.

The number of employees, the selection of such employees, the hours of labor, and the compensation to be paid such employees shall be determined by Operator; and all such employees shall be employees of Operator.

Operator shall procure and maintain for the benefit of and at the expense of the joint account the following types of insurance:

- (1) Workmen's Compensation Insurance sufficient to comply with the Workmen's Compensation Law for the State of New Mexico.
- (2) Comprehensive General Public Liability Insurance with limits of not less than \$250,000 per person and \$500,000 per accident, and General Public Liability Property Damage with limits of not less than \$100,000 per accident.
- (3) Automobile Public Liability Insurance with limits of not less than \$250,000 per person and \$500,000 per accident, and Automobile Property Damage Insurance with a limit of not less than \$100,000 per accident.

Operator shall report to Non-Operator, as soon as practicable after the happening of the event, all damages or losses incurred by fire, theft, flood, storm or other similar causes, and all other claims of third persons, other than employees of Operator, for death or personal injury and claims for damage to property of others in connection with operations under this agreement.

XV.

In the event the parties hereto, or any of them, receive a contribution toward the drilling of a well on the acreage covered by this agreement, said contribution shall be owned by the parties hereto in the proportions of the interests of the parties hereto, hereinabove recited in Article IV.

XVI.

In the event of the loss or failure of the title, in whole or in part, of any party hereto in the premises, or to any interest therein, the interest of such party in and to the production obtained from the contract area shall be reduced in proportion to such loss or failure of title as of the date such loss or failure of title is finally determined; provided that such revision of ownership shall not be retroactive as to operating costs and expenses incurred or as to revenues or production obtained prior to such date; and provided further

that each party hereto whose title has been lost or has failed, as aforesaid, shall indemnify and hold the other parties hereto harmless from and against any and all loss, cost, damage and expense which may result from or arise because of the delivery to such party of production obtained hereunder or the payment of proceeds derived from the sale of any such production prior to the date loss or failure of title is finally determined.

XVII.

It is understood that this agreement is limited to operations pursuant to the production of natural gas and liquid hydrocarbons extracted therefrom which may be produced from the Dakota Formation, and in no event does this agreement relate to, concern or control the production of oil, casinghead gas or other hydrocarbons which may be encountered or produced from the above described lands, except where same is incidental to natural gas production from the Dakota Formation. In the event drilling operations conducted pursuant to this agreement do not result in the production of natural gas and liquid hydrocarbons extracted therefrom in the Dakota Formation but do result in the discovery of oil or other mineral substances not covered by this agreement, such discovery and the production thereby obtained shall be the sole property of the owner of the lease on which such discovery is made and such production is obtained; provided, however, that said owner shall bear all costs of the drilling of said well, the testing and completion thereof down to the formation at which said well is completed and shall reimburse the other parties hereto for all expenses paid or to be paid by it pursuant to this agreement.

XVIII.

If any of the mineral interests or any of the oil and gas leases held by the parties on the premises covered hereby be subject to any overriding royalty, production payment or other charge in addition to or other than the usual one-eighth (1/8) royalty, the party contributing any such mineral interest or lease shall, at his or its sole cost and expense, bear, assume and discharge any such overriding royalty, production payment or other charge, and his or its share of the production or the proceeds thereof shall be subject thereto. Each of the parties hereto shall be responsible for and shall promptly and timely pay all delay rentals or annual rentals due on such party's respective leasehold, and

Operator shall not be responsible for the payment of any other party's delay or annual rental payment.

XIX.

If any party to this contract is sued on an alleged cause of action arising out of operations on the unit, 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 all other parties.

Damage claims caused by and arising out of operations on the unit, conducted for the joint account of all parties, 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 expense to and be paid by all parties in proportion to their then interests in the unit.

XX.

Notwithstanding anything to the contrary herein contained, it is understood and agreed that if any party hereto hereafter should create any overriding royalty, production payment, or other burden against its working interest production and if any other party or parties should conduct non-consent operations pursuant to any provision of this agreement and, as a result become entitled to receive the working interest production otherwise belonging to the non-participating party, the party or parties entitled to receive the working interest production of the non-participating party shall receive such production free and clear of burdens against such production which may have been created subsequent to this agreement and the non-participating party creating such subsequent burdens shall save the participating party or parties harmless with respect to the receipt of such working interest production.

XXI.

In the event of any conflict between the provisions of this agreement and Exhibit "B" hereto attached, the terms of this agreement shall prevail.

All of the provisions of this agreement shall extend to and be binding upon the parties hereto, their successors and assigns, and such provisions shall be deemed to be covenants running with the land.

This agreement may be executed in any number of counterparts with the same force and effect as if all parties executing a counterpart hereof had executed the same document, and each party signing a counterpart shall be bound hereby even though all parties do not sign.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first hereinabove written.

ATTEST:

PUBCO PETROLEUM CORPORATION

J. F. Shaw
J. F. Shaw, Assistant Secretary

By: Frank D. Gorham, Jr.
Frank D. Gorham, Jr.,
President

ATTEST:

CAULKINS OIL COMPANY

Secretary

By: _____
President

ATTEST:

INTERNATIONAL OIL & GAS CORPORATION

Secretary

By: _____
President

ERNEST R. BREECH

LORENA MAYER NIDORF

ERNEST KANZLER, Individually, and as
TRUSTEE for ROBERT HUDSON KANZLER and
ERNEST KANZLER, JR.

GEORGE HERBERT ZIMMERMAN, a/k/a GEORGE H.
ZIMMERMAN, Individually and as TRUSTEE for
GEORGIA ZIMMERMAN, and as TRUSTEE of the
ELAINE ZIMMERMAN TRUST of JULY 31, 1953, the
JESSIE ZIMMERMAN HITCHENS TRUST of MAY 28, 1956,
and the DORIS ZIMMERMAN TRUST of DECEMBER 30,
1950.

LOUIS G. ZIMMERMAN

Notary Public in and for the County of
Bernalillo, State of New Mexico.

Notary Public in and for the City
and County of Denver, State of
Colorado.

Notary Public in and for the City
and County of Denver, State of
Colorado.

Notary Public in and for Wayne County
State of Michigan.

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

The foregoing instrument was acknowledged before me this ____ day
of _____, 1966, by LORENA MAYER NIDORF.

My Commission Expires:

Notary Public in and for Los Angeles
County, State of California.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this ____ day
of _____, 1966, by ERNEST KANZLER, Individually, and as
TRUSTEE for ERNEST KANZLER, JR., and ROBERT HUDSON KANZLER.

My Commission Expires:

Notary Public in and for Wayne County,
State of Michigan.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this ____ day
of _____, 1966, by GEORGE HERBERT ZIMMERMAN, a/k/a GEORGE H.
ZIMMERMAN, Individually and as TRUSTEE for GEORGIA ZIMMERMAN, and as TRUSTEE
of the ELAINE ZIMMERMAN TRUST of JULY 31, 1953, the JESSIE ZIMMERMAN HITCHENS
TRUST of MAY 28, 1956, and the DORIS ZIMMERMAN TRUST of DECEMBER 30, 1950.

My Commission Expires:

Notary Public in and for Wayne County,
State of Michigan.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this ____ day
of _____, 1966, by MARY H. ZIMMERMAN, Successor TRUSTEE
for HELEN ZIMMERMAN.

My Commission Expires:

Notary Public in and for Wayne County,
State of Michigan.

STATE OF MICHIGAN)
) ss.
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me this ____ day
of _____, 1966, by LOUIS G. ZIMMERMAN.

My Commission Expires:

Notary Public in and for Wayne County,
State of Michigan

EXHIBIT "A"

AGREEMENT DATED THE 11th DAY OF May,
1966, BETWEEN PUBCO PETROLEUM CORPORATION (OPERATOR) AND
INTERNATIONAL OIL & GAS CORPORATION, ET AL (NON-OPERATORS)
Pubco Federal #13

OPERATOR OF COMMUNITIZED AREA: PUBCO PETROLEUM CORPORATION

DESCRIPTION OF COMMUNITIZED AREA: S/2 Section 21, Township 26N,
Range 6W, N. M. P. M.,
Rio Arriba County, New Mexico

DESCRIPTION OF LEASES COMMITTED

TRACT I

| | |
|----------------------------------|--|
| Lessor: | United States of America |
| Lessees of Record: | Pan American Petroleum Corporation Dacresa Corporation and Brookhaven Oil Company |
| Serial No. of Lease: | SF-079185 |
| Date of Lease: | October 1, 1948 |
| Description of Lands Committed: | <u>Township 26 North, Range 6 West, N.M.P.M.</u> Section 21: SW/4 |
| Number of Acres | 160.00 |
| Working Interest and Percentage: | Pubco Petroleum Corporation: 100% (Subject to the Overriding Royalty Interests set forth below) |
| Royalty Interest and Percentage: | United States of America: 12.5% |
| O. R. R. I. and Percentage: | Pan American Petroleum Corporation: 27.2925% of 12.5% of 8/8 O. R. I. (converting to 27.2925% of 25% W. I. when Operator has recovered 100% of its cost of drilling, equipping and producing any test well involving the described lands.) Dacresa Corporation: 56.332% of 12.5% of 8/8 O. R. I. (converting to 56.332% of 25% W. I. when Operator has recovered 100% of its cost of drilling, equipping and produc- ing any test well involving the described lands.) Brookhaven Oil Company: 16.3755% of 12.5% of 8/8 O. R. I. (converting to 16.3755% of 25% W. I. when Operator has recovered 100% of its cost of drilling, equipping and producing any test well involving the described lands.) |

TRACT II

| | |
|----------------------------------|---|
| Lessor: | United States of America |
| Lessees of Record: | International Oil & Gas Corporation Ernest R. Breech Lorena Mayer Nidorf Ernest Kanzler Ernest Kanzler, Trustee for Robert Hudson Kanzler Ernest Kanzler, Trustee for Ernest Kanzler, Jr. George H. Zimmerman, Trustee of the Doris Zimmerman Trust of December 30, 1950 George H. Zimmerman, Trustee of the Elaine Zimmerman Trust of July 31, 1953 George Herbert Zimmerman, Trustee of the Jessie Zimmerman Hitchens Trust of May 28, 1956 Mary H. Zimmerman, Successor Trustee for Helen L. Zimmerman George Herbert Zimmerman, Trustee for Georgia Zimmerman George Herbert Zimmerman Louis G. Zimmerman |
| Serial No. of Lease: | NM-03553 |
| Date of Lease: | October 1, 1948 |
| Description of Lands Committed: | <u>Township 26 North, Range 6 West, N. M. P. M.</u> Section 21: SE/4 |
| Number of Acres: | 160.00 |
| Working Interest and Percentage: | International Oil & Gas Corporation: 45.00% Ernest R. Breech: 5.00% Lorena Mayer Nidorf: 10.00% Ernest Kanzler: 18.00% Ernest Kanzler, Trustee for Robert Hudson Kanzler: 6.00% Ernest Kanzler, Trustee for Ernest Kanzler, Jr.: 6.00% George H. Zimmerman, Trustee of the Doris Zimmerman Trust of December 30, 1950: 2.00% George H. Zimmerman, Trustee of the Elaine Zimmerman Trust of July 31, 1953: 2.00% George Herbert Zimmerman, Trustee of the Jessie Zimmerman Hitchens Trust of May 28, 1956: 2.00% Mary H. Zimmerman, Successor Trustee for Helen L. Zimmerman: 1.00% George Herbert Zimmerman, Trustee for Georgia Zimmerman: 1.00% George Herbert Zimmerman: 1.00% Louis G. Zimmerman: 1.00% |
| Royalty Interest and Percentage: | United States of America: 12.50% |

O.R.R.I. and Percentage:

| | |
|---|----------|
| Dacresa Corporation | 1.41000% |
| Brookhaven Oil Company | .40875% |
| Pan American Petroleum Corporation | .68125% |
| R. L. Crockett | .08330% |
| Pipeline Transportation, Inc. | .08330% |
| Sally Mims | .04165% |
| Republic National Bank of Dallas for the Account of Harriet M. Buchenau | .04165% |
| Doris Mims Henderson | .08330% |
| Frank A. Schultz | .03340% |
| P. T. Bee | .03340% |
| Mrs. Lula Mae Petrie | .01670% |
| The Sidney B. Petrie Trust, First National Bank in Dallas, Agent Account #263-04881 | .01670% |
| W. C. Smith | .03330% |
| J. W. Bartlett | .03330% |

RECAPITULATION

| <u>Tract Number</u> | <u>No. of Acres Committed</u> | <u>Percentage of Interest in Communitized Area</u> |
|---------------------|-----------------------------------|--|
| I | 160.00 | 50.00% |
| II | <u>160.00</u> | <u>50.00%</u> |
| | 320.00 | 100.00% |

EXHIBIT "B"

Attached to and made a part of the Operating Agreement dated the
11th day of MAY, 1966, between Pubco Petroleum
Corporation (Operator) and International Oil and Gas
Corporation, et al, (Non-Operators)
Communitization: S½ Section 21, 26N-6W, N.M.P.M. Rio Arriba County, N.M.

ACCOUNTING PROCEDURE (JOINT OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this "Accounting Procedure" is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the nonoperating parties, whether one or more.

"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.

"Parties" shall mean Operator and Non-Operators.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Conflict with Agreement

In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the agreement to which this Accounting Procedure is attached, the provisions of the agreement shall control.

3. Collective Action by Non-Operators

Where an agreement or other action of Non-Operators is expressly required under this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the agreement or action of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

4. Statements and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under Subparagraph C below:

A. Statement in detail of all charges and credits to the Joint Account.

B. Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.

C. Statement of all charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.

5. Payment and Advances by Non-Operators

Each Non-Operator shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

6. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operators to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.

7. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 6 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DIRECT CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Delay or other rentals and royalties when such rentals and royalties are paid by Operator for the Joint Account of the Parties.

2. Labor

A. Salaries and wages of Operator's employees directly engaged on the Joint Property in the conduct of the Joint Operations, and salaries or wages of technical employees who are temporarily assigned to and directly employed on the Joint Property.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

3. Employee Benefits

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost; provided however, the total of such charges shall not exceed ten percent (10%) of Operator's labor costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

4. Material

Material purchased or furnished by Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where like material is available, except by agreement with Non-Operators.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by agreement with Non-Operators. No charge shall be made to Joint Account for moving Material to other properties belonging to Operator, except by agreement with Non-Operators.
- C. In the application of subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.

6. Services

- A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 2 of Section III.
- B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.

7. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or any other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

8. Legal Expense

All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), except by agreement with Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.

9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

10. Insurance Premiums

Premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties.

11. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus a fixed rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraphs 1, 2, and 3 of this Section III OR by combining all three of said items under the fixed rate provided for in Paragraph 4 of this Section III, as indicated next below:

OPERATOR SHALL CHARGE THE JOINT ACCOUNT UNDER THE TERMS OF:

- ☐ Paragraphs 1, 2 and 3. (Allocation of district expense plus fixed rate for administrative overhead plus warehousing.)
- ☒ Paragraph 4. (Combined fixed rate)

i. District Expense

Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's _____ office located at or near _____ (or a comparable office if location changed), and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

2. Administrative Overhead

Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1 of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charges shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged as direct charges as provided in Paragraphs 2 and 8 of Section II.

WELL BASIS (RATE PER WELL PER MONTH)

| | DRILLING WELL RATE (Use Total Depth) | PRODUCING WELL RATE (Use Current Producing Depth) | | |
|------------|---|--|-----------|--------------------|
| Well Depth | Each Well | First Five | Next Five | All Wells Over Ten |
| 0-999 | | | | |
| 1000-1999 | | | | |
| 2000-2999 | | | | |
| 3000-3999 | | | | |
| 4000-4999 | | | | |
| 5000-5999 | | | | |
| 6000-6999 | | | | |
| 7000-7999 | | | | |
| 8000-8999 | | | | |
| 9000-9999 | | | | |

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 this Paragraph 2 of Section III, unless such cost and expense are agreed upon between Operator and Non-Operators as a direct charge to the Joint Account.

3. **Operator's Fully Owned Warehouse Operating and Maintenance Expense**
(Describe fully the agreed procedure to be followed by the Operator.)

4. **Combined Fixed Rates**

Operator shall charge the Joint Account for the services covered by Paragraph 1, 2 and 3 of this Section III, the following fixed per well rates:

| Well Depth | WELL BASIS (RATE PER WELL PER MONTH) | | | |
|------------|--|--|-----------|-----------------------|
| | DRILLING WELL RATE (Use Total Depth) Each Well | PRODUCING WELL RATE (Use Current Producing Depth) | | |
| | | First Five | Next Five | All Wells Over Ten |
| All Depths | \$400.00 | \$60.00 | \$50.00 | \$40.00 |

Said fixed rate ~~(shall)~~ (shall not) include salaries and expenses of production foremen

5. **Application of Administrative Overhead or Combined Fixed Rates**

The following limitations, instructions and charges shall apply in the application of the per well rates as provided under either Paragraph 2 or Paragraph 4 of this Section III:

- Charges for drilling wells shall begin on the date each well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
- The status of wells shall be as follows:
 - Producing gas wells, injection wells for recovery operations, water supply wells utilized for water flooding operations and salt water disposal wells shall be considered the same as producing wells.
 - Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. When such a well is plugged a charge shall be made at the producing well rates.
 - Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling or workover rig shall be considered the same as drilling wells.
 - Temporarily shut-down wells, which are not produced or worked upon 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 Joint Property. In the event of a unit allowable, all wells capable of producing will be counted in determining the charge.
 - Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.
 - 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.
- The well rates shall apply to the total number of wells being drilled or operated under the agreement to which this Accounting Procedure is attached, irrespective of individual leases.
- ~~The well rates shall be adjusted on the first day of April 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 Production Workers for the last calendar year compared to the preceding calendar year 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. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.~~
- For the construction of compressor plants, water stations, secondary recovery systems, salt water disposal facilities, and other such projects, as distinguished from the more usual drilling and producing operations, Operator in addition to the Administrative Overhead or Combined Fixed Rates provided for in Paragraph 2 and 4 of this Section III, shall charge the Joint Account with an additional overhead charge as follows:
 - Total cost less than \$25,000, no charge.
 - Total cost more than \$25,000 but less than \$100,000, *% of total cost.
 - Total cost of \$100,000 or more, *% of the first \$100,000 plus *% of all over \$100,000 of total cost.
 Total cost shall mean the total gross cost of any one project. For the purpose of this Paragraph the component parts of a single project shall not be treated separately and the cost of drilling wells shall be excluded.
- The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. **BASIS OF CHARGES TO JOINT ACCOUNT**

Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operator may supply Material or services for the Joint Property.

1. **Purchases**

Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.

2. **Material furnished from Operator's Warehouse or Other Properties**

- New Material (Condition "A") ~~CF&I Base or the most economical base available to the operating~~ ~~Eastern Mill base (i.e. Youngstown, Ohio, Lorain, area Ohio, and Indiana Harbor, Indiana)~~ on a minimum carload basis effective at date of movement and f. o. b. railway receiving point nearest the Joint Property, regardless of quantity. In equalized hauling charges, Operator is permitted to include ten cents (10c) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.
 - Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f. o. b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is available.
 - The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.
- Used Material (Condition "B" and "C")
 - Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
 - Material which cannot be classified as Condition "B" but which,
 - After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or
 - Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.
 - Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for

*To be negotiated

some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.

- (1) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at prices specified in Paragraphs 1 and 2 of this Section IV because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

5. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. Rates for automotive equipment shall generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against Joint Property operations. Rates for laboratory services shall not exceed those currently prevailing if performed by outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.

B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.

C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSAL OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be subject to agreement between Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from the Joint Property.

1. Material Purchased by the Operator or Non-Operators

Material purchased by either the Operator or Non-Operators shall be credited by the Operator to the Joint Account for the month in which the Material is removed by the purchaser.

2. Division in Kind

Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator in the monthly statement of operations.

3. Sales to Outsiders

Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless otherwise agreed to between Operator and Non-Operators shall be priced on the following basis:

1. New Price Defined

New price as used in this Section VI shall be the price specified for New Material in Section IV.

2. New Material

New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. Good Used Material

Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:

A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or

B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five percent (75%) of new price.

4. Other Used Material

Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:

A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or

B. Is serviceable for original function but not suitable for reconditioning.

5. Bad-Order Material

Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.

6. Junk Material

Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.

7. Temporarily Used Material

When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3 B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

VII. INVENTORIES

The Operator shall maintain detailed records of Material generally considered controllable by the Industry.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include all such Material as is ordinarily considered controllable. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator, who shall in that event furnish Non-Operators with a copy thereof.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the Joint Account shall be made, and a list of overages and shortages shall be jointly determined by Operator and Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

PUBCO PETROLEUM CORPORATION

7-16
January 24, 1967

C
Mr. Ernest R. Breech
12723 Telegraph Road
Detroit 39, Michigan

V
Re: Case No. 3512, Order No. R-3176

Dear Mr. Breech:

O
We are enclosing a copy of Order No. R-3176 by the State of New Mexico Oil Conservation Commission relative to the pooling of the S $\frac{1}{2}$ of Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico. Pursuant to said Order, we are also enclosing a copy of our detailed Well Cost Estimate.

P
We call your attention to the Order, Page 3, Item 4, allowing you thirty days within which you may elect to pay your proportionate share of estimated well costs, thus to avoid risk charges. You have heretofore been provided with copies of our Communitization and Operating Agreements. Should you so elect to join in drilling of this well pursuant to Order No. R-3176, please execute and return all copies of the documents previously furnished to you excluding one copy of each document which may be retained for your file.

Y
Additionally, should you elect to join, we shall expect receipt of your check for your proportionate share of the estimated \$104,000.00 well cost. Your share will be that percentage portion set forth on Page 3 of the Operating Agreement previously furnished to you.

Yours very truly,

OCC:sb
Enclosures

Orin C. Crane
Records Supervisor

cc: Caulkins Oil Company
1130 First National Bank Building
Denver 2, Colorado
Attention: Mr. A. F. Holland

State of New Mexico ✓
Oil Conservation Commission
Santa Fe, New Mexico
Attention: Mr. Daniel S. Nutter

Depco, Inc.
825 Petroleum Club Building
Denver, Colorado 80202
Attention: Mr. J. V. Kowalski

PUBCO PETROLEUM CORPORATION

January 24, 1967

C Mr. Ernest Kanzler
1700 Club-Exchange Building
Detroit, Michigan 48226

Re: Case No. 3512, Order No. R-3176

Dear Mr. Kanzler:

O We are enclosing a copy of Order No. R-3176 by the State of New Mexico Oil Conservation Commission relative to the pooling of the S $\frac{1}{2}$ of Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico. Pursuant to said Order, we are also enclosing a copy of our detailed Well Cost Estimate.

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Attention: Mr. Daniel S. Nutter

Depco, Inc.
825 Petroleum Club Building
Denver, Colorado 80202
Attention: Mr. J. V. Kowalski

PUBCO PETROLEUM CORPORATION

January 24, 1967

C Mrs. Mary H. Zimmerman
150 Bagley Avenue, Suite 1700
Detroit, Michigan 48226

Re: Case No. 3512, Order No. R-3176

Dear Mrs. Zimmerman:

O We are enclosing a copy of Order No. R-3176 by the State of New Mexico Oil Conservation Commission relative to the pooling of the S $\frac{1}{2}$ of Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico. Pursuant to said Order, we are also enclosing a copy of our detailed Well Cost Estimate.

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Depco, Inc.
825 Petroleum Club Building
Denver, Colorado 80202
Attention: Mr. J. V. Kowalski

PUBCO PETROLEUM CORPORATION

January 24, 1967

C Mr. George Herbert Zimmerman
130 Bagley Avenue, Suite 1700
Detroit, Michigan 48226

Re: Case No. 3512, Order No. R-3176

Dear Mr. Zimmerman:

O We are enclosing a copy of Order No. R-3176 by the State of New Mexico Oil Conservation Commission relative to the pooling of the S $\frac{1}{2}$ of Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico. Pursuant to said Order, we are also enclosing a copy of our detailed Well Cost Estimate.

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Depco, Inc.
825 Petroleum Club Building
Denver, Colorado 80202
Attention: Mr. J. V. Kowalski

PUBCO PETROLEUM CORPORATION

January 24, 1967

C Mr. Louis G. Zimmerman
150 Bagley Avenue, Suite 1700
Detroit, Michigan 48226

Re: Case No. 3512, Order No. R-3176

Dear Mr. Zimmerman:

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Depco, Inc.
825 Petroleum Club Building
Denver, Colorado 80202
Attention: Mr. J. V. Kowalski

PUBCO PETROLEUM CORPORATION

January 24, 1967

C Mrs. Lorena Mayer Nidorf
c/o Myron S. Fox
1441 Wilshire Blvd., Suite 610
Beverly Hills, California 90212

Re: Case No. 3512, Order No. R-3176

Dear Mrs. Nidorf:

O We are enclosing a copy of Order No. R-3176 by the State of New Mexico Oil Conservation Commission relative to the pooling of the S½ of Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba County, New Mexico. Pursuant to said Order, we are also enclosing a copy of our detailed Well Cost Estimate.

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825 Petroleum Club Building
Denver, Colorado 80202
Attention: Mr. J. V. Kowalski

PUBCO PETROLEUM CORPORATION

January 26, 1967

C Husky Oil Company
5599 North Colorado Boulevard
Commerce City, Colorado

Attention: Mr. W. B. Macey

Re: Case No. 3512, Order No. R-3176

O Gentlemen:

P We are enclosing a copy of Order No. R-3176 by the State of
New Mexico Oil Conservation Commission relative to the pooling of the
S $\frac{1}{2}$ of Section 21, Township 26 North, Range 6 West, N.M.F.M., Rio Arriba
County, New Mexico. Pursuant to said Order, we are also enclosing a
copy of our detailed Well Cost Estimate.

Y We call your attention to the Order, Page 3, Item 4, allowing
you thirty days within which you may elect to pay your proportionate
share of estimated well costs, thus to avoid risk charges. You have
heretofore been provided with copies of our Communitization and Operating
Agreements. Should you so elect to join in drilling of this well
pursuant to Order No. R-3176, please execute and return all copies of the
documents previously furnished to you excluding one copy of each
document which may be retained for your file.

Additionally, should you elect to join, we shall expect receipt
of your check for your proportionate share of the estimated \$104,000.00
well cost. Your share will be that percentage portion set forth on
Page 3 of the Operating Agreement previously furnished to you.

Yours very truly,

OCC:sb
Enclosures

Orin C. Crane
Records Supervisor

cc: Caulkins Oil Company
1130 First National Bank Building
Denver 2, Colorado
Attention: Mr. A. F. Holland

State of New Mexico ✓
Oil Conservation Commission
Santa Fe, New Mexico
Attention: Mr. Daniel S. Nutter

PUBCO PETROLEUM CORPORATION

January 24, 1967

C Depeco, Inc.
125 Petroleum Club Building
Denver, Colorado 80202
Attention: Mr. J. V. Kowalski

Re: Case No. 3517, Order No. R-3176

O Gentlemen:

P We are enclosing a copy of Order No. R-3176 by the State of
New Mexico Oil Conservation Commission relative to the pooling of the
S $\frac{1}{2}$ of Section 21, Township 26 North, Range 6 West, N.M.P.M., Rio Arriba
County, New Mexico. Pursuant to said Order, we are also enclosing a
copy of our detailed Well Cost Estimate.

Y We call your attention to the Order, Page 3, Item 4, allowing
you thirty days within which you may elect to pay your proportionate
share of estimated well costs, thus to avoid risk charges. You have
heretofore been provided with copies of our Communitization and Operating
Agreements. Should you so elect to join in drilling of this well
pursuant to Order No. R-3176, please execute and return all copies of the
documents previously furnished to you excluding one copy of each
document which may be retained for your file.

Additionally, should you elect to join, we shall expect receipt
of your check for your proportionate share of the estimated \$104,000.00
well cost. Your share will be that percentage portion set forth on
Page 3 of the Operating Agreement previously furnished to you.

Yours very truly,

OCC:sb
Enclosures

Orin C. Crane
Records Supervisor

cc: Caulkins Oil Company
1130 First National Bank Building
Denver 2, Colorado
Attention: Mr. A. F. Holland

State of New Mexico ✓
Oil Conservation Commission
Santa Fe, New Mexico
Attention: Mr. Daniel S. Nutter


PUBCO PETROLEUM CORPORATION
Well Cost Estimate

Well Name: Pubco Federal No. 13 Location S/2, Sec. 21-26N-6W County: Rio Arriba State: N.M.

Estimated T.D. 7600 Formation Dakota Prospect Tocito

| <u>Tangible Costs:</u> | | Producer | Dry Hole | |
|--------------------------------------|--|------------|-----------|--|
| Casing: | | | | |
| Surface 8 5/8", 32#, H-40, 300' | | \$ 1,100 | \$ 1,100 | |
| Production 4 1/2" 10.5#, J-55, 7600' | | 10,300 | - | |
| Intermediate | | - | - | |
| Tubing 2 1/16" or 2 3/8" | | 4,200 | - | |
| Surface Equipment: | | | | |
| Gas Production Unit | | 4,900 | - | |
| 300 bbl. Tank & access | | 1,800 | - | |
| Misc. Lines & conn. | | 3,000 | - | |
| Wellhead | | 2,100 | 500 | |
| Total Tangible Costs | | \$ 27,400 | \$ 1,600 | |
| <u>Intangible Costs:</u> | | | | |
| Supervision | | \$ 1,000 | \$ 500 | |
| Drilling Footage 7600 @ \$4.00 | | 30,400 | 30,400 | |
| Rig Days @ \$ | | 1,000 | 500 | |
| Other Completion Rig | | 3,500 | - | |
| Trucking | | 1,500 | 500 | |
| Fuel | | - | - | |
| Water for frac | | 5,000 | - | |
| Cement & cementing | | 6,200 | 1,200 | |
| Mud | | 3,500 | 3,500 | |
| Logs & Tests | | | | |
| Logging | | 2,200 | 2,200 | |
| Roads & Locations | | 1,000 | 1,000 | |
| Formation Stimulation | | 15,000 | - | |
| Other Intangible: | | | | |
| Guide Shoes, Centralizers, etc. | | 2,000 | 500 | |
| Perforating | | 3,000 | - | |
| Miscellaneous | | 1,300 | 700 | |
| Total Intangible | | \$ 76,600 | \$ 41,000 | |
| Total Well Cost | | \$ 104,000 | \$ 42,600 | |

| | | | | |
|----------------------|-----------|-----------|-----------|--|
| Interests: | % | | | |
| Pubco | <u>50</u> | \$ 52,000 | \$ 21,300 | |
| Others | <u>50</u> | \$ 52,000 | \$ 21,300 | |
| Caulkins Oil, et al) | | | | |

| | |
|--|--|
| <p>PURCO PETROLEUM CORPORATION</p> <p>By  _____</p> <p>Frank D. Gorham, Jr. President</p> | <p>Joint Interest Approval</p> <p>DATE _____ 19____</p> <p>By _____</p> <p>COMPANY _____</p> |
|--|--|

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3512
Order No. R-3176

APPLICATION OF PUBCO PETROLEUM CORPORATION
FOR COMPULSORY POOLING, RIO ARriba COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on January 4, 1967,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 9th day of January, 1967, the Commission, a
quorum being present, 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 Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Pubco Petroleum Corporation, seeks
an order pooling all mineral interests in the Basin-Dakota Gas
Pool underlying the S/2 of Section 21, Township 26 North, Range 6
West, NMPM, Rio Arriba County, New Mexico.

(3) That the applicant has the right to drill and proposes
to drill a well in the S/2 of said Section 21 to the Basin-Dakota
Gas Pool.

(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

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CASE No. 3512
Order No. R-3176

interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas 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 40% 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 said 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 \$70.00 per month should be fixed as the reasonable cost of operating the subject well and each non-consenting working interest owner should be assessed with his share of such cost, to be paid out of production.

(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.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying the S/2 of Section 21,

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CASE No. 3512
Order No. R-3176

Township 26 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, are hereby pooled to form a 320-acre gas proration unit to be dedicated to the Pubco Federal Well No. 13 to be located in Unit K of said Section 21.

(2) That Pubco Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That the operator shall furnish each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.

(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 Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 30 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:

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CASE No. 3512

Order No. R-3176

(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, 40% 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 \$70.00 per month is hereby fixed as the reasonable cost of operating the subject well, and the operator is hereby authorized to withhold from production the proportionate share of such cost 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 be placed in escrow in Rio Arriba County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

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CASE No. 3512

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

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