

EDDY, EDDY, GREAT WESTERN DRILLING  
COMPANY FOR COMPULSORY POOLING, EDDY  
EDDY, NEW MEXICO

Case No.

6959

Application

Transcripts

Small Exhibits

ETC



GREAT WESTERN OIL FIELD COMPANY  
COST ESTIMATE

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. ABT

Date: 4-4-79

Well: KAISER NO. 1

County: FIN

CASE NO. 6755

State: NEW MEXICO

Location: 660' FSL & 1980' FEL, Section 19, T-18-S, R-27-E

Depth: 9900'

Stake location  
Road & pad  
Damages  
Footage contract 9900 ft. @ \$15.20 /ft.  
Day work 5 days @ \$3,400. /day  
Cement & cementing for surface casing  
Cement & cementing for intermediate casing  
Cement & cementing for production casing  
Float equipment for surface casing  
Float equipment for intermediate casing  
Float equipment for production casing  
Mud & chemicals )  
Water )  
Drill stem tests  
Logging  
Perforating  
Treating  
Completion unit  
Trucking  
Contract labor  
Miscellaneous: Rental tools & mud logging unit  
Contingencies @ 10%  
Sales Tax 4%

TOTAL INTANGIBLES

Surface casing 11-3/8" 325 ft. @ \$17.08/ft.  
Intermediate casing 8-5/8" 1700 ft. @ \$8.56/ft.  
Production casing 5-1/2" 9900 ft. @ \$6.10/ft.  
Wellhead  
Tubing  
Packer  
Rods  
Bottom hole pump  
Pumping unit  
Prime mover  
Tanks Two 310bbl, welded, stairs & walkway  
Treater  
Separator  
Flow lines  
Connections, etc.  
Miscellaneous  
Contingencies @ 10%  
Sales Tax 4%

TOTAL TANGIBLES

TOTAL INTANGIBLES & TANGIBLES

Lease cost  
Dry hole contributions

TOTAL WELL COST

Prepared by HBM Date 4-2-79

OPERATOR: GREAT WESTERN OIL FIELD COMPANY

PARTNER

GRDC 2 Interest

APPROVAL

PARTNER 2 Interest

BY

DATE

GRDC Approved by

To Casing Point	Completed Well
300	300
6,000	7,000
700	700
150,500	150,500
27,200	27,200
1,750	1,750
4,250	4,250
	3,500
200	200
550	550
	1,150
( 41,000	42,800
( 4,200	4,200
16,900	16,900
	5,100
	16,500
	4,900
1,500	4,500
1,000	3,000
6,300	8,000
26,250	30,350
11,550	13,350
300,150	346,700
5,550	5,550
14,550	14,550
	60,350
5,700	11,100
	29,500
	1,600
	5,900
	11,000
	800
1,000	5,000
2,000	7,000
2,000	15,300
1,300	6,750
33,000	174,400
333,150	521,100
333,150	521,100

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

57 EXHIBIT NO. 6

CASE NO. 6959

A.A.P.L. FORM 610 - 1977

# MODEL FORM OPERATING AGREEMENT

## OPERATING AGREEMENT

DATED

December 19 , 1979 ,

OPERATOR GREAT WESTERN DRILLING COMPANY

CONTRACT AREA S/2 SECTION 19, T-18-S, R-27-E

COUNTY ~~OR PARISH~~ OF EDDY STATE OF NEW MEXICO

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APPROVED FORM. A.A.P.L. NO 610 - 1977 REVISED  
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**TABLE OF CONTENTS**

<u>Article</u>	<u>Title</u>	<u>Page</u>
I.	DEFINITIONS	1
II.	EXHIBITS	1
III.	INTERESTS OF PARTIES	2
	A. OIL AND GAS INTERESTS	2
	B. INTEREST OF PARTIES IN COSTS AND PRODUCTION	2
IV.	TITLES	2
	A. TITLE EXAMINATION	2
	B. LOSS OF TITLE	2
	1. Failure of Title	2-3
	2. Loss by Non-Payment or Erroneous Payment of Amount Due	3
	3. Other Losses	3
V.	OPERATOR	3
	A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR	3
	B. RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR	4
	1. Resignation or Removal of Operator	4
	2. Selection of Successor Operator	4
	C. EMPLOYEES	4
	D. DRILLING CONTRACTS	4
VI.	DRILLING AND DEVELOPMENT	4
	A. INITIAL WELL	4
	B. SUBSEQUENT OPERATIONS	5
	1. Proposed Operations	5
	2. Operations by Less than All Parties	5-6
	C. RIGHT TO TAKE PRODUCTION IN KIND	6-7
	D. ACCESS TO CONTRACT AREA AND INFORMATION	7
	E. ABANDONMENT OF WELLS	7
	1. Abandonment of Dry Holes	7
	2. Abandonment of Wells that have Produced	7-8
VII.	EXPENDITURES AND LIABILITY OF PARTIES	8
	A. LIABILITY OF PARTIES	8
	B. LIENS AND PAYMENT DEFAULTS	8
	C. PAYMENTS AND ACCOUNTING	8
	D. LIMITATION OF EXPENDITURES	9
	1. Drill or Deepen	9
	2. Rework or Plug Back	9
	3. Other Operations	9
	E. ROYALTIES, OVERRIDING ROYALTIES AND OTHER PAYMENTS	9
	F. RENTALS, SHUT-IN WELL PAYMENTS AND MINIMUM ROYALTIES	9-10
	G. TAXES	10
	H. INSURANCE	10
VIII.	ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST	10
	A. SURRENDER OF LEASES	10-11
	B. RENEWAL OR EXTENSION OF LEASES	11
	C. ACREAGE OR CASH CONTRIBUTION	11
	D. SUBSEQUENTLY CREATED INTEREST	11-12
	E. MAINTENANCE OF UNIFORM INTEREST	12
	F. WAIVER OF RIGHT TO PARTITION	12
	<del>G. PREFERENTIAL RIGHT TO PURCHASE</del>	<del>12</del>
IX.	INTERNAL REVENUE CODE ELECTION	12-13
X.	CLAIMS AND LAWSUITS	13
XI.	FORCE MAJEURE	13
XII.	NOTICES	13
XIII.	TERM OF AGREEMENT	13-14
XIV.	COMPLIANCE WITH LAWS AND REGULATIONS	14
	A. LAWS, REGULATIONS AND ORDERS	14
	B. GOVERNING LAW	14
XV.	OTHER PROVISIONS	14
XVI.	MISCELLANEOUS	15

## OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between GREAT WESTERN DRILLING COMPANY, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators",

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.  
DEFINITIONS

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

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.  
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

☒ A. Exhibit "A", shall include the following information:

- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

☒ B. Exhibit "B", Form of Lease.

☒ C. Exhibit "C", Accounting Procedure.

☒ D. Exhibit "D", Insurance.

☒ E. Exhibit "E", Gas Balancing Agreement.

☒ F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.



### ARTICLE III. INTERESTS OF PARTIES

#### A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to leases to the extent that it owns the leased interest.

#### B. Interest of Parties in Costs and Production:

Exhibit "A" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties which will be borne by the Joint Account, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

### ARTICLE IV. TITLES

#### A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

#### B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

1 or operating costs which it may have theretofore paid, but there shall be no monetary liability on its  
2 part to the other parties hereto for drilling, development, operating or other similar costs by reason of  
3 such title failure; and

4 (b) There shall be no retroactive adjustment of expenses incurred or revenues received from the  
5 operation of the interest which has been lost, but the interests of the parties shall be revised on an acre-  
6 age basis, as of the time it is determined finally that title failure has occurred, so that the interest of  
7 the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract  
8 Area by the amount of the interest lost; and

9 (c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled  
10 on the Contract Area is increased by reason of the title failure, the party whose title has failed shall  
11 receive the proceeds attributable to the increase in such interests (less costs and burdens attributable  
12 thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well;  
13 and

14 (d) Should any person not a party to this agreement, who is determined to be the owner of any in-  
15 terest in the title which has failed, pay in any manner any part of the cost of operation, development,  
16 or equipment, such amount shall be paid to the party or parties who bore the costs which are so refund-  
17 ed; and

18 (e) Any liability to account to a third party for prior production of oil and gas which arises by  
19 reason of title failure shall be borne by the party or parties in the same proportions in which they shared  
20 in such prior production; and

21 (f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection  
22 with the defense of the interest claimed by any party hereto, it being the intention of the parties  
23 hereto that each shall defend title to its interest and bear all expenses in connection therewith.

24  
25 2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight,  
26 any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously  
27 paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against  
28 the party who failed to make such payment. Unless the party who failed to make the required payment  
29 secures a new lease covering the same interest within ninety (90) days from the discovery of the fail-  
30 ure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of  
31 the parties shall be revised on an acreage basis, effective as of the date of termination of the lease in-  
32 volved, and the party who failed to make proper payment will no longer be credited with an interest in  
33 the Contract Area on account of ownership of the lease or interest which has terminated. In the event  
34 the party who failed to make the required payment shall not have been fully reimbursed, at the time of  
35 the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an  
36 acreage basis, for the development and operating costs theretofore paid on account of such interest, it  
37 shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the  
38 cost of any dry hole previously drilled or wells previously abandoned) from so much of the following  
39 as is necessary to effect reimbursement:

40 (a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost  
41 interest, on an acreage basis, up to the amount of unrecovered costs;

42 (b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an  
43 acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production  
44 from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable  
45 to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said  
46 portion of the oil and gas to be contributed by the other parties in proportion to their respective in-  
47 terests; and

48 (c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or  
49 becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or be-  
50 coming a party to this agreement.

51  
52 3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2.  
53 above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties  
54 in proportion to their interests. There shall be no readjustment of interests in the remaining portion of  
55 the Contract Area.

## 56 57 ARTICLE V. 58 OPERATOR

### 59 60 A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

61  
62 GREAT WESTERN DRILLING COMPANY shall be the  
63 Operator of the Contract Area, and shall conduct and direct and have full control of all operations on  
64 the Contract Area as permitted and required by, and within the limits of, this agreement. It shall con-  
65 duct all such operations in a good and workmanlike manner, but it shall have no liability as Operator  
66 to the other parties for losses sustained or liabilities incurred, except such as may result from gross  
67 negligence or willful misconduct.



**B. Resignation or Removal of Operator and Selection of Successor:**

1. **Resignation or Removal of Operator:** Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. **Selection of Successor Operator:** Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

**C. Employees:**

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

**D. Drilling Contracts:**

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

**ARTICLE VI.  
DRILLING AND DEVELOPMENT**

**A. Initial Well:**

On or before the 1ST day of June, 19 80 Operator shall commence the drilling of a well for oil and gas at the following location:

**660' FSL and 1980' FEL Section 19, T-18-S, R-27-E**

and shall thereafter continue the drilling of the well with due diligence to **9900' or to a depth sufficient to adequately test the Morrow formation, whichever is a lesser depth,**

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VII.B. hereof.

300% of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non-Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non-Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non-Consenting Party's relinquished interest. If such Non-Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the recoupment period.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

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, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. 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; and 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 interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure, attached hereto.

Notwithstanding the provisions of this Article VI.B.2, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A, except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

#### C. Right to Take Production in Kind:

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any

1 party taking its share of production in kind shall be required to pay for only its proportionate share  
2 of such part of Operator's surface facilities which it uses.

3  
4 Each party shall execute such division orders and contracts as may be necessary for the sale of its  
5 interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled  
6 to receive payment direct from the purchaser thereof for its share of all production.

7  
8 In the event any party shall fail to make the arrangements necessary to take in kind or separately  
9 dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have  
10 the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such  
11 oil and gas or sell it to others at any time and from time to time, for the account of the non-taking  
12 party at the best price obtainable in the area for such production. Any such purchase or sale by Op-  
13 erator shall be subject always to the right of the owner of the production to exercise at any time its  
14 right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a  
15 purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for  
16 such reasonable periods of time as are consistent with the minimum needs of the industry under the  
17 particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the  
18 foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's  
19 share of gas production without first giving such other party thirty (30) days notice of such intended  
20 sale.

21  
22 In the event one or more parties' separate disposition of its share of the gas causes split-stream de-  
23 liveries to separate pipelines and or deliveries which on a day-to-day basis for any reason are not  
24 exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the  
25 balancing or accounting between the respective accounts of the parties shall be in accordance with  
26 any Gas Balancing Agreement between the parties hereto, whether such Agreement is attached as  
27 Exhibit "E", or is a separate Agreement.

#### 28 29 D. Access to Contract Area and Information:

30  
31 Each party shall have access to the Contract Area at all reasonable times, at its sole risk to inspect  
32 or observe operations, and shall have access at reasonable times to information pertaining to the de-  
33 velopment or operation thereof, including Operator's books and records relating thereto. Operator, upon  
34 request, shall furnish each of the other parties with copies of all forms or reports filed with govern-  
35 mental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports  
36 of stock on hand at the first of each month, and shall make available samples of any cores or cuttings  
37 taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to  
38 Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the  
39 information.

#### 40 41 E. Abandonment of Wells:

42  
43 1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well  
44 which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole  
45 shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent  
46 effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours  
47 (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and  
48 abandon such well, such party shall be deemed to have consented to the proposed abandonment. All  
49 such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost,  
50 risk and expense of the parties who participated in the cost of drilling of such well. Any party who ob-  
51 jects to the plugging and abandoning such well shall have the right to take over the well and conduct  
52 further operations in search of oil and or gas subject to the provisions of Article VI.B.

53  
54 2. Abandonment of Wells that have Produced: Except for any well which has been drilled or re-  
55 worked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reim-  
56 bursed as therein provided, any well which has been completed as a producer shall not be plugged and  
57 abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall  
58 be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense  
59 of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment  
60 of such well, all parties do not agree to the abandonment of any well, those wishing to continue its op-  
61 eration shall tender to each of the other parties its proportionate share of the value of the well's salvable  
62 material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated  
63 cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall  
64 assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity,  
65 quality, or fitness for use of the equipment and material, all of its interest in the well and related equip-  
66 ment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the  
67 formation or formations then open to production. If the interest of the abandoning party is or includes  
68 an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an  
69 oil and gas lease, limited to the interval or intervals of the formation or formations then open to produc-  
70 tion, for a term of one year and so long thereafter as oil and or gas is produced from the interval or inter-



vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

## ARTICLE VII. EXPENDITURES AND LIABILITY OF PARTIES

### A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

### B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

### C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

**D. Limitation of Expenditures:**

1. **Drill or Deepen:** Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

[ ] **Option No. 1:** All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and or surface facilities.

[X] **Option No. 2:** All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. **Rework or Plug Back:** Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. **Other Operations:** Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of **Fifteen Thousand** Dollars (\$ **15,000.00** ) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, 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 to safeguard life and property, but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of **Fifteen Thousand** Dollars (\$ **15,000.00** ).

**E. Royalties, Overriding Royalties and Other Payments:**

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of  $\frac{1}{8}$  due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

**F. Rentals, Shut-in Well Payments and Minimum Royalties:**

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

1 of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article  
2 IV.B.3.

3  
4 **G. Taxes:**

5  
6 Beginning with the first calendar year after the effective date hereof, Operator shall render for ad  
7 valorem taxation all property subject to this agreement which by law should be rendered for such  
8 taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the ren-  
9 dition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be  
10 limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests con-  
11 tributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its  
12 being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in  
13 ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold  
14 estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such  
15 reduction. Operator shall bill other parties for their proportionate share of all tax payments in the man-  
16 ner provided in Exhibit "C".

17  
18 If Operator considers any tax assessment improper, Operator may, at its discretion, protest within  
19 the time and manner prescribed by law, and prosecute the protest to a final determination, unless all  
20 parties agree to abandon the protest prior to final determination. During the pendency of administrative  
21 or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and  
22 penalty. When any such protested assessment shall have been finally determined, Operator shall pay  
23 the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then  
24 be assessed against the parties, and be paid by them, as provided in Exhibit "C".

25  
26 Each party shall pay or cause to be paid all production, severance, gathering and other taxes im-  
27 posed upon or with respect to the production or handling of such party's share of oil and/or gas pro-  
28 duced under the terms of this agreement.

29  
30 **H. Insurance:**

31  
32 At all times while operations are conducted hereunder, Operator shall comply with the Workmen's  
33 Compensation Law of the State where the operations are being conducted, provided, however, that Op-  
34 erator may be a self-insurer for liability under said compensation laws in which event the only charge  
35 that shall be made to the joint account shall be an amount equivalent to the premium which would have  
36 been paid had such insurance been obtained. Operator shall also carry or provide insurance for the  
37 benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof.  
38 Operator shall require all contractors engaged in work on or for the Contract Area to comply with the  
39 Workmen's Compensation Law of the State where the operations are being conducted and to maintain  
40 such other insurance as Operator may require.

41  
42 In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently  
43 receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for  
44 such insurance for Operator's fully owned automotive equipment.

45  
46 **ARTICLE VIII.**

47 **ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST**

48  
49 **A. Surrender of Leases:**

50  
51 The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall  
52 not be surrendered in whole or in part unless all parties consent thereto.

53  
54 However, should any party desire to surrender its interest in any lease or in any portion thereof, and  
55 other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express  
56 or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and  
57 equipment which may be located thereon and any rights in production thereafter secured, to the parties  
58 not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the as-  
59 signing party shall execute and deliver to the party or parties not desiring to surrender an oil and gas  
60 lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas  
61 is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B".  
62 Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing,  
63 but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon,  
64 and the assigning party shall have no further interest in the lease assigned and its equipment and pro-  
65 duction other than the royalties retained in any lease made under the terms of this Article. The parties  
66 assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells  
67 and equipment on the assigned acreage. The value of all material shall be determined in accordance  
68 with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plug-  
69 ging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall



1 be shared by the parties assignee in the proportions that the interest of each bears to the interest of all  
2 parties assignee.

3  
4 Any assignment or surrender made under this provision shall not reduce or change the assignor's or  
5 surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract  
6 Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter  
7 be subject to the terms and provisions of this agreement.

8  
9 **B. Renewal or Extension of Leases:**

10  
11 If any party secures a renewal of any oil and gas lease subject to this Agreement, all other parties  
12 shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt  
13 of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such  
14 lease affects lands within the Contract Area, by paying to the party who acquired it their several proper  
15 proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area,  
16 which shall be in proportion to the interests held at that time by the parties in the Contract Area.

17  
18 If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it  
19 shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of  
20 their respective percentage of participation in the Contract Area to the aggregate of the percentages  
21 of participation in the Contract Area of all parties participating in the purchase of such renewal lease.  
22 Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

23  
24 Each party who participates in the purchase of a renewal lease shall be given an assignment of its  
25 proportionate interest therein by the acquiring party.

26  
27 The provisions of this Article shall apply to renewal leases whether they are for the entire interest  
28 covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease  
29 taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after  
30 the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted  
31 for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal  
32 lease and shall not be subject to the provisions of this agreement.

33  
34 The provisions in this Article shall apply also and in like manner to extensions of oil and gas  
35 leases.

36  
37 **C. Acreage or Cash Contributions:**

38  
39 While this agreement is in force, if any party contracts for a contribution of cash toward the drilling  
40 of a well or any other operation on the Contract Area, such contribution shall be paid to the party who  
41 conducted the drilling or other operation and shall be applied by it against the cost of such drilling or  
42 other operation. If the contribution be in the form of acreage, the party to whom the contribution is  
43 made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling  
44 Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto  
45 are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and  
46 be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and  
47 accept such tender, such acreage shall not become a part of the Contract Area. Each party shall prompt-  
48 ly notify all other parties of all acreage or money contributions it may obtain in support of any well or  
49 any other operation on the Contract Area.

50  
51 If any party contracts for any consideration relating to disposition of such party's share of substances  
52 produced hereunder, such consideration shall not be deemed a contribution as contemplated in this  
53 Article VIII.C.

54  
55 **D. Subsequently Created Interest:**

56  
57 Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent  
58 to execution of this agreement, create an overriding royalty, production payment, or net proceeds inter-  
59 est, which such interests are hereinafter referred to as "subsequently created interest", such subsequently  
60 created interest shall be specifically made subject to all of the terms and provisions of this agreement, as  
61 follows:

62  
63 1. If non-consent operations are conducted pursuant to any provision of this agreement, and the  
64 party conducting such operations becomes entitled to receive the production attributable to the interest  
65 out of which the subsequently created interest is derived, such party shall receive same free and clear  
66 of such subsequently created interest. The party creating same shall bear and pay all such subsequently  
67 created interests and shall indemnify and hold the other parties hereto free and harmless from any and  
68 all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

#### E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or
2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

#### F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

#### G. Preferential Right to Purchase:

Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests, by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary or a parent company, or to any company in which any one party owns a majority of the stock.

### ARTICLE IX INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

1 such party shall give any notices or take any other action inconsistent with the election made hereby.  
 2 If any present or future income tax laws of the state or states in which the Contract Area is located or  
 3 any future income tax laws of the United States contain provisions similar to those in Subchapter "K",  
 4 Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that  
 5 provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as  
 6 may be permitted or required by such laws. In making the foregoing election, each such party states that  
 7 the income derived by such party from Operations hereunder can be adequately determined without the  
 8 computation of partnership taxable income.

#### 9 10 ARTICLE X.

#### 11 CLAIMS AND LAWSUITS

12  
 13 Operator may settle any single damage claim or suit arising from operations hereunder if the ex-  
 14 penditure does not exceed Five Thousand and No/100----- Dollars  
 15 (\$ 5,000.00) and if the payment is in complete settlement of such claim or suit. If the amount  
 16 required for settlement exceeds the above amount, the parties hereto shall assume and take over the  
 17 further handling of the claim or suit, unless such authority is delegated to Operator. All costs and ex-  
 18 pense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense  
 19 of the parties. If a claim is made against any party or if any party is sued on account of any matter  
 20 arising from operations hereunder over which such individual has no control because of the rights given  
 21 Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall  
 22 be treated as any other claim or suit involving operations hereunder.

#### 23 24 ARTICLE XI.

#### 25 FORCE MAJEURE

26  
 27 If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations  
 28 under this agreement, other than the obligation to make money payments, that party shall give to all  
 29 other parties prompt written notice of the force majeure with reasonably full particulars concerning it;  
 30 thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure,  
 31 shall be suspended during, but no longer than, the continuance of the force majeure. The affected party  
 32 shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

33  
 34 The requirement that any force majeure shall be remedied with all reasonable dispatch shall not  
 35 require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its  
 36 wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party  
 37 concerned.

38  
 39 The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other  
 40 industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood,  
 41 explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment,  
 42 and any other cause, whether of the kind specifically enumerated above or otherwise, which is not  
 43 reasonably within the control of the party claiming suspension.

#### 44 45 ARTICLE XII.

#### 46 NOTICES

47  
 48 All notices authorized or required between the parties, and required by any of the provisions of  
 49 this agreement, unless otherwise specifically provided, shall be given in writing by United States mail  
 50 or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to  
 51 whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any  
 52 provision hereof shall be deemed given only when received by the party to whom such notice is directed,  
 53 and the time for such party to give any notice in response thereto shall run from the date the originat-  
 54 ing notice is received. The second or any responsive notice shall be deemed given when deposited in  
 55 the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid,  
 56 or when sent by teletype. Each party shall have the right to change its address at any time, and from  
 57 time to time, by giving written notice hereof to all other parties.

#### 58 59 ARTICLE XIII.

#### 60 TERM OF AGREEMENT

61  
 62 This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas in-  
 63 terests subjected hereto for the period of time selected below; provided, however, no party hereto shall  
 64 ever be construed as having any right, title or interest in or to any lease, or oil and gas interest con-  
 65 tributed by any other party beyond the term of this agreement.

66  
 67 [ ] Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are con-  
 68 tinued in force as to any part of the Contract Area, whether by production, extension, renewal or other-  
 69 wise, and or so long as oil and/or gas production continues from any lease or oil and gas interest.

1 ☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled  
 2 under any provision of this agreement, results in production of oil and/or gas in paying quantities, this  
 3 agreement shall continue in force so long as any such well or wells produce, or are capable of produc-  
 4 tion, and for an additional period of 90 days from cessation of all production; provided, however,  
 5 if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in  
 6 drilling or reworking a well or wells hereunder, this agreement shall continue in force until such op-  
 7 erations have been completed and if production results therefrom, this agreement shall continue in  
 8 force as provided herein. In the event the well described in Article VI.A., or any subsequent well  
 9 drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil  
 10 and/or gas from the Contract Area, this agreement shall terminate unless drilling or reworking opera-  
 11 tions are commenced within 90 days from the date of abandonment of said well.

12  
 13 It is agreed, however, that the termination of this agreement shall not relieve any party hereto from  
 14 any liability which has accrued or attached prior to the date of such termination.

#### 15 16 ARTICLE XIV. 17 COMPLIANCE WITH LAWS AND REGULATIONS

##### 18 19 A. Laws, Regulations and Orders:

20  
 21 This agreement shall be subject to the conservation laws of the state in which the committed  
 22 acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of  
 23 said state; and to all other applicable federal, state and local laws, ordinances, rules, regulations, and  
 24 orders.

##### 25 26 B. Governing Law:

27  
 28 The essential validity of this agreement and all matters pertaining thereto, including, but not lim-  
 29 ited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and in-  
 30 terpretation or construction, shall be governed and determined by the law of the state in which the  
 31 Contract Area is located. If the Contract Area is in two or more states, the law of the state where most  
 32 of the land in the Contract Area is located shall govern.

#### 33 34 ARTICLE XV. 35 OTHER PROVISIONS

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ARTICLE XVI.  
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 19th day of December, 1979.

OPERATOR

ATTEST:

GREAT WESTERN DRILLING COMPANY

Assistant Secretary

President

NON-OPERATORS

ATTEST:

DAVOIL, INC.

Secretary

President

ATTEST:

YATES PETROLEUM CORPORATION

By:

ATTEST:

READ AND STEVENS

By:

ATTEST:

DEPCO, INC.

Michael D. Shepard, Secretary

By: C. D. Crump, Vice President \*

Charles C. Loveless, Jr.

Roy G. Barton

SPEAR BROS. SHEEP & CATTLE CO.

By:

\*DEPCO, Inc.'s execution hereof is contingent upon Great Western Drilling Co.'s agreeing to the terms and conditions of that certain letter dated April 3, 1980 from DEPCO, Inc. to Great Western Drilling Co.,

Winnie Dill Knox

EXHIBIT "A"

Tract 1:	SE/4 Section 19, T-18-S, R-37-E SAE Fairchild Farm Tracts 406 and 415	152.5 Acres
Tract 2:	E/2 SW/4 Section 19, T-18-S, R-37-E lying East of the Old Pecos River	16.4 Acres
Tract 3:	Fairchild Farm Tracts #401, 406, 415 Section 19, T-18-S, R-37-E	12.4 Acres
Tract 4:	Fairchild Farm Tract #402 Section 19, T-18-S, R-37-E	5.5 Acres
Tract 5:	Fairchild Farm Tracts #404, 405, 411, 413 Section 19, T-18-S, R-37-E	20.6 Acres
Tract 6:	Fairchild Farm Tracts 407, 408, 409, 410 Section 19, T-18-S, R-37-E	20.0 Acres
Tract 7:	Fairchild Farm Tracts 403, 412 Section 19, T-18-S, R-37-E	7.6 Acres
Tract 8:	Fairchild Farm Tract 414 Section 19, T-18-S, R-37-E	5.0 Acres
Tract 9:	Lots 3 and 4, Section 19, T-18-S, R-37-E	81.0 Acres



Attached to and made a part of that Operating Agreement dated December 19, 1979, between Great Western Drilling Company, as Operator, and Depco, Inc. et al, Non-Operator.

A. Description of Lands

The Unit Area consists of the South Half (S/2) of Section 19, T-18-S, R-27-E, Eddy County, New Mexico, limited to the oil and gas interests from the base of the San Andres formation down to top of Mississippian Chester limestone.

B. The Names of the parties, their addresses, and their percentages in the Unit Area are as follows:

<u>Name and Address</u>	<u>Net Acres in Unit</u>	<u>DDI in Unit</u>
Great Western Drilling Co. P. O. Box 1659 Midland, Texas 79702	89.87417094	.27998184
Dayoil, Inc. P. O. Box 12507 Fort Worth, Texas 76116	49.51749564	.15426011
Yates Petroleum Corporation 207 South Fourth Street Artesia, New Mexico 88210	61.0328125	.19013337
Read and Stevens P. O. Box 2126 Roswell, New Mexico 88201	7.13000012	.02221184
Depco, Inc. 1000 Petroleum Building Denver, Colorado 80202	55.94375000	.17427959
C. R. McMillan Room 714, Petroleum Building Roswell, New Mexico 88201	16.78906250	.05230238
Roy G. Barton 300 W. Taylor Hobbs, New Mexico 88240	15.00000000	.04672897
Speer Bros. Sheep & Cattle Co. 603 Seco Dr. Hobbs, New Mexico 88240	5.00000000	.01557632
Winnie Dill Knox Weatherford, Texas	3.54375000	.01103972
Donald S. Johnson Jamestown, Kansas	0.06458329	.00020119
Flora Jane Hopkins 2149 San Anselmo Ave. Long Beach, Calif. 90815	0.15500000	.00048287
Gleason Brown 756 Bacon Road Hinesville, Georgia 31313	0.15500000	.00048287
Robert A. Brown Fletcher, Oklahoma 73541	0.15500000	.00048287

Name and AddressNet Acres  
in UnitDDI in Unit

Ernest L. Redford  
111 Nara Vista NW  
Albuquerque, N. M. 87107

0.19375000

.00060358

Virginia Collier  
Box 418  
Fletcher, Oklahoma

0.15500000

.00048287

Elizabeth Major  
2407 Crockett  
Amarillo, Texas 79100

0.15500000

.00048286

Robert Collier  
Box 449  
Fletcher, Oklahoma 73541

0.15500000

.00048287

Nelson Collier  
1605 Bixby  
Ardmore, Oklahoma 73401

0.46500000

.00144860

J. R. Rowan et al  
217 Mid-America Bldg.  
Midland, Texas 79701

5.44218760

.01695385

Sentinel Development Corporation  
714 Petroleum Bldg.  
Roswell, N. M. 88201

10.07343750

.03138142

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321.00000000 Acres

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C. The Leaschold and Unleased Interests of each party in the Unit Area are as follows:

GREAT WESTERN DRILLING COMPANY AND DAVOIL, INC.

1. Oil and Gas Lease dated May 16, 1973, Book 105, Page 461, from Arthur B. Kaiser and Lila Kaiser, et al, to Great Western Drilling Company covering among other lands, Tract #1 of the captioned lands.
2. Oil and Gas Lease dated May 16, 1973, Book 105, Page 459, from J. W. Miller and Patricia A. Miller, his wife, et al, to Great Western Drilling Company covering, among other lands, Tract #1 of the captioned lands.
3. Oil and Gas Lease dated July 26, 1978, Book 161, Page 801, from Dorothy Parker, a widow, to Great Western Drilling Company covering Tract #2 of the captioned lands.
4. Oil and Gas Lease dated July 26, 1978, Book 161, Page 797, from Edward L. Upham and Darline R. Upham, his wife, to Great Western Drilling Company covering Tract #2 of the captioned lands.
5. Oil and Gas Lease dated July 26, 1978, Book 161, Page 799, from Patricia A. Moreman, Executrix of the Estate of L. T. Atkeson, deceased, and Guardian of the Estate of Reita H. Atkeson, NCM, to Great Western Drilling Company covering Tract #2 of the captioned lands.
6. Oil and Gas Lease dated November 8, 1978, Book 167, Page 178, from Helen J. Hardgrave, dealing in her separate property, to Great Western Drilling Company covering Tract 3 of the captioned lands.
7. Oil and Gas Lease dated November 8, 1978, Book 167, Page 180, from Georgia Lafferty, dealing in her separate property, to Great Western Drilling Company covering Tract #3 of the captioned lands.
8. Oil and Gas Lease dated November 8, 1978, Book 167, Page 182, from Harrie L. Perry, Jr., dealing in his separate property, to Great Western Drilling Company covering Tract #3 of the captioned lands.
9. Oil and Gas Lease dated November 8, 1978, Book 167, Page 184, from Homer A. Swearingen, dealing in his separate property, to Great Western Drilling Company, covering Tract #3 of the captioned lands.
10. Oil and Gas Lease dated November 8, 1978, Book 167, Page 186, from Marion L. Swearingen, dealing in his separate property, to Great Western Drilling Company covering Tract #3 of the captioned lands.
11. Oil and Gas Lease dated November 8, 1978, Book 167, Page 188, from Pauling R. Swearingen, dealing in her separate property, to Great Western Drilling Company, covering Tract #3, of the captioned lands.
12. Oil and Gas Lease dated November 8, 1978, Book 167, Page 190, from Ruby Rogers, dealing in her separate property, to Great Western Drilling Company, covering Tract #3, of the captioned lands.
13. Oil and Gas Lease dated November 8, 1978, Book 167, Page 192, from Charlene Watson, dealing in her separate property, to Great Western Drilling Company, covering Tract #3 of the captioned lands.
14. Oil and Gas Lease, dated November 8, 1978, Book 167, Page 194, from Mayme White, dealing in her separate property, to Great Western Drilling Company, covering Tract #3, of the captioned lands.
15. Oil and Gas Lease dated November 8, 1978, Book 167, Page 242, from First National Bank of Topeka as Trustee for the Rita J. Evert Trust, to Great Western Drilling Company, covering Tract #3 of the captioned lands.

16. Oil and Gas Lease dated November 8, 1978, Book 168, Page 146, from Florence Swearingen, to Great Western Drilling Company covering Tract #3, of the captioned lands.
17. Oil and Gas Lease dated November 8, 1978, Book 169, Page 288, from Edna Mae Watt, dealing in her separate property, to Great Western Drilling Company, covering Tract #3 of the captioned lands.
18. Oil and Gas Lease, dated November 28, 1978, Book 166, Page 1026, from Roy E. Thompson and wife, Elizabeth A. Thompson, to Great Western Drilling Company, covering Tract #8 of the captioned lands.

#### READ & STEVENS

1. Oil and Gas Lease dated November 7, 1978, Book 166, Page 392, from Addie Swearingen, a widow, to Read & Stevens, covering Tract #3, of the captioned lands.
2. Oil and Gas Lease dated \_\_\_\_\_, Book 173, Page 220, from James A. Collier to Read & Stevens covering Tract #3 of the captioned lands.
3. Oil and Gas Lease dated \_\_\_\_\_, Book 173, Page 358, from Stella P. Herrell to Read & Stevens covering Tract #3 of the captioned lands.
4. Oil and Gas Lease dated June 18, 1979, Book 173, Page 409, from Birdie F. Coryell to Read & Stevens covering Tract #3 of the captioned lands.
5. Oil & Gas Lease dated \_\_\_\_\_, Book 173, Page 19, from Vera Hadsell to Read & Stevens, covering Tract #3 of the captioned lands.
6. Oil and Gas Lease dated \_\_\_\_\_, Book 173, Page 22, from Sheryl S. Johnson to Read & Stevens, covering Tract #3 of the captioned lands.
7. Oil and Gas Lease dated \_\_\_\_\_, Book 173, Page 25, from Glen Swearingen to Read & Stevens, covering Tract #3 of the captioned lands.
8. Oil and Gas Lease dated \_\_\_\_\_, Book 173, Page 28, from Howard Swearingen to Read & Stevens, covering Tract #3 of the captioned lands.
9. Oil and Gas Lease dated \_\_\_\_\_, Book 173, Page 31, from Ralph Swearingen to Read & Stevens, covering Tract #3 of the captioned lands.
10. Oil and Gas Lease dated November 1, 1979, Book 179, Page 1066 from Louise Richardson to Read & Stevens, covering Tract #3 of the captioned lands.

C. R. McMILLAN - 62½%  
SENTINEL DEVELOPMENT CORPORATION - 37½%

1. Oil and Gas Lease dated May 11, 1979, Book 172, Page 265, from First National Bank of Roswell, Trustee, Laura Hedgecoxe Cahoon to Charles C. Loveless, covering Tract #5 of the captioned lands.
2. Oil and Gas Lease dated May 11, 1979, Book 172, Page 257, from First National Bank of Roswell, Trustee, Laura Cahoon Debardeleben to Charles C. Loveless covering Tract #5 of captioned lands.
3. Oil and Gas Lease dated May 11, 1979, Book 172, Page 261, from Mibel Cahoon Lamon to Charles C. Loveless covering Tract #5 of captioned lands.
4. Oil and Gas Lease dated July 12, 1979, Book 173, Page 621, from Nancy Ordway et al to Charles C. Loveless, covering Tract #5 of captioned lands.
5. Oil and Gas Lease dated May 11, 1979, Book 171, Page 371, from Mary Lutz Cahoon Grantham to Charles C. Loveless, covering Tract #5 of captioned lands.
6. Oil and Gas Lease dated May 11, 1979, Book 172, Page 263, from Security Realty Corporation to Charles C. Loveless, covering Tract #9 of captioned lands.

DEPCO, INC.

1. Oil and Gas Lease dated June 6, 1974, Book 117, Page 682, from R. E. Boyle and Sweetie Boyle, husband and wife, et al, to Depco, Inc. covering Tract #4 of the captioned lands.
2. Oil and Gas Lease dated June 10, 1974, Book 123, Page 738, from Mary Lutz Cahoon Grantham, Guardian for Edward Charles Cahoon and Dianne Cahoon, minors, to Depco, Inc. covering Tract #5 of the captioned lands.
3. Oil and Gas Lease dated April 29, 1974, Book 117, Page 672, from Farris D. Evans and wife, Lois D. Evans to Depco, Inc. covering Tract #9 of the captioned lands.
4. Oil and Gas Lease dated June 11, 1974, Book 118, Page 567, from Grady R. Stevens and June Stevens, husband and wife, to Depco, Inc. covering Tract #9 of the captioned lands.
5. Oil and Gas Lease dated June 11, 1974, Book 119, Page 819, from Thyra Nell Myers Welborne, a married woman dealing with her sole and separate property, to Depco, Inc. covering Tract #9 of the captioned lands.
6. Oil and Gas Lease dated June 11, 1974, Book 118, Page 981, from Kittie Muncy, a widow et al to Depco, Inc. covering Tract #9 of the captioned lands.
7. Oil and Gas Lease dated June 17, 1974, Book 119, Page 821, from Owen Levi Muncy, et al to Depco, Inc. covering Tract #9 of the captioned lands.
8. Oil and Gas Lease dated June 17, 1974, Book 120, Page 934, from Ila Mae Muncy Jacobs et al, to Depco, Inc. covering Tract #9 of the captioned lands.



9. Oil and Gas Lease dated June 20, 1974, Book 118, Page 985, from Clarence F. McCubbins, et al, to Depco, Inc. covering Tract #9 of the captioned lands.
10. Oil and Gas Lease dated June 20, 1974, Book 119, Page 626, from Elmer D. Healey, et al, to Depco, Inc. covering Tract #9 of the captioned lands.
11. Oil and Gas Lease dated June 20, 1974, Book 120, Page 55, from Frank L. Munsey, also known as Frank Lee Muncy, et al, to Depco, Inc. covering Tract #9 of the captioned lands.
12. Oil and Gas Lease dated June 25, 1974, Book 118, Page 987, from Bert N. Muncy, Jr., a married man, dealing in his sole and separate property, to Depco, Inc. covering Tract #9 of the captioned lands.
13. Oil and Gas Lease dated June 27, 1974, Book 120, Page 59, from Elizabeth Muncy Schrader, a married woman, dealing in her separate property, to Depco, Inc. covering Tract #9 of the captioned lands.
14. Oil and Gas Lease dated June 25, 1974, Book 119, Page 828, from Winnie R. Truesdell, also known as Winnie Ruth Clayton Truesdell, a married woman, dealing in her separate property, to Depco, Inc. covering Tract #9 of the captioned lands.
15. Oil and Gas Lease dated June 25, 1974, Book 119, Page 830, from Leon Clayton, a married man; et al, each dealing with their sole and separate property, to Depco, Inc., covering Tract #9 of the captioned lands.
16. Oil and Gas Lease dated June 26, 1974, Book 119, Page 833, from Allie Mae Lennard, et al, to Depco, Inc., covering Tract #9 of the captioned lands.
17. Oil and Gas Lease dated July 1, 1974, Book 120, Page 936, from Nevil Lee Muncy, et al, to Depco, Inc. covering Tract #9 of the captioned lands.
18. Oil and Gas Lease dated July 18, 1974, Book 121, Page 332, from Vernon D. Brookshire, a married man, dealing with his separate property, to Depco, Inc. covering Tract #9 of the captioned lands.
19. Oil and Gas Lease dated July 22, 1974, Book 120, Page 430, from Ray H. Sipple et al, to Depco, Inc. covering Tract #9 of the captioned lands.
20. Oil and Gas Lease dated July 22, 1974, Book 120, Page 432, from Lillian A. Rice, a widow, to Depco, Inc., covering Tract #9 of the captioned lands.
21. Oil and Gas Lease dated August 7, 1974, Book 120, Page 63, from Matred Devol Rickhoff and Stanley Rickhoff, wife and husband, to Depco, Inc. covering Tract #9 of the captioned lands.
22. Oil and Gas Lease dated August 7, 1974, Book 120, Page 65, from Ellis M. Evans, a married man, dealing in his sole and separate property, to Depco, Inc., covering Tract #9 of the captioned lands.
23. Oil and Gas Lease dated February 26, 1975, Book 125, Page 921, from Delbert Muncy and Betty R. Muncy, husband and wife, to Depco, Inc. covering Tract #9 of the captioned lands.
24. Oil and Gas Lease dated June 22, 1973, Book 106, Page 284, from P. R. Ramuz and wife, Christine Ramuz, acting by and through their Attorney-in-Fact, Johnnie R. Johnson, to Depco, Inc., covering Tract #9 of the captioned lands.



25. Oil and Gas Lease dated July 9, 1973, Book 106, Page 287, from Louise Callans Cherry, a widow, to Depco, Inc., covering Tract #9, of the captioned lands.
26. Oil and Gas Lease, dated August 3, 1973, Book 106, Page 406, from Otto J. Bogenschuts, et al, heirs and devisees of Margaret B. Brown, deceased, to Depco, Inc., covering Tract #9 of the captioned lands.
27. Oil and Gas Lease dated November 15, 1973, Book 111, Page 327, from Vilas P. Sheldon, to Depco, Inc. covering Tract #9, of the captioned lands.
28. Oil and Gas Lease dated November 15, 1973, Book 112, Page 254, from Betty Sue Baggwell, formerly Betty Sue Sheldon by Vilas P. Sheldon, Attorney-in-fact, to Depco, Inc., covering Tract #9 of the captioned lands.
29. Oil and Gas Lease dated June 11, 1974, Book 119, Page 817, from Rada Muncy Hamilton et al, to Depco, Inc., covering Tract #9 of the captioned lands.
30. Oil and Gas Lease dated August 16, 1973, Book 109, Page 28 from Edward C. Keller to Depco Inc., covering Tract #5 of the captioned lands.
31. Oil and Gas Lease dated June 26, 1973, Book 106, Page 266 from Johnnie G. Johnson et vir to Depco, Inc. covering Tract #7 of the captioned lands.

#### YATES PETROLEUM CORPORATION

1. Oil and Gas Lease dated April 21, 1975, Book 126, Page 609, from Yates Brothers, a partnership, to Yates Petroleum Corporation, covering Tract #9 of the captioned lands.
2. Oil and Gas Lease dated April 17, 1973, Book 100, Page 154, from Kate G. Hoffman, a widow, et al to Yates Petroleum Corporation, covering Tract #9 of the captioned lands.
3. 25% Unleased Mineral Interest in Tract #1.
4. Oil and Gas Lease dated October 10, 1959, Book 114, Page 307, from Ruth Gamble Haskins to Yates Petroleum Corp., covering Tract #9 of the captioned lands.

#### J. R. ROWAN, ET AL

1. Oil and Gas Lease dated September 25, 1975, Book 132, Page 148, from Emma Swisher Felkins to J. R. Rowan covering Tract #9 of captioned lands.
2. Oil and Gas Lease dated September 25, 1975, Book 132, Page 150, from Katherine S. Hagyard, also known as Katherine Swisher Hagyard, dealing in her separate property, to J. R. Rowan, covering Tract #9 of captioned lands.
3. Oil and Gas Lease dated September 29, 1975, Book 130, Page 882, from Nola M. Brewer, widow, to R. C. Roberts, now owned by J. R. Rowan et al, covering Tract #9 of captioned lands.

DONALD S. JOHNSON

1. 1/96 of 1/2 Unleased Mineral Interest  
Tract #3

FLORA JANE HOPKINS

1. 1/5 of 1/8 of 1/2 Unleased Mineral Interest  
Tract #3

GLEASON BROWN

1. 1/5 of 1/8 of 1/2 Unleased Mineral Interest  
Tract #3

ROBERT A. BROWN

1. 1/5 of 1/8 of 1/2 Unleased Mineral Interest  
Tract #3

ERNEST L. REDFORD

1. 1/4 of 1/8 of 1/2 Unleased Mineral Interest  
Tract #3

VIRGINIA COLLIER

1. 1/40 of 1/2 Unleased Mineral Interest  
Tract #3

ELIZABETH MAJOR

1. 1/40 of 1/2 Unleased Mineral Interest  
Tract #3

ROBERT COLLIER

1. 1/40 of 1/2 Unleased Mineral Interest  
Tract #3

NELSON COLLIER

1. 3/80 Unleased Mineral Interest  
Tract #3

ROY G. BARTON, JR.

1. 3/4 Unleased Mineral Interest  
Tract #6

SPEAR BROS. SHEEP AND CATTLE CO.

1. 1/4 Unleased Mineral Interest  
Tract #6

WINNIE DILL KNOX, INDIVIDUALLY AND AS TRUSTEE

1. 1/80 plus 1/32, Unleased Mineral Interest  
Tract #9.

LEASE NO.	LESSOR	LESSEE	DATE	RECORDING BOOK	PAGE	PRIMARY TERM	TRACT COVERED	INTEREST COVERED	ROYALTY
1	Arthur B. and Lula Mae Kaiser, Trustees	Great Western Drilling Company	5-16-73	105	461	5 Years	1	3/4	3/16
2	J. W. Miller et al	Great Western Drilling Company	5-16-73	105	459	5 Years	1	1/4	3/16
3	Dorothy Parker	Great Western Drilling Company	7-26-78			5 Years	2	1/2	3/16
4	Edward L. Upham, et ux, Lurline R. Upham	Great Western Drilling Company	7-26-78			5 Years	2	1/4	3/16
5	Patricia A. Moriman, Guadian	Great Western Drilling Company	7-26-78			5 Years	2	1/4	3/16
6	Addie Swearingen	Read and Stevens	11-7-78	166	392	3 Years	3	19/40	7/32
7	Helen J. Handgrave	Great Western Drilling Company	11-8-78	167	178	2 Years	3	1/8 of 1/2	3/16
8	Georgia Lafferty	Great Western Drilling Company	11-8-78	167	180	2 Years	3	1/4 of 1/8 of 1/2	3/16
9	Harrie L. Perry, et ux	Great Western Drilling Company	11-8-78	167	182	2 Years	3	1/24 of 1/2	3/16
10.	Homer A. Swearingen	Great Western Drilling Company	11-8-78	167	184	2 Years	3	3/4 of 1/8 of 1/2	3/16
11	Marion L. Swearingen	Great Western Drilling Company	11-8-78	167	186	2 Years	3	1/4 of 1/8 of 1/2	3/16
12	Pauline K. Swearingen	Great Western Drilling Company	11-8-78	167	188	2 Years	3	1/4 of 1/8 of 1/2	3/16
13	Ruby Rogers	Great Western Drilling Company	11-8-78	167	190	2 Years	3	1/4 of 1/8 of 1/2	3/16
14	Charline Watson	Great Western Drilling Company	11-8-78	167	192	2 Years	3	1/24 of 1/2	3/16



LEASE NO.	LESSOR	LESSEE	DATE	RECORDING BOOK	PAGE	PRIMARY TERM	TRACT COVERED	INTEREST COVERED	ROYALTY
15	Mayme White	Great Western Drilling Company	11-8-78	167	194	2 Years	3	1/24 of 1/2	3/15
16	First National Bank of Topeka, Trustee for Rita J. Evert Trust	Great Western Drilling Company	11-8-78	167	242	2 Years	3	1/48 of 1/2	3/15
17	Florence Swearingen	Great Western Drilling Company	11-8-78	168	146	2 Years	3	1/2 of 1/8 of 1/2	3/16
18	Elna Mae Watt	Great Western Drilling Company	11-8-78	169	288	2 Years	3	1/4 of 1/8 of 1/2	3/16
19	James A. Collier	Read and Stevens		173	220	3 Years	3	1/40 of 1/2	3/16
20	Stella P. Herrell	Read and Stevens		173	358	3 Years	3	1/5 of 1/8 of 1/2	3/16
21	Birdie F. Coryell	Read and Stevens		173	409	3 Years	3	1/5 of 1/8 of 1/2	3/16
22	Vera Hadsell	Read and Stevens		173	19	3 Years	3	1/48 of 1/2	3/16
23	Sheryl S. Johnson	Read and Stevens		173	22	3 Years	3	1/96 of 1/2	3/16
24	Glen Swearingen	Read and Stevens		173	25	3 Years	3	1/48 of 1/2	3/16
25	Howard Swearingen	Read and Stevens		173	26	3 Years	3	1/48 of 1/2	3/16
26	Ralph Swearingen	Read and Stevens		173	31	3 Years	3	1/48 of 1/2	3/16
27	R. E. Boyle et al	Depco, Inc.	6-6-74	117	682	10 Years	4	Full	3/16
28	Mary Luiza Grantam, Guardian	Depco, Inc.	6-10-74	123	738	10 Years	5	1/12	3/16

LEASE NO.	LESSOR	LESSEE	DATE	RECORDING		PRIMARY TERM	TRACT COVERED	INTEREST COVERED	ROYALTY
				BOOK	PAGE				
29	First National Bank of Roswell, Trustee Laura Hedge-coxe (Cahoon)	Charles C. Loveless		172	265	3 Years	5	1/3	1/4
30	First National Bank of Roswell, Trustee for Laura Cahoon Debardeleben	Charles C. Loveless		172	257	3 Years	5	5/24	1/4
31	Mabel Cahoon Lancia	Charles C. Loveless		172	261	3 Years	5	5/48	1/4
32	Nancy Ordway et al	Charles C. Loveless		173	621	5 Years	5	5/48	1/4
33	Mary Lutz Cahoon Grantham	Charles C. Loveless		171	371	5 Years	5	1/16	1/4
34	Edward C. Keller	Depco, Inc.	8-16-73	109	28	5 Years	5	5/48	3/16
35	Joannie G. Johnson Estate	Depco, Inc.	6-26-73	106	266	5 Years	7	Full	1/8
36	Roy E. Thompson	Great Western Drilling Company	11-28-78	166	1026	5 Years	8	Full	3/16
37	Betty Sue Steldon Bagwell	Depco, Inc.	11-15-73	112	254	5 Years	9	1/32	3/16
38	Vilas P. Shaldon	Depco, Inc.	11-15-73	111	327	5 Years	9	1/32	3/16
39	Katherine S. Hayward	J. R. Rowan	9-25-75	132	150	5 Years	9	3/8 of 1/32 & 1/2 of 1/32	3/16
40	Emma Swisher Felkins	J. R. Rowan	9-25-75	131	148	5 Years	9	3/8 of 1/32 & 1/2 of 1/32	3/16
41	Yates Brothers	Yates Petroleum Co.	4-21-75	126	609	5 Years	9	1/4 of 1/32 & 1/40 & 1/32	3/16
42	No. 1 M. Brever	R. C. Roberts	9-29-75	130	882	5 Years	9	1/80	3/16
43	Winnie R. Truesdale Clayton	Depco, Inc.	6-25-74	119	828	10 Years	9	1/160	3/16

LEASE NO.	LESSOR	LESSEE	DATE	RECORDING BOOK PAGE	PRIMARY TERM	TRACT COVERED	INTEREST COVERED	ROYALTY
44	Eula B. Stoldt et al	Depco, Inc.	6-25-74	119 830	10 Years	9	15/800	3/16
45	Lillian Rice et al	Depco, Inc.	7-22-74	120 430	10 Years	9	1/40	3/16
46	Owen Muncy et al	Depco, Inc.	7-17-74	119 821	10 Years	9	6/7 of 3/4 of 1/360	3/16
47	Ila Muncy Jacobs et al	Depco, Inc.	7-17-74	120 934	10 Years	9	1/7 of 3/4 of 1/360	3/16
48	Nevill Lee Muncy et al	Depco, Inc.	7-1-74	120 936	10 Years	9	1/360	3/16
49	L. D. Myers et al	Depco, Inc.	6-11-74	119 819	10 Years	9	1/360	3/16
50	Elizabeth Muncy Schrader	Depco, Inc.	6-27-74	120 59	10 Years	9	3/8 of 1/360	3/16
51	Bert N. Muncy, Jr.	Depco, Inc.	6-25-74	118 987	10 Years	9	5/8 of 1/360	3/16
	Clarence F. McCubbins et al	Depco, Inc.	6-20-74	118 985	10 Years	9	1/5 of 1/360	3/16
53	Elmer Healey et al	Depco, Inc.	6-20-74	119 826	10 Years	9	1/5 of 1/360	3/16
54	Frank L. Muncy et al	Depco, Inc.	6-20-74	120 55	10 Years	9	3/5 of 1/360	3/16
55	Rada Muncy Hamilton et al	Depco, Inc.	6-11-74	119 817	10 Years	9	1/360	3/16
56	Gracy R. Stevens, et ux June	Depco, Inc.	6-11-79	118 567	10 Years	9	1/360	3/16
57	Security Realty Corp.	Charles C. Loveless		172 263	3 Years	9	1/8	1/4
58	Otto J. Bogenschütz et al	T. F. Hodge	8-3-73	106 406	5 Years	9	1/24	1/8
59	Louise Callans Cherry	J. W. Managh	7-9-73	106 287	10 Years	9	1/12	1/8
60	Farris D. Evans et ux, Lois D. Evans	Depco, Inc.	4-29-74	117 672	5 Years	9	3/20 of 1/8	3/16

LEASE NO.	LESSOR	LESSEE	DATE	RECORDING		PRIMARY TERM	TRACT COVERED	INTEREST COVERED	ROYALTY
				BOOK	PAGE				
61	Maxred Devol Rickhoff et al, Stanley Rickhoff	Depco, Inc.	6-7-74	120	63	10 Years	9	10/20 of 1/8	3/16
62	Ellis M. Evans	Depco, Inc.	8-7-74	120	65	10 Years	9	7/20 of 1/8	3/16
63	Estate of Johnnie Johnson	Depco, Inc.	6-22-73	106	284	5 Years	9	3/32	1/8
64	Ruth Gamble Haslin	Yates Petroleum	10-10-59	114	307	5 Years	9	1/32	1/8
65	Kittie Muncy et al	Depco, Inc.	6-11-74	118	981	10 Years	9	1/360	3/16
66	Minnie Young et al	Depco, Inc.	6-26-74	119	833	10 Years	9	1/9 of 1/40	3/16
67	Leslie W. Skuzie, et ux Catherine Skuzie	Yates Petroleum Corp.	4-17-73	100	154	10 Years	9		1/8
68	Louise Richardson	Read & Stevens	11-1-79	179	1066	3 Years	3	1/4 of 1/8 of 1/2 7/32	



<u>TRACT NO.</u>	<u>OWNER</u>	<u>LEASE NO.</u>	<u>GROSS W. I.</u>	<u>NET</u>	<u>TYPE</u>	<u>ACRES</u>
1	Arthur B. Kaiser, et ux, Lula Mae	1		.0196875	RI	152.5
1	Reatha Kaiser	1		.0196875	RI	152.5
1	Clarence D. Kaiser et ux	1		.0196875	RI	152.5
1	George Ellwood Kaiser et ux, Vera	1		.0196875	RI	152.5
1	Laredo Gertrude McKinney	2		.01171875	RI	152.5
1	Evelyn D. Miller	2		.01171875	RI	152.5
1	John W. Miller	2		.01171875	RI	152.5
1	Forest C. Miller	2		.01171875	RI	152.5
1	Sara S. Zelany	1		.00750000	ORRI	152.5
1	Ann S. Yates	1		.00750000	ORRI	152.5
1	Yates Petroleum Corp.		.25000000	.25000000	UMI	152.5
1	Great Western Drilling Company	1, 2	.48357000	.39290063	WI	152.5
1	Davoll, Inc.	1, 2	.26643000	.21647437	WI	152.5
2	Dorothy Upham Paetler	3		.09375000	RI	16.4
2	Edward L. Upham	4		.04687500	RI	16.4
2	Reita Ackeson	5		.04687500	RI	16.4
2	Great Western Drilling Company		.64476000	.52386750	WI	16.4
2	Davoll, Inc.		.35524000	.28863250	WI	16.4

<u>TRACT NO.</u>	<u>MINER</u>	<u>LEASE NO.</u>	<u>GROSS W. I.</u>	<u>NET</u>	<u>TYPE</u>	<u>ACRES</u>
3	Donald S. Johnson		.00520833	.00520833	UMI	12.4
3	Flora Jane Hopkins		.01250000	.01250000	UMI	12.4
3	Glendon Brown		.01250000	.01250000	UMI	12.4
3	Robert A. Brown		.01250000	.01250000	UMI	12.4
3	Louise M. Richardson	68		.00341797	RI	12.4
3	Ernest L. Redford		.01562500	.01562500	UMI	12.4
3	Virginia Collier		.01250000	.01250000	UMI	12.4
3	Elizabeth Major		.01250000	.01250000	UMI	12.4
3	Robert Collier		.01250000	.01250000	UMI	12.4
3	Nelson Collier		.03750000	.03750000	UMI	12.4
3	Addie Swearingen	6		.10390625	RI	12.4
3	Florence Swearingen	17		.00585938	RI	12.4
3	Ruby Rogers	13		.00292969	RI	12.4
3	Narion L. Swearingen	11		.00292969	RI	12.4
3	Pauline R. Swearingen	12		.00292969	RI	12.4
3	Homer A. Swearingen	10		.00878906	RI	12.4
3	Helen Joyce Hardgrave	7		.01171375	RI	12.4
3	First National Bank of Topeka, Trustee, Rita J. Evert Trust	16		.00195313	RI	12.4
3	Vera Hadsell	22		.00227865	RI	12.4
3	Howard Swearingen	25		.00227865	RI	12.4

<u>TRACT NO.</u>	<u>OWNER</u>	<u>LEASE NO.</u>	<u>GROSS W. I.</u>	<u>NET</u>	<u>TYPE</u>	<u>ACRES</u>
3	Ralph Swearingen	26		.00227865	RI	12.4
3	Glen Swearingen	24		.00227865	RI	12.4
3	Sheryl S. Johnson	23		.00113932	RI	12.4
3	Stella P. Herrell	20		.00273438	RI	12.4
3	Hirdie F. Coryell	21		.00273438	RI	12.4
3	Georgia B. Lafferty	8		.00292969	RI	12.4
3	Edna Mae Watt	18		.00292969	RI	12.4
3	Charlene Watson	14		.00390625	RI	12.4
3	Mayme White	15		.00390625	RI	12.4
3	Harrie L. Perry, Jr.	9		.00390625	RI	12.4
3	James A. Collier	19		.00273438	RI	12.4
3	Read & Stevens	21, 19, 20, 23, 24, 26, 25, 22 6, 68	.57500001	.43359373	WI	12.4
3	Great Western Drilling Company	17, 13, 11, 12, 10, 7, 16, 18, 14, 15, 9, 8	.18305499	.15279467	WI	12.4
3	Davoll, Inc.	17, 13, 11, 12, 10, 7, 16, 18, 14, 15, 9, 8	.10361167	.08418447	WI	12.4

TRACT NO.

OWNER

LEASE NO.

GROSS W. I.

NET

TYPE

ACRES

4	R. E. Boyle et ux, Sweetie	27		.07031250	RI	5.5
4	W. J. Hill et ux, Dorothy	27		.08203125	RI	5.5
4	J. M. Cleary et ux, Louise	27		.01171875	RI	5.5
4	J. A. Davidson	27		.02343750	RI	5.5
4	Deeco, Inc.	27	100%	.81250000	WI	5.5
5	Mary Lutz Grantham, Guardian for Edward Charles Cahoon and Dianne Cahoon	28		.01562500	RI	20.6
5	The First National Bank of Roswell, Trustee J/W of Laura Hedgecoxe Cahoon, Dec'd.	29		.08333333	RI	20.6
5	The First National Bank of Roswell, Trustee for Laura Cahoon Debardeleben	30		.01562500	RI	20.6
5	Mabel Caloor Lamor	31		.02604167	RI	20.6
5	Nancy Wilson Ordway and Susar Bellinger	32		.02604167	RI	20.6
5	Edward C. Keller	34		.01953125	RI	20.6
5	Mary Lutz Cahoon Grantham	33		.01562500	RI	20.6
5	Mark D. Wilson	28, 34		.0046875	OKRI	20.6



<u>TRACT NO.</u>	<u>OWNER</u>	<u>LEASE NO.</u>	<u>GROSS W. I.</u>	<u>NET</u>	<u>TYPE</u>	<u>ACRES</u>
5	Charles C. Lowless, Jr.	24, 30, 31, 32, 33	.81250000	.64583334	WI	20.6
5	Depco, Inc.	28, 34	.18750000	.14765624	WI	20.6
6	Roy G. Barton, Jr.		.75000000	.75000000	LMI	20
6	Spear Bros. Sheep & Cattle Co.		.25000000	.25000000	LMI	20
7	Estate of Johnnie Johnson, Dec'd.	35		.12500000	RI	7.6
7	Depco, Inc.	35	1.00000000	.87500000	WI	7.6
8	Roy E. Thompson	36		.18750000	RI	5
8	Davoll, Inc.	36	.35524000	.28863250	WI	5
8	Great Western Drilling Company	36	.64476000	.52386750	WI	5

<u>TRACT NO.</u>	<u>OWNER</u>	<u>LEASE NO.</u>	<u>GROSS W. T.</u>	<u>NET</u>	<u>TYPE</u>	<u>ACRES</u>
9	Betty Sue Bagwell	37		.00585938	RI	81
9	Vilas P. Steldon	38		.00585938	RI	81
9	Otto J. Bogenschultz	38		.02083333	RI	81
9	Marjorie Anderson	58		.00130208	RI	81
9	Mary Elizabeth Anderson	58		.00130208	RI	81
9	Louise Calhans Cherry	59		.01041667	RI	81
9	Johnnie Johnson Estate	63		.01171875	RI	81
9	Ruth Gamble Hastings	64		.00390625	RI	81
9	Ninnie K. Clayton	43		.00117188	RI	81
9	Eula B. Steldt	44		.00070313	RI	81
9	J. A. Clayton, Jr.	44		.00070313	RI	81
9	Leon Clayton	44		.00070313	RI	81
9	Eddie V. Respiers	44		.00070313	RI	81
9	Pearl M. Clayton	44		.00070313	RI	81
9	Lillian A. Rice	45		.00156250	RI	81
9	Gordon Sipple and Ray Sipple	45		.00312500	RI	81
9	Owen Levi Muncy	46		.00007440	RI	81
9	Weldon L. Muncy	46		.00007440	RI	81
9	Ila Muncy Goodman	46		.00007440	RI	81
9	Zula Muncy Smith	46		.00007440	RI	81
9	Neva Muncy Kaiser	46		.00007440	RI	81

<u>LEASE NO.</u>	<u>OWNER</u>	<u>LEASE</u>	<u>GROSS W. T.</u>	<u>NET</u>	<u>TYPE</u>	<u>ACRES</u>
9	Jewel Muncy Kila	46		.00007440	RI	81
9	Ila Muncy Jacobs, Paul Herman Muncy, Bobby Jack Muncy	47		.00007440	RI	81
9	Nevil Lee Muncy, Herbert Gayle Muncy, Roy Weldon Muncy, Floy Muncy Linquist, Vera Muncy Beckert, Lois Muncy Williams	48		.00052083	RI	81
9	Thyra Nell Myers Welborne, L. D. Myers, Martha B. Myers	49		.00052083	RI	81
9	Elizabeth Schrader	50		.00019531	RI	81
9	Bert N. Muncy, Jr.	51		.00032552	RI	81
9	Clarence F. McCubbins, Robert McCubbins et al	52, 53, 54		.00052083	RI	81
9	Ruth Haveston, Rada Muncy Hamilton, Lou Ellen Frailich	55		.00052083	RI	81
9	Grady Stevens et ux	56		.00052083	RI	31
9	Kittie Muncy, O. F. Muncy, E. L. Muncy, Iona Muncy Hopkins	65		.00052083	RI	81
9	Minnie Young, Allie Mae Lennard, Mary Neal Hambricht, Vivian Dohrman, Allen Ray Young, Aquilla Faye Maples	66		.00052083	RI	81
9	Farris Devol Evans	60		.00351563	RI	81
9	Hatred D. Richhoff	61		.01171875	RI	81
9	Ellis M. Evans	62		.00820313	RI	81
9	Depco, Inc.	37, 38, 43 thru 56, 58 thru 63, 65, 66	.48125000	.40097973	WI	81

TRACT NO.	OWNER	LEASE	GROSS W. I.	NET	TYPE	ACRES
9	Yates Brothert	41		.01201172	RI	81
9	Leslie W. Skuife et ux, Catherine	37		.02343750	RI	81
9	Yates Petroleum Corporation	41, 67, 64	.26261250	.21220703	WI	81
9	Katherine S. Bagyard	39		.00512696	RI	81
9	Emma Swisher Jenkins	40		.00512695	RI	81
9	Nola M. Brewer	42		.00334375	RI	81
9	J. R. Rowan, Don D. Matson, R. C. Roberts, H. P. Beck	42, 39, 40	.0671875	.05458984	WI	81
9	Winnie Dill Knox, Individually and as Trustee		.04375000	.04375000	UMI	31
9	Security Realty Corp.	57		.03125000	RI	81
9	Charles C. Loveless, Jr.	57	.12500000	.09375000	RI	81
9	T. F. Hodge	58		.00208333	ORRI	81
9	Mark I. Wilson	37, 38, 43 thru 56 58 thru 63, 65, 66		.01464529	ORRI	31



THIS AGREEMENT made this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_, between \_\_\_\_\_

and \_\_\_\_\_ I do hereby certify that the foregoing is a true and correct copy of the original as the same appears in the records of the \_\_\_\_\_

WITNESSETH:

1. Lessor in consideration of \_\_\_\_\_ Dollars

18. \_\_\_\_\_), in hand paid, of the royalties herein provided, and of the agreement of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, laying pipelines, building roads, tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in \_\_\_\_\_ County, Texas: to-wit:

$\frac{3}{16}$  Royalty in place of  $\frac{1}{8}$  below

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above. For the purposes of calculating the rental payments hereinafter provided for, said land is estimated to comprise \_\_\_\_\_ acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of ten years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, one eighth of that produced and saved from said land, the same to be delivered at the wells or in the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gas produced on the land, produced from said land and sold or used at the well or in the credit of Lessor for the extraction or gasping or other product therefrom, the market value at the well of one eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one eighth of the amount realized from such sale; while there is a gas or gas condensate well on this lease, or on acreage pooled therewith, during or after the expiration of the primary term, but gas is not being sold or used, Lessee may pay or tender as royalty, by check or draft of Lessee, to the owner of such royalty, or to their credit in the depository bank named in the lease, on or before ninety days after the date on which said well is shut in and annually thereafter, a sum equal to the amount of annual rentals payable in lieu of drilling operations during the primary term of this lease on the number of acres subject to this lease at the time such payment is made, and if such payment is made it will be considered that gas is being produced within the meaning of Paragraph 2 hereof; and (c) on all other minerals mined and marketed, one tenth either in kind or value at the well or mine, at Lessee's election; except that on sulphur mined and marketed the royalty shall be fifty cents (\$0.50) per long ton. Lessee shall have free use of oil, gas, coal, and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent, hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said leased premises in compliance with the spacing rules of the Railroad Commission of Texas, or other lawful authority, or when in its judgment, in the judgment of Lessee, it is necessary for the conservation of oil and gas from said leased premises. Units pooled for oil hereunder shall not substantially exceed 80 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified, the units hereunder may conform substantially in size with those prescribed or permitted by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof, as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit composed in whole or in part of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and gas or either of them as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit, and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit.

5. If operations for drilling are not commenced on said land or on acreage pooled therewith as above provided on or before one year from this date the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or in the credit of Lessor in

and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rentalist the sum of

shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental under this paragraph and of royalty under paragraph 3 or any eas well from which eas is not being sold or used may be made by the check or draft of Lessee mailed or delivered to the bank on or before the date of payment. If such bank for any reason or for any cause should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept tender, Lessee shall not be held in default for failure to make such payment or tender of rental until thirty (30) days after Lessee shall deliver to Lessee a proper receiptable instrument naming another bank as agent to receive such payments or tenders. If on each payment or tender for the above schedule of term and shall not be allocated as a mortgage rental for a period, Lessee may at any time or times advance and deliver to Lessee or to the person or persons named for place of record a release covering any portion or portions of the above described premises, and thereby completely discharge as to such portion or portions and be released of all obligations as to the term is contemplated, and thereafter the rental payable to Lessee shall be reduced to the proportion that the acreage covered hereby is reduced by said release or releases.

[illegible]

EXHIBIT " C "

Attached to and made a part of OPERATING AGREEMENT dated  
December 19, 1979 between GREAT WESTERN DRILLING COMPANY,  
Operator and DEPCO, INC. ET AL, Non-Operators.

ACCOUNTING PROCEDURE  
JOINT OPERATIONS

1. 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.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

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

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"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. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator 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 Controllable Material as provided for in Section V.

5. 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 Joint Account 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 adjustments of accounts as provided for in Paragraph 4 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. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

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

## II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

### 1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

### 2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs 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. 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 costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

### 3. Employee Benefits

Operator's current costs 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 chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

### 4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. 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, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

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, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

### 6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1, ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

### 7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

### 8. 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 other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

### 9. Legal Expense

Expense of handling, investigating, and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.



#### 10. 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.

#### 11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

#### 12. 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 in the necessary and proper conduct of the Joint Operations.

### III. OVERHEAD

#### 1. Overhead - Drilling and Producing Operations

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

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

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not ( X ) be covered by the Overhead rates.

#### A. Overhead - Fixed Rate Basis

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

Drilling Well Rate \$ 3,000.00  
Producing Well Rate \$ 300.00

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

##### (a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the 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 suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

##### (b) Producing Well Rates

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

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

**B. Overhead - Percentage Basis**

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

**(a) Development**

Percent ( %) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

**(b) Operating**

Percent ( %) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

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

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

**2. Overhead - Major Construction To be negotiated.**

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ \_\_\_\_\_:

- A. \_\_\_\_\_ % of total costs if such costs are more than \$ \_\_\_\_\_ but less than \$ \_\_\_\_\_; plus
- B. \_\_\_\_\_ % of total costs in excess of \$ \_\_\_\_\_ but less than \$1,000,000; plus
- C. \_\_\_\_\_ % of total costs in excess of \$1,000,000.

Total cost shall mean the 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 and workover wells shall be excluded.

**3. Amendment of Rates**

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

**IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS**

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

**1. Purchases**

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

**2. Transfers and Dispositions**

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

**A. New Material (Condition A)**

- (1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.
- (2) Line Pipe
  - (a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.
  - (b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

**B. Good Used Material (Condition B)**

Material in sound and serviceable condition and suitable for reuse without reconditioning:

- (1) Material moved to the Joint Property
  - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.
- (2) Material moved from the Joint Property
  - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or



- (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

**C. Other Used Material (Condition C and D)**

**(1) Condition C**

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

**(2) Condition D**

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original function but suitable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

**D. Obsolete Material**

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

**E. Pricing Conditions**

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) 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 published or listed prices 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 providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided 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 ten 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.

**V. INVENTORIES**

The Operator shall maintain detailed records of Controllable Material.

**1. Periodic Inventories, Notice and Representation**

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. 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.

**2. Reconciliation and Adjustment of Inventories**

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable 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.

**4. Expense of Conducting Periodic Inventories**

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "D"

INSURANCE TO BE CARRIED

Unit Operator shall not be liable for damages arising out of injuries to any Non-Operator or to any of the employees of any Non-Operator or for damages to any property of any Non-Operator in connection with operations hereunder for the joint account on the Unit Area, except for willful misconduct or gross negligence of Unit Operator.

Unit Operator shall, at all times while operations are conducted by it for the joint account on the Unit Area, carry insurance as follows:

- (a) Workmen's Compensation and Employer's Liability Insurance meeting the requirements of the State of Texas and,
- (b) Comprehensive General Public Liability Insurance with limits of not less than One Hundred Thousand (\$100,000.00) dollars for any one person injured in any one accident, and not less than Three Hundred Thousand (\$300,000.00) dollars for more than one person injured in any one accident; and not less than One Hundred Thousand (\$100,000.00) dollars for property damage per accident.
- (c) Automobile Public Liability Insurance with limits of not less than One Hundred Thousand (\$100,000.00) dollars as to any person and Three Hundred Thousand (\$300,000.00) dollars as to any accident, and Automobile Property Damage Insurance with a limit of not less than One Hundred Thousand (\$100,000.00) dollars.

EXHIBIT "E"

Attached to and made a part of Operating Agreement  
between GREAT WESTERN DRILLING COMPANY  
as "Operator"  
and DEPCO, INC., ET AL  
as "Non-Operator"

GAS STORAGE AND BALANCING AGREEMENT

The parties to the Operating Agreement to which this agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

In accordance with the terms of the Operating Agreement, each party thereto has the right, subject to existing contracts, to take its share of gas produced from the Unit Area and market the same. In the event any of the parties hereto is not at any time taking or marketing its share of gas or has contracted to sell its share of gas produced from the Unit Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, the terms of this agreement shall automatically become effective.

During the period or periods when any party hereto has no market or fails to take its share of gas produced from any proration unit within the Unit Area, or its purchaser does not take its full share of gas produced from such proration unit, the other parties shall be entitled to produce each month one hundred percent (100%) of the allowable gas production assigned to such proration unit by the state regulatory body having jurisdiction and shall be entitled to take and deliver to its or their purchaser all of such gas production. All parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests and subject to the Operating Agreement to which this agreement is attached, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser.

On a cumulative basis, each party not taking or marketing its full share of the gas produced shall be credited with gas in storage equal to its full share of the gas produced under this agreement, less its share of gas used in lease operations, vented or lost, and less that portion such party took or delivered to its purchaser. The Operator will maintain a current account of the gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas produced, the amount used in lease operations, vented or lost, the total quantity of liquid hydrocarbons recovered therefrom, and the monthly and cumulative over and under account of each party.

At all times while gas is produced from the Unit Area, each party hereto will make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to a purchaser its share, and its share only, of total gas production exclusive of gas used in lease operations, vented or lost. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and similar interests.



JAMES T. JENNINGS  
SIM B. CHRISTY IV  
DEAN & CONSTANTINE

LAW OFFICES OF  
JENNINGS & CHRISTY  
1012 SECURITY NATIONAL BANK BUILDING  
P. O. BOX 1180  
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-8432  
AREA CODE 505

June 10, 1980

6959

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attention: Joe D. Ramey, Director

Dear Mr. Ramey:

We enclose herewith in triplicate Application of Great Western Drilling Company for compulsory pooling, Eddy County, New Mexico.

Please put it on the first available docket.

Respectfully,

JENNINGS & CHRISTY

By

  
S. B. Christy IV

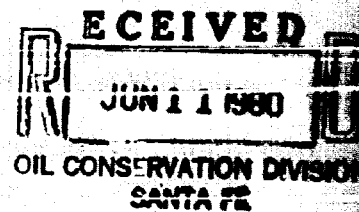
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Enclosure

cc: Mr. W. T. Cowan

RECEIVED  
JUN 11 1980  
OIL CONSERVATION DIVISION  
SANTA FE





STATE OF NEW MEXICO  
DEPARTMENT OF NATURAL RESOURCES  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF GREAT WESTERN DRILLING COMPANY  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

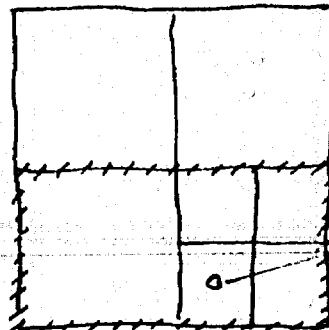
Case No. 6757

APPLICATION

COMES NOW Great Western Drilling Company, a corporation authorized to do business in the State of New Mexico, and hereby makes application for compulsory pooling of all mineral interest in the Morrow formation underlying the S $\frac{1}{2}$  Section 19, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, containing 321 acres, more or less, and for grounds thereof states:

1. Applicant has been diligent in its efforts to form a proration unit for the drilling of a well to be located 660 feet from the South line and 1980 feet from the East line of said Section 19, but there remains non-consenting interest owners in the subject proration unit who have not agreed to the pooling of their interest.

2. That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas and associated hydrocarbons producible from the Morrow formation, this regulatory body should approve the pooling of all mineral interests, whatever they may be, within said unit.



2- 660' FSL  
1980' FEL

3. Applicant proposes to dedicate the subject proration unit to a well to be located as aforesaid.

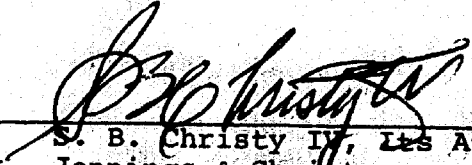
4. Applicant seeks permission to withhold the proceeds from the production attributable to each non-consenting working interest until such time as each interest's share of the cost of said well has been recovered plus 200% thereof as a charge for the risk involved in the drilling of a well.

5. That after due public notice, this regulatory body should enter its order granting compulsory pooling in accordance with this Application, fixing a charge for risk, fixing a per month cost of operating the well, and granting to each non-consenting working interest owner the privilege to join in payment of drilling the well in accordance with law. That such Order should further provide that Applicant be appointed as operator of the well.

Respectfully submitted,

GREAT WESTERN DRILLING COMPANY

By

  
S. B. Christy IV, Its Attorney  
Jennings & Christy  
P. O. Box 1180  
Roswell, New Mexico 88201

cc: CERTIFIED MAIL  
Donald S. Johnson  
Jamestown, Kansas

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Elizabeth Major  
2407 Crockett  
Amarillo, Texas 79100

Robert Collier  
P. O. Box 449  
Fletcher, Oklahoma 73541

J. R. Rowan  
217 Mid-America Building  
Midland, Texas 79701

R. C. Roberts  
100 Oil & Gas Building  
Midland, Texas 79701

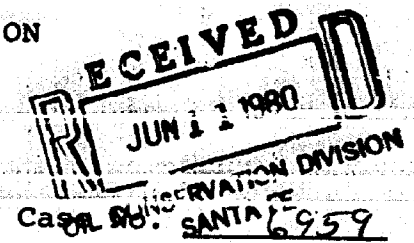
Katherine Haggard  
c/o First Security Bank  
Lexington, Kentucky

Emma Felkins  
c/o Pacific Security National Bank  
Apple Valley, California

cc: Regular Mail  
Great Western Drilling Company  
(W.T. Cowan)

STATE OF NEW MEXICO  
DEPARTMENT OF NATURAL RESOURCES  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF GREAT WESTERN DRILLING COMPANY  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.



APPLICATION

COMES NOW Great Western Drilling Company, a corporation authorized to do business in the State of New Mexico, and hereby makes application for compulsory pooling of all mineral interest in the Morrow formation underlying the S $\frac{1}{2}$  Section 19, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, containing 321 acres, more or less, and for grounds thereof states:

1. Applicant has been diligent in its efforts to form a proration unit for the drilling of a well to be located 660 feet from the South line and 1980 feet from the East line of said Section 19, but there remains non-consenting interest owners in the subject proration unit who have not agreed to the pooling of their interest.

2. That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas and associated hydrocarbons producible from the Morrow formation, this regulatory body should approve the pooling of all mineral interests, whatever they may be, within said unit.

3. Applicant proposes to dedicate the subject proration unit to a well to be located as aforesaid.

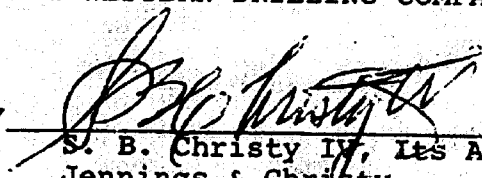
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5. That after due public notice, this regulatory body should enter its order granting compulsory pooling in accordance with this Application, fixing a charge for risk, fixing a per month cost of operating the well, and granting to each non-consenting working interest owner the privilege to join in payment of drilling the well in accordance with law. That such Order should further provide that Applicant be appointed as operator of the well.

Respectfully submitted,

GREAT WESTERN DRILLING COMPANY

By

  
S. B. Christy IV, Its Attorney  
Jennings & Christy  
P. O. Box 1180  
Roswell, New Mexico 88201

cc: CERTIFIED MAIL  
Donald S. Johnson  
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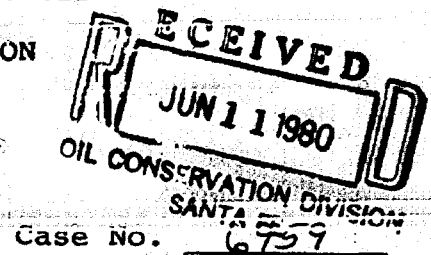
cc: Regular Mail  
Great Western Drilling Company  
(W.T. Cowan)

STATE OF NEW MEXICO

DEPARTMENT OF NATURAL RESOURCES

OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF GREAT WESTERN DRILLING COMPANY  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.



APPLICATION

COMES NOW Great Western Drilling Company, a corporation authorized to do business in the State of New Mexico, and hereby makes application for compulsory pooling of all mineral interest in the Morrow formation underlying the S $\frac{1}{4}$  Section 19, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, containing 321 acres, more or less and for grounds thereof states:

1. Applicant has been diligent in its efforts to form a proration unit for the drilling of a well to be located 660 feet from the South line and 1980 feet from the East line of said Section 19, but there remains non-consenting interest owners in the subject proration unit who have not agreed to the pooling of their interest.

2. That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas and associated hydrocarbons producible from the Morrow formation, this regulatory body should approve the pooling of all mineral interests, whatever they may be, within said unit.

3. Applicant proposes to dedicate the subject proration unit to a well to be located as aforesaid.

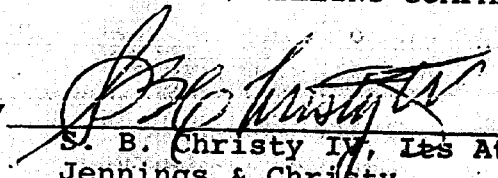
4. Applicant seeks permission to withhold the proceeds from the production attributable to each non-consenting working interest until such time as each interest's share of the cost of said well has been recovered plus 200% thereof as a charge for the risk involved in the drilling of a well.

5. That after due public notice, this regulatory body should enter its order granting compulsory pooling in accordance with this Application, fixing a charge for risk, fixing a per month cost of operating the well, and granting to each non-consenting working interest owner the privilege to join in payment of drilling the well in accordance with law. That such Order should further provide that Applicant be appointed as operator of the well.

Respectfully submitted,

GREAT WESTERN DRILLING COMPANY

By

  
S. B. Christy IV, Its Attorney  
Jennings & Christy  
P. O. Box 1180  
Roswell, New Mexico 88201

cc: CERTIFIED MAIL  
Donald S. Johnson  
Jamestown, Kansas

Flora Jane Hopkins  
2149 San Anseline Avenue  
Long Beach, California 90815

Gleason Brown  
756 Bacon Road  
Hinesville, Georgia 31313

Virginia Collier  
P. O. Box 418  
Fletcher, Oklahoma

Elizabeth Major  
2407 Crockett  
Amarillo, Texas 79100

Robert Collier  
P. O. Box 449  
Fletcher, Oklahoma 73541

J. R. Rowan  
217 Mid-America Building  
Midland, Texas 79701

R. C. Roberts  
100 Oil & Gas Building  
Midland, Texas 79701

Katherine Haggard  
c/o First Security Bank  
Lexington, Kentucky

Emma Felkins  
c/o Pacific Security National Bank  
Apple Valley, California

cc: Regular Mail  
Great Western Drilling Company  
(W.T. Cowan)

**BEFORE EXAMINER NUTTER**

OIL CONSERVATION DIVISION

*GW* EXHIBIT NO. 1

CASE NO. 6959

PEOPLE TO BE FORCE POOLED  
ON THE KAISER #1, EDDY CO., N. M.

**TRACT 3: Fairchild Farm Tracts #401, 406, 415**

1. Donald S. Johnson - 1/96 of 1/2 of 12.4 Ac. (.06458333 Ac.)  
Jamestown, Kansas  
Lease sent and no response. Another mailed 4-16-80. No answer.
2. Flora Jane Hopkins - 1/5 of 1/8 of 1/2 of 12.4 Ac. (.155 Ac.)  
2149 San Anseline Ave.  
Long Beach, Calif. 90815  
Unable to get on phone and no response to two leases sent out.
3. Gleason Brown - 1/5 of 1/8 of 1/2 of 12.4 Ac. (.155 Ac.)  
756 Bacon Rd.  
Hinesville, GA 31313  
Unable to get on phone and no response to two leases sent out.
4. Virginia Collier - 1/40 of 1/2 of 12.4 Ac. (.155 Ac.)  
P. O. Box 418  
Fletcher, Okla.  
Unable to get on phone and no response to two leases sent out.  
Leases mailed 11-8-78.
5. Elizabeth Major - 1/40 of 1/2 of 12.4 Ac. (.155 Ac.)  
2407 Crockett  
Amarillo, TX 79100  
Unable to get on phone and no response to two leases sent out.  
Unable to locate by phone 4-16-80.
6. Robert Collier - 1/40 of 1/2 of 12.4 Ac. (.155 Ac.)  
P. O. Box 449  
Fletcher, Okla. 73541  
Unable to get on phone and no response to two leases sent out.  
Leases mailed out 4-16-80. No response to leases mailed.

**TRACT 9: W/2 SW/4 (Lots 3 & 4):**

7. J. R. Rowan - 1.7296875 Ac.  
217 Mid-America Bldg.  
Midland, TX
8. R. C. Roberts - 1.7296875 Ac.  
100 Oil & Gas Bldg.  
Midland, Texas 79701

TOTAL 4.29895833 Acres. (1.343% of Unit)

NOTE: Items 1 thru 6 - Unleases Mineral Interest

Items 7 and 8 - Leased, Mineral Owners attached.



LESSOR TO ROWAN ET AL

1. Heirs of Nola Brewer, Deceased - Expires 9-29-80  
(One is Don Brewer in Artesia (Shell Dist.)  
Probate has been filed PR 80-4

(Lots 3 & 4: 81 Acres)

M.I.:  $1/80$  of 81 Ac. = 1.0125 Acres or 1.25% of 81 Ac.

2. Katherine Haggard - Expires 9-25-80  
(No Address)  
First Security Bank  
Lexington, Ky.

(Lots 3 & 4: 81 Acres)

M.I. $3/8$ of $1/32$ = 1.171875% of 81 Ac. =	.94921875 Ac.
plus $1/2$ of $1/32$ = 1.5625% of 81 Ac. =	<u>1.265625 Ac.</u>
	2.21484375 Ac.

3. Emma Felkins - Expires 9-25-80  
(No Address)  
Pacific Security National Bank  
Apple Valley, Calif.

(Lots 3 & 4: 81 Acres)

M.I. $3/8$ of $1/32$ = 1.171875% of 81 Ac. =	.94921875 Ac.
plus $1/2$ of $1/32$ = 1.5625% of 81 Ac. =	<u>1.265625 Ac.</u>
	2.21484375 Ac.

---

---

5.4421875 Ac.

[illegible]

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY

104°22'30"  
1245

31 MI. TO U.S. 215

20

R 26 E R 27 E

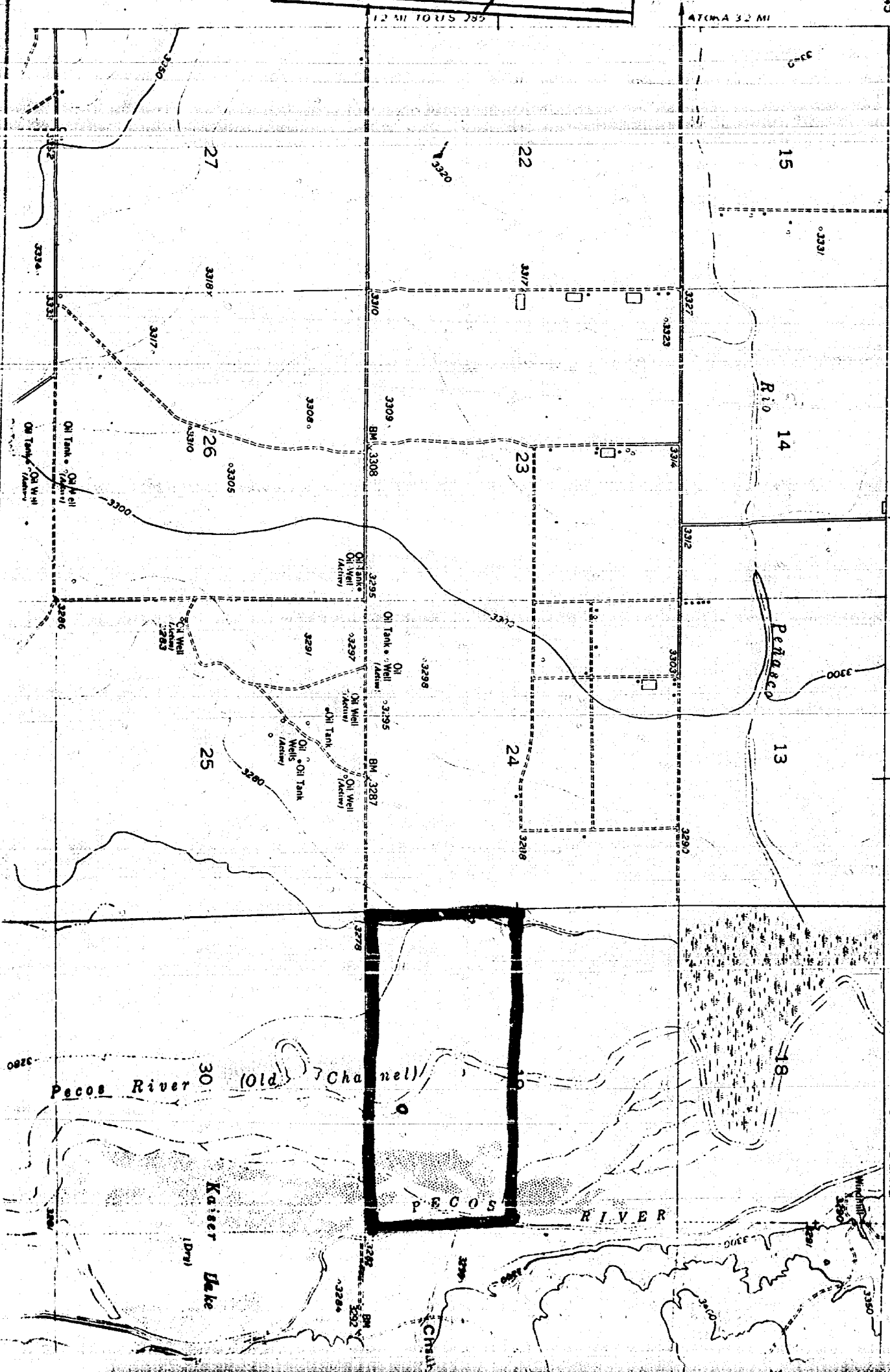
SPRING LAKE

BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 3

CASE NO. 6859





BEFORE EXAMINER NUTTER  
OIL CONSERVATION DIVISION

EXHIBIT NO. 4

6959

November 8, 1978

PHONE 682-3241  
ADDRESS REPLY TO  
BOX 1459  
MIDLAND, TEXAS 79702

Re: Fairchild Farm Tracts  
401, 406, 415, Section 19,  
T-13-S, R 27-E  
Pddy County, New Mexico

Dear Sir of  
W. H. Swearingen:

Great Western Drilling Company would like to lease for oil and gas your interest in the captioned acreage. For many of you this will be a renewal lease, however, for others this will be a first lease. Because of the number of people involved, I have not previously contacted each individual but have taken the liberty of enclosing a lease and draft for your inspection. The terms of this lease are \$50.00 per acre and \$1.00 per acre per year rental. The draft is for your bonus and rental for a two year paid-up lease.

If these terms meet with your approval, please sign the lease before a Notary Public, present the lease and the draft to your bank to be paid through the Midland National Bank, Midland, Texas.

Please call me collect if you have any questions.

Yours very truly,

GREAT WESTERN DRILLING COMPANY

*Bill Sears*

Bill Sears  
Landman

BS/11

Enclosures





April 17, 1980

Re: S/2 Section 19,  
T-18-S, R-27-E  
Eddy County, N. M.

PHONE 622-3221  
ADDRESS REPLY TO:  
BOX 1638  
MIDLAND, TEXAS 79702

In reference to your interest in the captioned acreage, Great Western Drilling Company would like to obtain an Oil and Gas Lease from you. I have taken the liberty to enclose a draft and lease should you decide this offer is advantageous to you. Because your interest is very small, I have included a draft for \$25.00 instead of applying your interest to an acreage basis. If this offer is acceptable, please deposit the draft and lease in your bank to be paid through the Midland National Bank here in Midland.

Great Western Drilling is anticipating drilling a well on this acreage sometime this summer. Almost all the acreage is leased except yours and a few others who also own a small interest. If we are unable to lease these interests, they will be force pooled under the New Mexico Forced Pooling Act. Please feel free to call me collect if you have any questions concerning this offer.

Yours very truly,

GREAT WESTERN DRILLING COMPANY

Bill Sears  
Landman

BS/11

Enclosures

DRAFT  
Courtesy of  
THE MIDLAND NATIONAL BANK  
MIDLAND, TEXAS

No. \_\_\_\_\_ Midland, Texas April 16, 19  
30 PLACE  
DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE  
PAY TO THE ORDER OF Virginia Collier  
Twenty-five and No/100----- \$ 25.00  
WITHOUT EXCHANGE DOLLARS  
For Bonus consideration for Three year Paid-up Oil and Gas Lease covering payee's  
interest in Fairchild Farm Tracts #401, #406, #415, Section 19, T-18-S, R-27-E,  
Eddy County, New Mexico.  
To Midland National Bank  
Midland, Texas  
DO NOT HANDLE AS CASH ITEM.  
GREAT WESTERN DRILLING COMPANY  
Bill Sears

DRAFT  
Courtesy of  
THE MIDLAND NATIONAL BANK  
MIDLAND, TEXAS

No. \_\_\_\_\_ Midland, Texas April 16 19 80  
/ 30 PLACE  
DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE  
PAY TO THE ORDER OF Elizabeth Major  
Twenty-Five and No/100----- \$ 25.00  
WITHOUT EXCHANGE DOLLARS  
For Bonus consideration for three year Paid-up Oil and Gas Lease covering payee's  
interest in Fairchild Farm Tracts 401, 406, 415, Section 19, T-18-S, R-27-E,  
Eddy County, New Mexico.  
To Midland National Bank  
Midland, Texas  
DO NOT HANDLE AS CASH ITEM.  
GREAT WESTERN DRILLING COMPANY  
Bill Sears

DRAFT  
Courtesy of  
THE MIDLAND NATIONAL BANK  
MIDLAND, TEXAS

No. \_\_\_\_\_ Midland, Texas April 16, 19 80  
30 PLACE  
DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE  
PAY TO THE ORDER OF Robert Collier  
Twenty-five and No/100----- \$ 25.00  
WITHOUT EXCHANGE DOLLARS  
For Bonus consideration for three year Paid-up Oil and Gas Lease covering payee's  
interest in Fairchild Farm Tracts #401, #406, #415, Section 19, T-18-S, R-27-E,  
Eddy County, New Mexico.  
To Midland National Bank  
Midland, Texas  
DO NOT HANDLE AS CASH ITEM.  
GREAT WESTERN DRILLING COMPANY  
Bill Sears

DRAFT

Courtesy Of

THE MIDLAND NATIONAL BANK  
MIDLAND, TEXAS

No. \_\_\_\_\_ Midland, Texas April 17, 19 80  
PLACE  
30 DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE  
PAY TO THE ORDER OF Cleason Brown  
\$ 25.00  
Twenty-five and No/100-----  
WITHOUT EXCHANGE DOLLARS  
For Bonus consideration for three year Paid-up Oil and Gas Lease covering payee's  
Interest in Fairchild Farm Tracts #401, #406, #415, Section 19, T-18-S, R-27-E,  
Eddy County, New Mexico.  
To MIDLAND NATIONAL BANK } DO NOT HANDLE AS CASH ITEM.  
MIDLAND, TEXAS } GREAT WESTERN DRILLING COMPANY  
Bill Sears 682-5241

DRAFT

Courtesy Of

THE MIDLAND NATIONAL BANK  
MIDLAND, TEXAS

No. \_\_\_\_\_ Midland, Texas April 17, 19 80  
PLACE  
30 DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE  
PAY TO THE ORDER OF Flora Jane Hopkins  
\$ 25.00  
Twenty-five and No/100-----  
WITHOUT EXCHANGE DOLLARS  
For Bonus consideration for three year Paid-up Oil and Gas Lease covering payee's  
Interest in Fairchild Farm Tracts #401, #406, #415, Section 19, T-18-S, R-27-E,  
Eddy County, New Mexico.  
To MIDLAND NATIONAL BANK } DO NOT HANDLE AS CASH ITEM.  
MIDLAND, TEXAS } GREAT WESTERN DRILLING COMPANY  
Bill Sears 682-5241

DRAFT

Courtesy Of

THE MIDLAND NATIONAL BANK  
MIDLAND, TEXAS

No. \_\_\_\_\_ Midland, Texas April 18, 19 80  
PLACE  
30 DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE  
PAY TO THE ORDER OF Donald S. Johnson  
\$ 25.00  
Twenty-five and No/100-----  
WITHOUT EXCHANGE DOLLARS  
For Bonus consideration for three year Paid-up Oil and Gas Lease covering payee's  
Interest in Fairchild Farm Tracts #401, #406, #415, Section 19, T-18-S, R-27-E  
Eddy County, New Mexico.  
To MIDLAND NATIONAL BANK } DO NOT HANDLE AS CASH ITEM.  
MIDLAND, TEXAS } GREAT WESTERN DRILLING COMPANY  
Bill Sears 682-5241

**J. RICHARD ROWAN**

*Oil & Gas Properties*

PHONE (915) 684-5551 OR 694-5109  
P. O. BOX 162, MIDLAND, TEXAS 79702

April 28, 1980

Great Western Drilling Company  
Box 1659  
Midland, Texas 79701

Attn: Mr. Bill Sears

Re: Kaiser #1 Prospect  
S/2 Section 19-18S-27E

Dear Bill:

You have been advised that J. R. Rowan and R. C. Roberts would join in the Kaiser well.

Enclosed herein is signature page for the operating agreement executed by Roberts and Rowan with the following condition:

All prepayment obligations are hereby deleted. This is in reference in second paragraph of Item C of Article 7 on page 12; and Item 3 of Exhibit C on page 1 of Accounting Procedure.

Also enclosed is copy of your letter of April 18, 1980, which is executed and returned with the stipulation that the following ownership which is set out as J. R. Rowan et al - 5.44218760 acres - .01695385 DDI in Unit - shall be considered for all purposes as follows:

- |   |   |
|---|---|
| 1. H. V. Beck<br>Box 4753<br>Midland, Texas 79702               | .253125 ac., .0007885<br>(being 25% interest in Lease 42,<br>Nola Brewer)   |
| 2. R. C. Roberts<br>100 Oil & Gas Bldg.<br>Midland, Texas 79701 | .253125 ac., .0007885<br>(being 25% interest in Lease 42)<br>+ 1.4765625 ac., .0045998 (being 1/3<br>interest in Lease 39 and 40) |
| 3. Don D. Matson<br>3622 Imperial<br>Midland, Texas 79701       | same as R. C. Roberts   |



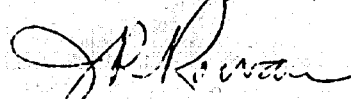
April 28, 1980

4. J. R. Rowan  
Box 162  
Midland, Texas 79701

same as R. C. Roberts

Would you please furnish Mr. Beck with all material; and Mr. Roberts and Mr. Matson with correction pages. Each party is to be invoiced and paid as a separate entity.

Very truly yours,

  
J. R. Rowan

JRR/be  
enclosures  
cc: R. C. Roberts  
D. D. Matson

May 5, 1980

Re: Kaiser #1 Prospect  
S/2 Section 19-18S-27-E  
Eddy County, New Mexico

Mr. H. V. Beck  
P. O. Box 4753  
Midland, Texas 79702

Mr. R. C. Roberts  
100 Oil & Gas Bldg.  
Midland, Texas 79701

Mr. Don D. Matson  
3622 Imperial  
Midland, Texas 79701

Mr. J. R. Rowan  
P. O. Box 162  
Midland, Texas 79701

Attention: Mr. J. R. Rowan

Dear Dick:

Reference your letter of April 28, 1980 addressed to Great Western with copies to Joint Interest Owners.

The condition under which you returned the signature page for the Operating Agreement is rejected by Great Western. We will not delete the prepayment clauses under Item C, Article 7 of the Operating Agreement and Item No. 3, of Exhibit "C" of Accounting Procedure.

You will not be prebilled if each of you furnish an acceptable financial statement within the next ten days. The four of you are the last to sign Operating Agreements and we are ready to start operations as soon as we have the above statements and Mr. Matson's and Mr. Beck's signed Operating Agreement.

Yours very truly,

GREAT WESTERN DRILLING COMPANY

W. T. Cowan  
Land Manager

WTC/11

**J. RICHARD ROWAN**

*Oil & Gas Properties*

PHONE (915) 684-5551 OR 694-5109  
P. O. BOX 162, MIDLAND, TEXAS 79702

June 20, 1980

Great Western Drilling Co.  
Box 1659  
Midland, Texas 79702

Attn: Mr. W. T. Cowan  
Land Manager

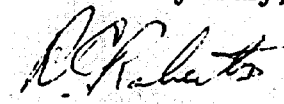
Re: Kaiser #1 Prospect  
S/2 Section 19-18S-27E  
Eddy County, N. M.

Dear Tom:

Based upon the information which you conveyed to me on June 18th, and the obvious business necessity for a prepayment clause to be included in your operating agreement, this is to advise you that R. C. Roberts and J. R. Rowan will accept the prepayment clause under Item C Article 7 of the Operating Agreement and Item No. 3 of Exhibit "C" of the Accounting procedure.

You stated that you would advise us of the amount of the prepayment at such time as you moved a rig on the location. This is acceptable and we will make payment at that time.

  
J. R. Rowan

Yours very truly,  
  
R. C. Roberts

PS Form 3800, Apr. 1976

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

1. The following service is requested (check one).  
☒ Show to whom and date delivered 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ RESTRICTED DELIVERY.  
 Show to whom and date delivered..... 65¢  
☐ RESTRICTED DELIVERY  
 Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
 Elizabeth Major  
 2407 CROCKETT  
 Amarillo, Texas 79100

3. POSTAGE AND FEES:  
 POSTAGE NO. CERTIFIED NO. INSURED NO.  
 653369

4. SIGNATURE OF ADDRESSEE OR AGENT:  
 I have received the article described above.  
☐ Addressee ☐ Agent

5. RETURN TO DELIVER BECAUSE:  
 CLIENT'S INITIALS

6. POSTMARK OR DATE:  
 6/10/80 - Great Western Drilling OCC

No. 653369

RECEIPT FOR CERTIFIED MAIL

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

SENT TO  
 Elizabeth Major  
 STREET AND NO.  
 2407 Crockett  
 P.O., STATE AND ZIP CODE  
 Amarillo, Texas 79100

POSTAGE \$


CONSULT POSTMASTER FOR FEES	OPTIONAL SERVICES	CERTIFIED FEE	¢
		SPECIAL DELIVERY	¢
		RESTRICTED DELIVERY	¢
	RETURN RECEIPT SERVICE	SHOW TO WHOM AND DATE DELIVERED	¢
		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY	¢
		SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
		SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE  
 6/10/80 - Great Western Drilling OCC

PS Form 3800, Apr. 1976



UNITED STATES POSTAL SERVICE		
FIRST CLASS PERMIT NO. 100 NEW YORK, N.Y.		
POSTAGE WILL BE PAID BY ADDRESSEE		
NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES		
JENNINGS & CHRISTY P.O. BOX 1180 NEWARK, NEW JERSEY 07102		
P.O. BOX 1180 NEWARK, NEW JERSEY 07102		
NEWARK, NEW JERSEY 07102		

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, **leaving the receipt attached**, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Enclose front of article **RETURN RECEIPT REQUESTED**
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse **RESTRICTED DELIVERY** on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

PS Form 3800, Apr. 1976

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

1. The following service is requested (check one).  
☒ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ **RESTRICTED DELIVERY.**  
 Show to whom and date delivered..... 65¢  
☐ **RESTRICTED DELIVERY.**  
 Show to whom, date, and address of delivery 85¢

2. **ARTICLE ADDRESSED TO:**  
 R. C. Roberts  
 100 Oil & Gas Building  
 Midland, Texas 79701

3. **ARTICLE DESCRIPTION:**  
 REGISTERED NO. CERTIFIED NO. INSURED NO.  
 653372

(Stamp office signature of addressee or agent)

I have received the article described above.  
☒ Addressee ☐ Authorized agent

4. **DATE OF DELIVERY**  
 6-16-80

5. **ADDRESS** (Complete only if requested)

6. **UNABLE TO DELIVER BECAUSE:**

CLERK'S INITIALS

★ GPO : 1976-O-203-486

No. 653372  
**RECEIPT FOR CERTIFIED MAIL**

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

SENT TO  
 R. C. Roberts

STREET AND NO.  
 100 Oil & Gas Building

P.O., STATE AND ZIP CODE  
 Midland, Texas 79701

POSTAGE		\$
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	¢
	SPECIAL DELIVERY	¢
	RESTRICTED DELIVERY	¢
	SHOW TO WHOM AND DATE DELIVERED	¢
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
RETURN RECEIPT SERVICE	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES		\$
POSTMARK OR DATE 6/10/80 - Great Western Drilling OCC		

PS Form 3800, Apr. 1976

GW - OCC

**UNITED STATES POSTAL SERVICE**  
OFFICIAL BUSINESS

**SENDER INSTRUCTIONS**  
Print your name, address, and ZIP Code in the space below.  
• If you are sending a letter, use the back of this card for an address.  
• If you are sending a package, use the back of this card for a description of the article.  
• If you are sending a registered letter, use the back of this card for a description of the article.  
• If you are sending a registered letter, use the back of this card for a description of the article.

PERMIT FOR PRIVATE  
USE TO  
POSTAGE



RETURN  
TO



**JENNINGS & CHRISTY**  
(Name of Recipient)

**P. O. BOX 1180**  
(Street or P.O. Box)

**ROSWELL, NEW MEXICO 88201**  
(City, State, and ZIP Code)

**STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE,  
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)**

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article **RETURN RECEIPT REQUESTED** adjacent to the number.
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse **RESTRICTED DELIVERY** on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

PS Form 3800, Apr. 1976

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

1. The following service is requested (check one).  
☒ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ RESTRICTED DELIVERY.  
Show to whom and date delivered.....  
☐ RESTRICTED DELIVERY.  
Show to whom, date, and address of delivery 85¢

2. **ARTICLE ADDRESSERS TO:**  
 Virginia Collier  
 P. O. Box 418  
 Fletcher, Oklahoma

3. **ARTICLE DESCRIPTION:**  
 REGISTERED NO. CERTIFIED NO. INSURED NO.  
 653368

4. I have received the article described above.  
 SIGNATURE ☐ Addressee ☒ Authorized agent

5. **DATE OF DELIVERY**  
 JUN 12 1980

6. **UNABLE TO DELIVER BECAUSE:**

CLERK'S INITIALS  
 21

☆ GPO: 1980-O-203-458

No. 653368

RECEIPT FOR CERTIFIED MAIL

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

SENT TO  
 Virginia Collier  
 STREET AND NO.  
 P. O. Box 418  
 P.O., STATE AND ZIP CODE  
 Fletcher, Oklahoma

POSTAGE \$

CERTIFIED FEE \$

SPECIAL DELIVERY \$

RESTRICTED DELIVERY \$

OPTIONAL SERVICES  
 SHOW TO WHOM AND DATE DELIVERED \$  
 SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY \$  
 SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY \$  
 SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY \$

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE  
 6/10/80 - Great Western Drilling OCC

PS Form 3800, Apr. 1976



GW - OCC

UNITED STATES POSTAL SERVICE  
BUSINESS

**RETURN INSTRUCTIONS**  
Place postage stamps and ZIP Code in the upper left corner.  
Place return address in the center.  
Place recipient address in the lower right.  
Place "Return Receipt Requested" adjacent to the number.

PENALTY FOR PRIVATE  
USE TO AVOID PAYMENT  
OF POSTAGE, \$300



RETURN  
TO

pv

JENNINGS & CHRISTY

(Name of Sender)

P. O. BOX 1180

(Street or P.O. Box)

ROSNELL, NEW MEXICO 58201  
(City, State, and ZIP Code)

STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE,  
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, detach and retain the receipt, and mail the article.
3. If you want a return receipt, write the certified mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article **RETURN RECEIPT REQUESTED** adjacent to the number.
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse **RESTRICTED DELIVERY** on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

1976 PS Form 3800, Apr. 1976

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

1. The following service is requested (check one).  
☒ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery.. 35¢  
☐ **RESTRICTED DELIVERY.**  
 Show to whom and date delivered.....  
☐ **RESTRICTED DELIVERY.**  
 Show to whom, date, and address of delivery 85¢

2. **ARTICLE ADDRESSED TO:**  
 Robert Collier  
 P. O. Box 449  
 Fletcher, Oklahoma 73541

3. **ARTICLE DESCRIPTION:**  
 REGISTERED NO. CERTIFIED NO. INSURED NO.  
 653370

4. I have received the article described above.  
 SIGNATURE ☐ Addressee ☐ Authorized agent  
*Robert A. Collier*  
 DATE OF DELIVERY  
 6-12-80

5. **ADDRESS (Complete only if requested)**

6. **UNABLE TO DELIVER BECAUSE:**

POSTMARK  
 JUN 11 1980  
 CHESTER, OKLA

★ GPO: 1980-0-285-000

No. 653370

**RECEIPT FOR CERTIFIED MAIL**

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

SENT TO		
Robert Collier		
STREET AND NO.		
P. O. Box 449		
P.O., STATE AND ZIP CODE		
Fletcher, Oklahoma 7 5		
POSTAGE 73541		
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	¢
	SPECIAL DELIVERY	¢
	RESTRICTED DELIVERY	¢
	OPTIONAL SERVICES	
	RETURN RECEIPT SERVICE	
	SHOW TO WHOM AND DATE DELIVERED	¢
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢
TOTAL POSTAGE AND FEES		\$
POSTMARK OR DATE		
6/10/80 - Great Western Drilling OCC		

PS Form 3800, Apr. 1976

GW. - OCC

UNITED STATES POSTAL SERVICE  
BUSINESS

INSTRUCTIONS  
For use of this receipt, see the instructions on the back of the receipt.  
This receipt is for use only on the front of the article.  
It is not to be used on the back of the article.  
It is not to be used on the inside of the article.  
It is not to be used on the outside of the article.  
It is not to be used on the inside of the envelope.  
It is not to be used on the outside of the envelope.  
It is not to be used on the inside of the box.  
It is not to be used on the outside of the box.  
It is not to be used on the inside of the container.  
It is not to be used on the outside of the container.

PENALTY FOR PRIVATE  
USE TO ADD POSTAGE  
OF POSTAGE, \$200



PV

JENNINGS & CHRISTY  
(Name of Sender)

P. O. BOX 1180  
(Street or P.O. Box)

ROSWELL, NEW MEXICO 88201  
(City, State, and ZIP Code)

**STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE,  
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)**

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
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3. If you want a return receipt, write the certified-mail number and your name and address on a return receipt card, Form 3811, and attach it to the front of the article by means of the gummed ends if space permits. Otherwise, affix to back of article. Endorse front of article **RETURN RECEIPT REQUESTED**
4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse **RESTRICTED DELIVERY** on the front of the article.
5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

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

1. The following service is requested (check one).  
☐ Show to whom and date delivered..... 15¢  
☐ Show to whom, date, & address of delivery..... 35¢  
☐ RESTRICTED DELIVERY  
 Show to whom and date delivered..... 15¢  
☐ RESTRICTED DELIVERY  
 Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
**Emma Felkins**  
**c/o Pacific Security National Bank**  
**Apple Valley, California**

3. ARTICLE DESCRIPTION:  
 REGISTERED NO. CERTIFIED NO. INSURED NO.  
 653374

4. I have marked the article described above:  
☐ Address ☐ Authorize agent

5. POSTAGE (Complete only if registered)

6. UNABLE TO DELIVER BECAUSE

7. RETURN TO

8. POSTMARK

9. CARRIER'S INITIALS

U.S. POST OFFICE - 2025-200

**No. 653374**  
**RECEIPT FOR CERTIFIED MAIL**

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

SENT TO		Emma Felkins	
STREET AND NO.		c/o Pacific Security	
P.O. STATE AND ZIP CODE		National Bank	
Apple Valley, Califor-			
POSTAGE		nia	\$
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE		¢
	SPECIAL DELIVERY		¢
	RESTRICTED DELIVERY		¢
	SHOW TO WHOM AND DATE DELIVERED		¢
	SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY		¢
	SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY		¢
RETURN RECEIPT SERVICE	SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY		¢
TOTAL POSTAGE AND FEES		\$	

POSTMARK OR DATE  
**6/10/80 - Great Western OCC**





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

1. The following service is requested (check one).

☒ Show to whom and date delivered..... 15¢

☐ Show to whom, date, & address of delivery.. 35¢

☒ RESTRICTED DELIVERY.  
Show to whom and date delivered.....

☐ RESTRICTED DELIVERY.  
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:

Katherine Haggard  
c/o First Security Bank  
Lexington, Kentucky

3. ARTICLES DESCRIPTION:

REGISTERED NO. CERTIFIED NO. INSURED NO.

653373

4. I have examined the article described above.

☐ Addressee ☐ Authorized agent

5. DATE OF DELIVERY

POSTMARK

1980

6. SIGNATURE OF DELIVERER

7. DELIVERER'S INITIALS

★ 607-1276-0-203-425

No. 653373

RECEIPT FOR CERTIFIED MAIL

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

SENT TO

Katherine Haggard

STREET AND NO.

c/o First Security Bank

CITY, STATE AND ZIP CODE

Lexington, Kentucky

POSTAGE

\$

CONSULT POSTMASTER FOR FEES

CERTIFIED FEE

\$

SPECIAL DELIVERY

\$

RESTRICTED DELIVERY

\$

OPTIONAL SERVICES

RETURN RECEIPT SERVICE

SHOW TO WHOM AND DATE DELIVERED

\$

SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY

\$

SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY

\$

SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY

\$

TOTAL POSTAGE AND FEES

\$

POSTMARK OR DATE

6/10/80 - Great Western Drilling

OCC

PS Form 3800, Apr. 1976

GW - CCC


**REGISTERED MAIL SERVICE**

**POSTAGE FOR PAYEE**  
(SEE TO AVOID PENALTY)

**JENNINGS & CHRISTY**  
(Name of Addressee)

**P. O. BOX 1180**  
(Street or P.O. Box)

**MOSWELL, NEW MEXICO 88201**  
(City, State, and ZIP Code)



**STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE,  
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)**

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)
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6. Save this receipt and present it if you make inquiry.

PS Form 3800, Apr. 1976

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

1. The following service is requested (check one):

☒ Show to whom and date delivered..... 15¢

☐ Show to whom, date, & address of delivery.. 35¢

☐ RESTRICTED DELIVERY  
Show to whom and date delivered.....

☐ RESTRICTED DELIVERY.  
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
Flora Jane Hopkins  
2149 San Anseline Avenue  
Long Beach, California 90815

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO. 653366	INSURED NO.
----------------	-------------------------	-------------

4. I have received the article described above.  
Signature: *Flora Jane Hopkins*  
DATE OF DELIVERY: JUN 13 1980  
POSTMARK

5. ADDRESS (Complete only if requested)

6. REASON TO DELIVER BECAUSE:

CLERK'S INITIALS

★ 1976-O-203-488

No. 653366

RECEIPT FOR CERTIFIED MAIL

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

SENT TO		
Flora Jane Hopkins		
STREET AND NO.		
2149 San Anseline Avenue		
P.O., STATE AND ZIP CODE		
Long Beach, California		
POSTAGE	90815 \$	
CONSULT POSTMASTER FOR FEES	CERTIFIED FEE	¢
	SPECIAL DELIVERY	¢
	RESTRICTED DELIVERY	¢
	OPTIONAL SERVICES	
	RETURN RECEIPT SERVICE	
	SHOW TO WHOM AND DATE DELIVERED	¢
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢	
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢	
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢	
TOTAL POSTAGE AND FEES		\$
POSTMARK OR DATE		
6/10/80 - Great Western Drilling OCC		

PS Form 3800, Apr. 1976

GW - OCC

UNITED STATES POSTAL SERVICE

**POSTAGE INSTRUCTIONS**  
Place your postage stamps and any meter in the space below.  
• If you are sending a letter, place your stamps in the space below.  
• If you are sending a package, place your stamps in the space below.  
• If you are sending a registered letter, place your stamps in the space below.  
• If you are sending a certified letter, place your stamps in the space below.

PERMIT FOR PRIVATE  
USE TO ADD POSTAGE  
OF POSTAGE, \$200



RETURN  
TO

pv

JENNINGS & CHRISTY

(Name of Sender)

O. BOX 1180

(Street or P.O. Box)

ROSWELL, NEW MEXICO 88201

(City, State, and ZIP Code)

**STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE,  
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)**

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6. Save this receipt and present it if you make inquiry.

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

1. The following service is requested (check one):

☒ Show to whom and date delivered..... 15¢

☐ Show to whom, date, & address of delivery.. 35¢

☐ **RESTRICTED DELIVERY.**  
Show to whom and date delivered..... 65¢

☐ **RESTRICTED DELIVERY.**  
Show to whom, date, and address of delivery 85¢

**ADDRESSEE TO:**

Donald S. Johnson  
Jamestown, Kansas

2. **ARTICLE DESCRIPTION:**

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	653365	

(Indicate date, signature, address, or agent)

I have received the article described above.

Signature ☐ Addressee ☐ Authorized agent

*John Cunningham*

DATE OF DELIVERY *6/10/80*

3. **ADDRESS** (Complete only if requested)

4. **UNABLE TO DELIVER BECAUSE:**

POSTMARK

★ GPO: 1975-5-200-408

No. 653365

**RECEIPT FOR CERTIFIED MAIL**

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

SENT TO

Donald S. Johnson  
Jamestown, Kansas

STREET AND NO.

P.O., STATE AND ZIP CODE

POSTAGE

CERTIFIED FEE	\$
SPECIAL DELIVERY	¢
RESTRICTED DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED	¢
SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY	¢
SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY	¢
SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY	¢

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE

6/10/80 - Great Western Drilling OCC

PS Form 3800, Apr. 1976



GW - OCC

UNITED STATES POSTAL SERVICE  
FIRST CLASS PERMIT NO. 1000 NEW YORK, N.Y.

**POSTAGE INSTRUCTIONS**

1. If you want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, leaving the receipt attached, and present the article at a post office service window or hand it to your rural carrier. (no extra charge)

2. If you do not want this receipt postmarked, stick the gummed stub on the left portion of the address side of the article, date, detach and retain the receipt, and mail the article.



RETURN  
TO



pv

JENNINGS & CHRISTY

P. O. BOX 1180

(Street or P.O. Box)

ROSWELL, NEW MEXICO 88201

(City, State, and ZIP Code)

**STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE,  
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6. Save this receipt and present it if you make inquiry.

31 JUN 1978

PS Form 3800, Apr. 1976

1. The following service is requested (check one).

☒ Show to whom and date delivered..... 15¢

☐ Show to whom, date, & address of delivery.. 35¢

☐ RESTRICTED DELIVERY.  
Show to whom and date delivered..... 65¢

☐ RESTRICTED DELIVERY.  
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:  
J. R. Rowan  
217 Mid-America Building  
Midland, Texas 79701

3. ARTICLE DESCRIPTION:  
REGISTERED NO. CERTIFIED NO. INSURED NO.  
653371

(Always obtain signature of addressee or agent)

I have received the article described above.  
SIGNATURE ☐ Addressee ☒ Authorized

DATE OF DELIVERY  
6/10/80

4. ADDRESS (Complete only if requested)

5. UNABLE TO DELIVER BECAUSE

CLERK'S INITIALS

★ 807-100-0-200-000

No. 653371

RECEIPT FOR CERTIFIED MAIL

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

SENT TO  
J. R. Rowan  
STREET AND NO.  
217 Mid-America Building  
P.O. STATE AND ZIP CODE  
Midland, Texas 79701

POSTAGE \$

CERTIFIED FEE \$

SPECIAL DELIVERY \$

RESTRICTED DELIVERY \$

SHOW TO WHOM AND DATE DELIVERED \$

SHOW TO WHOM, DATE, AND ADDRESS OF DELIVERY \$

SHOW TO WHOM AND DATE DELIVERED WITH RESTRICTED DELIVERY \$

SHOW TO WHOM, DATE AND ADDRESS OF DELIVERY WITH RESTRICTED DELIVERY \$

TOTAL POSTAGE AND FEES \$

POSTMARK OR DATE  
6/10/80 - Great Western Drilling OCC

PS Form 3800, Apr. 1976

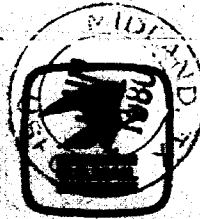
GW - OCC

**UNITED STATES POSTAL SERVICE**  
OFFICIAL BUSINESS

**SENDER INSTRUCTIONS**

Place your address, article, and ZIP code in the space below.  
• Enter your name and address in the space below.  
• Enter your ZIP code in the space below.  
• Enter your name and address in the space below.  
• Enter your ZIP code in the space below.

PENALTY FOR PRIVATE  
USE TO ADDITIONAL PAYMENT  
OF POSTAGE, \$300



**JENNINGS & CHRISTY**

(Name of Sender)

**P. O. BOX 1180**

(Street or P.O. Box)

**STREET ADDRESS 00201**  
(City, State, and ZIP Code)

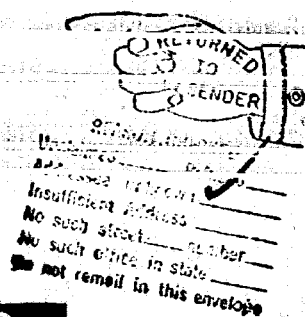
**STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE,  
CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES. (see front)**

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5. Enter fees for the services requested in the appropriate spaces on the front of this receipt. If return receipt is requested, check the applicable blocks in Item 1 of Form 3811.
6. Save this receipt and present it if you make inquiry.

LAW OFFICES OF

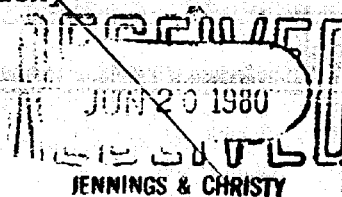
JENNINGS & CHRISTY

1012 SECURITY NATIONAL BANK BUILDING  
P.O. BOX 1180  
ROSWELL, NEW MEXICO 88201



CERTIFIED  
No. 653373  
MAIL

Katherine Haggard  
c/o First Security Bank  
Lexington, Kentucky



890430

Date

DATE

6-10

DATE

STATE OF NEW MEXICO  
DEPARTMENT OF NATURAL RESOURCES  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF GREAT WESTERN DRILLING COMPANY  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

Case No. \_\_\_\_\_

APPLICATION

COMES NOW Great Western Drilling Company, a corporation authorized to do business in the State of New Mexico, and hereby makes application for compulsory pooling of all mineral interest in the Morrow formation underlying the S $\frac{1}{4}$  Section 19, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, containing 321 acres, more or less, and for grounds thereof states:

1. Applicant has been diligent in its efforts to form a proration unit for the drilling of a well to be located 660 feet from the South line and 1980 feet from the East line of said Section 19, but there remains non-consenting interest owners in the subject proration unit who have not agreed to the pooling of their interest.

2. That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas and associated hydrocarbons producible from the Morrow formation, this regulatory body should approve the pooling of all mineral interests, whatever they may be, within said unit.



3. Applicant proposes to dedicate the subject proration unit to a well to be located as aforesaid.

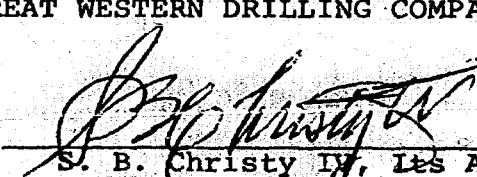
4. Applicant seeks permission to withhold the proceeds from the production attributable to each non-consenting working interest until such time as each interest's share of the cost of said well has been recovered plus 200% thereof as a charge for the risk involved in the drilling of a well.

5. That after due public notice, this regulatory body should enter its order granting compulsory pooling in accordance with this Application, fixing a charge for risk, fixing a per month cost of operating the well, and granting to each non-consenting working interest owner the privilege to join in payment of drilling the well in accordance with law. That such Order should further provide that Applicant be appointed as operator of the well.

Respectfully submitted,

GREAT WESTERN DRILLING COMPANY

By

  
S. B. Christy IV, Its Attorney  
Jennings & Christy  
P. O. Box 1180  
Roswell, New Mexico 88201

cc: CERTIFIED MAIL  
Donald S. Johnson  
Jamestown, Kansas

Flora Jane Hopkins  
2149 San Anselme Avenue  
Long Beach, California 90815

Gleason Brown  
756 Bacon Road  
Hinesville, Georgia 31313

Virginia Collier  
P. O. Box 418  
Fletcher, Oklahoma

Elizabeth Major  
2407 Crockett  
Amarillo, Texas 79100

Robert Collier  
P. O. Box 449  
Fletcher, Oklahoma 73541

J. R. Rowan  
217 Mid-America Building  
Midland, Texas 79701

R. C. Roberts  
100 Oil & Gas Building  
Midland, Texas 79701

Katherine Haggard  
c/o First Security Bank  
Lexington, Kentucky

Emma Felkins  
c/o Pacific Security National Bank  
Apple Valley, California

cc: Regular Mail  
Great Western Drilling Company  
(W.T. Cowan)

LAW OFFICES OF  
**JENNINGS & CHRISTY**  
1012 SECURITY NATIONAL BANK BUILDING  
P. O. BOX 1180  
ROSWELL, NEW MEXICO 88201



44-100-10000  
JUN 19 1980  
JENNINGS CHRISTY  
Gleason Brown  
750 Peachtree Road  
Atlanta, Georgia 31313  
Do not return to this office

850032

DATE

6-18  
RECEIVED

RECEIVED

RECEIVED

STATE OF NEW MEXICO  
DEPARTMENT OF NATURAL RESOURCES  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF GREAT WESTERN DRILLING COMPANY  
FOR COMPULSORY POOLING, EDDY COUNTY,  
NEW MEXICO.

Case No. \_\_\_\_\_

APPLICATION

COMES NOW Great Western Drilling Company, a corporation authorized to do business in the State of New Mexico, and hereby makes application for compulsory pooling of all mineral interest in the Morrow formation underlying the S $\frac{1}{4}$  Section 19, Township 18 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, containing 321 acres, more or less, and for grounds thereof states:

1. Applicant has been diligent in its efforts to form a proration unit for the drilling of a well to be located 660 feet from the South line and 1980 feet from the East line of said Section 19, but there remains non-consenting interest owners in the subject proration unit who have not agreed to the pooling of their interest.

2. That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford the owner of each interest in said proration unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas and associated hydrocarbons producible from the Morrow formation, this regulatory body should approve the pooling of all mineral interests, whatever they may be, within said unit.

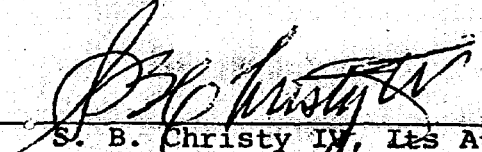
3. Applicant proposes to dedicate the subject proration unit to a well to be located as aforesaid.

4. Applicant seeks permission to withhold the proceeds from the production attributable to each non-consenting working interest until such time as each interest's share of the cost of said well has been recovered plus 200% thereof as a charge for the risk involved in the drilling of a well.

5. That after due public notice, this regulatory body should enter its order granting compulsory pooling in accordance with this Application, fixing a charge for risk, fixing a per month cost of operating the well, and granting to each non-consenting working interest owner the privilege to join in payment of drilling the well in accordance with law. That such Order should further provide that Applicant be appointed as operator of the well.

Respectfully submitted,

GREAT WESTERN DRILLING COMPANY

By   
S. B. Christy IV, Its Attorney  
Jennings & Christy  
P. O. Box 1180  
Roswell, New Mexico 88201

cc: CERTIFIED MAIL  
Donald S. Johnson  
Jamestown, Kansas

Flora Jane Hopkins  
2149 San Anseline Avenue  
Long Beach, California 90815

Gleason Brown  
756 Bacon Road  
Hinesville, Georgia 31313

Virginia Collier  
P. O. Box 418  
Fletcher, Oklahoma

Elizabeth Major  
2407 Crockett  
Amarillo, Texas 79100



Robert Collier  
P. O. Box 449  
Fletcher, Oklahoma 73541

J. R. Rowan  
217 Mid-America Building  
Midland, Texas 79701

R. C. Roberts  
100 Oil & Gas Building  
Midland, Texas 79701

Katherine Haggard  
c/o First Security Bank  
Lexington, Kentucky

Emma Felkins  
c/o Pacific Security National Bank  
Apple Valley, California

cc: Regular Mail  
Great Western Drilling Company  
(W.T. Cowan)

**CASE 6958:** Application of Kenai Oil and Gas, Inc. for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of undesignated Seven Rivers and Artesia Queen-Grayburg-San Andres production in the wellbore of its Gulf State Well No. 1 located in Unit K of Section 36, and its Cobb Federal Well No. 2 located in Unit N of Section 22, both in Township 18 South, Range 27 East, Artesia Pool. Applicant further seeks an administrative procedure whereby similar commingling could be approved for other wells to be drilled in the NE/4 and S/2 NW/4 of said Section 22.

**CASE 6959:** Application of Great Western Drilling Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the S/2 of Section 19, Township 18 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

**CASE 6960:** Application of Bass Enterprises Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Strawn formation underlying the S/2 SE/4 of Section 13, Township 16 South, Range 26 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

**CASE 6950:** (Continued from June 25, 1980, Examiner Hearing)

Application of Bass Enterprises Production Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the North line and 1980 feet from the East line of Section 4, Township 25 South, Range 31 East, the E/2 of said Section 4 to be dedicated to the well.

**CASE 6961:** Application of Conoco Inc. for a dual completion and unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Meyer A-29 Well No. 11 to be drilled at an unorthodox location 990 feet from the North line and 660 feet from the East line of Section 29, Township 22 South, Range 36 East, to produce gas from the Langley-Devonian and -Ellenburger Pools thru parallel strings of tubing the E/2 of said Section 29 to be dedicated to the well.

**CASE 6962:** Application of BTA Oil Producers for special pool rules and pool extension, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of Special Pool Rules for the North Bell Lake-Devonian Gas Pool to provide for 640-acre spacing and specified well locations. Applicant also seeks the extension of said pool to include all of Sections 6, 7, and 18, Township 23 South, Range 34 East.

**CASE 6896:** (Continued from June 25, 1980, Examiner Hearing)

Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.

**CASE 6965:** Application of Supron Energy Corporation for a non-standard gas proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Mesaverde and Dakota gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon.

**CASE 6966:** Application of Reading & Bates Petroleum Co. for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup and Dakota formations underlying the NE/4 of Section 17, Township 24 North, Range 3 West, Chacon Field, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

**CASE 6942:** (Continued from June 25, 1980, Examiner Hearing)

Application of Benson-Montin-Greer Drilling Corporation for amendment of Order No. R-2565-B, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Rule 2 of the Special Pool Rules for the West Puerto Chiquito-Mancos Oil Pool as promulgated by Order No. R-2565-B to provide that all 320-acre spacing and proration units in said pool would comprise either the W/2 or the E/2 of a governmental section, provided however, that one injection well would have dedicated thereto the N/2 of Section 1, Township 24 North, Range 1 West, and also that the short 400-acre sections on the South side of Township 27 North, Range 1 West, would each comprise a single spacing unit.

## BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

QW EXHIBIT NO. 1

CASE NO. 6959

PEOPLE TO BE FORCE POOLED  
ON THE KAISER #1, EDDY CO., N. M..38 of 170  
representing  
about .8 of  
1 acre

## TRACT 3: Fairchild Farm Tracts #401, 406, 415

- WI  
royalty
1. Donald S. Johnson - 1/96 of 1/2 of 12.4 Ac. (.06458333 Ac.)  
Jamestown, Kansas  
Lease sent and no response. Another mailed 4-16-80. No answer.
  2. Flora Jane Hopkins - 1/5 of 1/8 of 1/2 of 12.4 Ac. (.155 Ac.)  
2149 San Anseline Ave.  
Long Beach, Calif. 90815  
Unable to get on phone and no response to two leases sent out.
  3. Gleason Brown - 1/5 of 1/8 of 1/2 of 12.4 Ac. (.155 Ac.)  
756 Bacon Rd.  
Hinesville, GA 31313  
Unable to get on phone and no response to two leases sent out.
  4. Virginia Collier - 1/40 of 1/2 of 12.4 Ac. (.155 Ac.)  
P. O. Box 418  
Fletcher, Okla.  
Unable to get on phone and no response to two leases sent out.  
Leases mailed 11-8-78.
  5. Elizabeth Major - 1/40 of 1/2 of 12.4 Ac. (.155 Ac.)  
2407 Crockett  
Amarillo, TX 79100  
Unable to get on phone and no response to two leases sent out.  
Unable to locate by phone 4-16-80.
  6. Robert Collier - 1/40 of 1/2 of 12.4 Ac. (.155 Ac.)  
P. O. Box 449  
Fletcher, Okla. 73541  
Unable to get on phone and no response to two leases sent out.  
Leases mailed out 4-16-80. No response to leases mailed.

## TRACT 9: W/2 SW/4 (Lots 3 &amp; 4):

- have joined
7. J. R. Rowan - 1.7296875 Ac.  
217 Mid-America Bldg.  
Midland, TX
  8. R. C. Roberts - 1.7296875 Ac.  
100 Oil & Gas Bldg.  
Midland, Texas 79701

TOTAL 4.29895833 Acres. (1.343% of Unit)

NOTE: Items 1 thru 6 - Unleases Mineral Interest

Items 7 and 8 - Leased, Mineral Owners attached.

LESSOR TO ROWAN ET AL

1. Heirs of Nola Brewer, Deceased Expires 9-25-80  
(One is Don Brewer in Artesia (Shell Dist.)  
Probate has been filed PB 80-4

(Lots 3 & 4: 81 Acres)

M.I.:  $1/80$  of 81 Ac. = 1.0125 Acres or 1.25% of 81 Ac.

2. Katherine Haggard - Expires 9-25-80  
(No Address)  
First Security Bank  
Lexington, Ky.

(Lots 3 & 4: 81 Acres)

M.I.  $3/8$  of  $1/32$  = 1.171875% of 81 Ac. = .94921875 Ac.  
plus  $1/2$  of  $1/32$  = 1.5625% of 81 Ac. = 1.265625 Ac.  
2.21484375 Ac.

3. Emma Felkins - Expires 9-25-80  
(No Address)  
Pacific Security National Bank  
Apple Valley, Calif.

(Lots 3 & 4: 81 Acres)

M.I.  $3/8$  of  $1/32$  = 1.171875% of 81 Ac. = .94921875 Ac.  
plus  $1/2$  of  $1/32$  = 1.5625% of 81 Ac. = 1.265625 Ac.  
2.21484375 Ac.

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5.4421875 Ac.

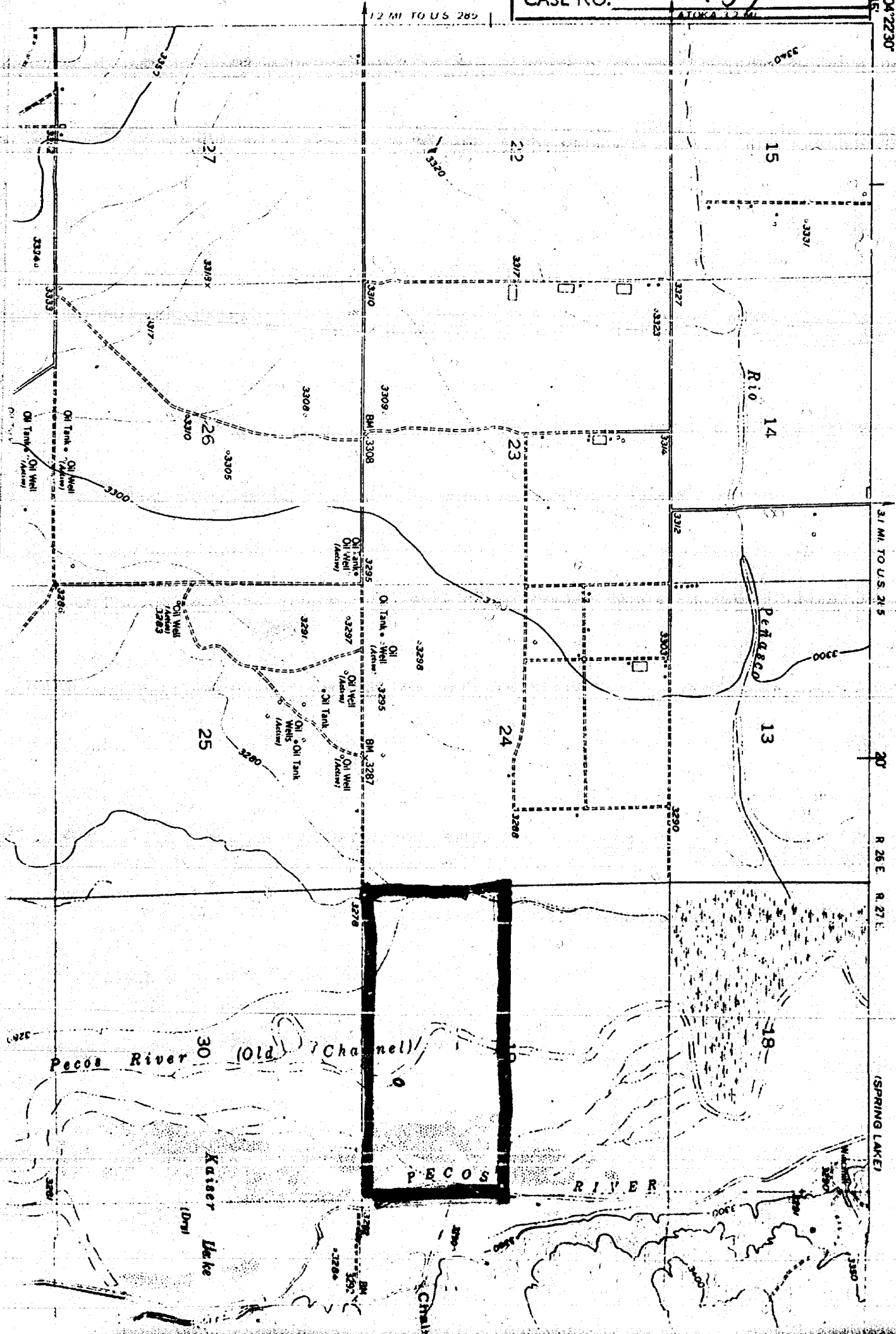


[illegible]



ATOKA, OKLA., June 21.

104-2230-  
3245-





BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

EXHIBIT NO. 4

6959

November 8, 1973

PHONE 682-3241  
ADDRESS REPLY TO:  
BOX 1659  
MIDLAND, TEXAS 79702

Re: Fairchild Farm Tracts  
601, 606, 615, Section 19,  
T-13-S, R-27-E  
Fddy County, New Mexico

Dear Sir of  
W. H. Swearingen:

Great Western Drilling Company would like to lease for oil and gas your interest in the captioned acreage. For many of you this will be a renewal lease, however, for others this will be a first lease. Because of the number of people involved, I have not previously contacted each individual but have taken the liberty of enclosing a lease and draft for your inspection. The terms of this lease are \$50.00 per acre and \$1.00 per acre per year rental. The draft is for your bonus and rental for a two year paid-up lease.

If these terms meet with your approval, please sign the lease before a Notary Public, present the lease and the draft to your bank to be paid through the Midland National Bank, Midland, Texas.

Please call me collect if you have any questions.

Yours very truly,

GREAT WESTERN DRILLING COMPANY

*Bill Sears*

Bill Sears  
Ludman

BS/LL

Enclosures



April 17, 1980

Re: S/2 Section 19,  
T-18-S, R-27-E  
Eddy County, N.M.

PHONE 682-5241  
ADDRESS REPLY TO:  
BOX 1699  
MIDLAND, TEXAS 79702

In reference to your interest in the captioned acreage, Great Western Drilling Company would like to obtain an Oil and Gas Lease from you. I have taken the liberty to enclose a draft and lease should you decide this offer is advantageous to you. Because your interest is very small, I have included a draft for \$25.00 instead of applying your interest to an acreage basis. If this offer is acceptable, please deposit the draft and lease in your bank to be paid through the Midland National Bank here in Midland.

Great Western Drilling is anticipating drilling a well on this acreage sometime this summer. Almost all the acreage is leased except yours and a few others who also own a small interest. If we are unable to lease these interests, they will be force pooled under the New Mexico Forced Pooling Act. Please feel free to call me collect if you have any questions concerning this offer.

Yours very truly,

GREAT WESTERN DRILLING COMPANY

Bill Sears  
Landman

BS/11

Enclosures

DRAFT  
Courtesy Of  
THE MIDLAND NATIONAL BANK  
MIDLAND, TEXAS

No. 30 PLACE Midland, Texas April 16 19 60  
DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE  
PAY TO THE ORDER OF Virginia Collier  
Twenty-five and No/100----- \$ 25.00  
DOLLARS  
WITHOUT EXCHANGE  
For Bonus consideration for Three year Paid-up Oil and Gas Lease covering payee's  
Interest in Fairchild Farm Tracts #401, #406, #415, Section 19, T-18-S, R-27-E,  
Eddy County, New Mexico.  
To Midland National Bank DO NOT HANDLE AS CASH ITEM.  
Midland, Texas GREAT WESTERN DRILLING COMPANY  
Bill Sears

DRAFT  
Courtesy Of  
THE MIDLAND NATIONAL BANK  
MIDLAND, TEXAS

No. 30 PLACE Midland, Texas April 16 19 60  
DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE  
PAY TO THE ORDER OF Elizabeth Major  
Twenty-Five and No/100----- \$ 25.00  
DOLLARS  
WITHOUT EXCHANGE  
For Bonus consideration for three year Paid-up Oil and Gas Lease covering payee's  
Interest in Fairchild Farm Tracts 401, 406, 415, Section 19, T-18-S, R-27-E,  
Eddy County, New Mexico.  
To Midland National Bank DO NOT HANDLE AS CASH ITEM.  
Midland, Texas GREAT WESTERN DRILLING COMPANY  
Bill Sears

DRAFT  
Courtesy Of  
THE MIDLAND NATIONAL BANK  
MIDLAND, TEXAS

No. 30 PLACE Midland, Texas April 16, 19 60  
DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE  
PAY TO THE ORDER OF Robert Collier  
Twenty-five and No/100----- \$ 25.00  
DOLLARS  
WITHOUT EXCHANGE  
For Bonus consideration for three year Paid-up Oil and Gas Lease covering payee's  
Interest in Fairchild Farm Tracts #401, #406, #415, Section 19, T-18-S, R-27-E,  
Eddy County, New Mexico.  
To Midland National Bank DO NOT HANDLE AS CASH ITEM.  
Midland, Texas GREAT WESTERN DRILLING COMPANY  
Bill Sears

DRAFT  
Courtesy Of

THE MIDLAND NATIONAL BANK  
MIDLAND, TEXAS

No. 30 Midland, Texas April 17, 19 80  
PLACE  
DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE  
PAY TO THE ORDER OF Cleason Brown  
\$ 25.00  
Twenty-five and No/100-----  
WITHOUT EXCHANGE DOLLARS  
For Bonus consideration for three year Paid-up Oil and Gas Lease covering payee's  
Interest in Fairchild Farm Tracts #401, #406, #415, Section 19, T-18-S, R-27-E,  
Lddy County, New Mexico.  
To MIDLAND NATIONAL BANK  
MIDLAND, TEXAS  
DO NOT HANDLE AS CASH ITEM.  
GREAT WESTERN DRILLING COMPANY  
Bill Sears 682-5241

DRAFT  
Courtesy Of

THE MIDLAND NATIONAL BANK  
MIDLAND, TEXAS

No. 30 Midland, Texas April 17, 19 80  
PLACE  
DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE  
PAY TO THE ORDER OF Flora Jane Hopkins  
\$ 25.00  
Twenty-five and No/100-----  
WITHOUT EXCHANGE DOLLARS  
For Bonus consideration for three year Paid-up Oil and Gas Lease covering payee's  
Interest in Fairchild Farm Tracts #401, #406, #415, Section 19, T-18-S, R-27-E,  
Lddy County, New Mexico.  
To MIDLAND NATIONAL BANK  
MIDLAND, TEXAS  
DO NOT HANDLE AS CASH ITEM.  
GREAT WESTERN DRILLING COMPANY  
Bill Sears 682-5241

DRAFT  
Courtesy Of

THE MIDLAND NATIONAL BANK  
MIDLAND, TEXAS

No. 30 Midland, Texas April 18, 19 80  
PLACE  
DAYS AFTER SIGHT AND SUBJECT TO APPROVAL OF TITLE  
PAY TO THE ORDER OF Donald S. Johnson  
\$ 25.00  
Twenty-five and No/100-----  
WITHOUT EXCHANGE DOLLARS  
For Bonus consideration for three year Paid-up Oil and Gas Lease covering payee's  
Interest in Fairchild Farm Tracts #401, #406, #415, Section 19, T-18-S, R-27-E  
Lddy County, New Mexico.  
To MIDLAND NATIONAL BANK  
MIDLAND, TEXAS  
DO NOT HANDLE AS CASH ITEM.  
GREAT WESTERN DRILLING COMPANY  
Bill Sears 682-5241



**J. RICHARD ROWAN**

*Oil & Gas Properties*

PHONE (915) 684-5551 OR 694-5109  
P. O. BOX 162, MIDLAND, TEXAS 79702

April 28, 1980

Great Western Drilling Company  
Box 1659  
Midland, Texas 79701

Attn: Mr. Bill Sears

Re: Kaiser #1 Prospect  
S/2 Section 19-18S-27E

Dear Bill:

You have been advised that J. R. Rowan and R. C. Roberts would join in the Kaiser well.

Enclosed herein is signature page for the operating agreement executed by Roberts and Rowan with the following condition:

All prepayment obligations are hereby deleted. This is in reference in second paragraph of Item C of Article 7 on page 12; and Item 3 of Exhibit C on page 1 of Accounting Procedure.

Also enclosed is copy of your letter of April 18, 1980, which is executed and returned with the stipulation that the following ownership which is set out as J. R. Rowan et al - 5.44218760 acres - .01695385 DDI in Unit - shall be considered for all purposes as follows:

1. H. V. Beck  
Box 4753  
Midland, Texas 79702  
.253125 ac., .0007885  
(being 25% interest in Lease 42,  
Nola Brewer)
2. R. C. Roberts  
100 Oil & Gas Bldg.  
Midland, Texas 79701  
.253125 ac., .0007885  
(being 25% interest in Lease 42)  
+ 1.4765625 ac., .0045998 (being 1/3  
interest in Lease 39 and 40)
3. Don D. Matson  
3622 Imperial  
Midland, Texas 79701  
same as R. C. Roberts

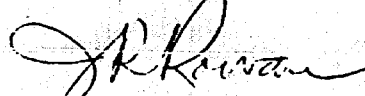
April 28, 1980

4. J. R. Rowan  
Box 162  
Midland, Texas 79701

same as R. C. Roberts

Would you please furnish Mr. Beck with all material; and Mr. Roberts and Mr. Matson with correction pages. Each party is to be invoiced and paid as a separate entity.

Very truly yours,

  
J. R. Rowan

JRR/be  
enclosures

cc: R. C. Roberts  
D. D. Matson

May 5, 1980

Re: Kaiser #1 Prospect  
S/2 Section 19-18S-27-E  
Eddy County, New Mexico

Mr. H. V. Beck  
P. O. Box 4753  
Midland, Texas 79702

Mr. Don D. Matson  
3622 Imperial  
Midland, Texas 79701

Mr. R. C. Roberts  
100 Oil & Gas Bldg.  
Midland, Texas 79701

Mr. J. R. Rowan  
P. O. Box 162  
Midland, Texas 79701

Attention: Mr. J. R. Rowan

Dear Dick:

Reference your letter of April 28, 1980 addressed to Great Western with copies to Joint Interest Owners.

The condition under which you returned the signature page for the Operating Agreement is rejected by Great Western. We will not delete the prepayment clauses under Item C, Article 7 of the Operating Agreement and Item No. 3, of Exhibit "C" of Accounting Procedure.

You will not be prebilled if each of you furnish an acceptable financial statement within the next ten days. The four of you are the last to sign Operating Agreements and we are ready to start operations as soon as we have the above statements and Mr. Matson's and Mr. Beck's signed Operating Agreement.

Yours very truly,

GREAT WESTERN DRILLING COMPANY

W. T. Cowan  
Land Manager

WTC/11

**J. RICHARD ROWAN**

*Oil & Gas Properties*

PHONE (915) 684-5551 OR 694-5109  
P. O. BOX 162, MIDLAND, TEXAS 79702

June 20, 1980

Great Western Drilling Co.  
Box 1659  
Midland, Texas 79702

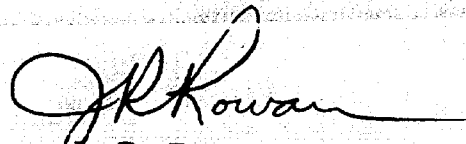
Attn: Mr. W. T. Cowan  
Land Manager

Re: Kaiser #1 Prospect  
S/2 Section 10-18S-27E  
Eddy County, N. M.


Dear Tom:

Based upon the information which you conveyed to me on June 18th, and the obvious business necessity for a prepayment clause to be included in your operating agreement, this is to advise you that R. C. Roberts and J. R. Rowan will accept the prepayment clause under Item C Article 7 of the Operating Agreement and Item No. 3 of Exhibit "C" of the Accounting procedure.

You stated that you would advise us of the amount of the prepayment at such time as you moved a rig on the location. This is acceptable and we will make payment at that time.

  
J. R. Rowan

Yours very truly,

  
R. C. Roberts

## BEFORE EXAMINER NUTTER

GREAT WESTERN PILLING COMPANY CONSERVATION DIVISION  
COST ESTIMATE

Date: 4-4-79

EXHIBIT NO. 6959

FR 15  
AFF 8

Well: KAISER NO. 1

County: EDIN

CASE NO. 6959

Location: 000' FSL &amp; 1980' FEL, Section 19, T-18-S, R-27-E

Depth: 9900'

Stake location	To Casing Point	Completed Well
Road & pad	200	300
Damages	6,000	7,000
	700	700
Footage contract 9900 ft. @ \$15.20 / ft.	150,500	150,500
Day work 3 days @ \$3,400. / day	27,200	27,200
Cement & cementing for surface casing	1,750	1,750
Cement & cementing for intermediate casing	4,250	4,250
Cement & cementing for production casing		3,500
Float equipment for surface casing	200	200
Float equipment for intermediate casing	550	550
Float equipment for production casing		1,150
Mud & chemicals )		
Water )	41,000	42,800
Drill stem tests	4,200	4,200
Logging	16,900	16,900
Perforating		5,100
Treating		16,500
Completion unit		4,900
Trucking	1,500	4,500
Contract labor	1,000	3,000
Miscellaneous: Rental tools & mud logging unit	6,300	8,000
Contingencies @ 10%	26,250	30,350
Sales Tax 4%	11,550	13,350
<b>TOTAL INTANGIBLES</b>	<b>300,150</b>	<b>346,700</b>
Surface casing 13-3/8" 325 ft. @ \$17.08/ft.	5,550	5,550
Intermediate casing 8-5/8" 1700 ft. @ \$8.56/ft.	14,550	14,550
Production casing 5 1/2" 9900 ft. @ \$6.10/ft.		60,350
Wellhead	5,700	11,100
Tubing		20,500
Tool joint		1,500
Rods		
Bottom hole pump		
Pumping unit		
Prime mover		
Tanks Two 310bbl, welded, stairs & walkway		5,900
Treater		
Separator		11,000
Flow lines		800
Connections, etc.	1,000	5,000
Miscellaneous	2,000	7,000
Contingencies @ 10%	2,000	15,300
Sales Tax 4%	1,300	6,750
<b>TOTAL TANGIBLES</b>	<b>33,000</b>	<b>174,400</b>
<b>TOTAL INTANGIBLES &amp; TANGIBLES</b>	<b>333,150</b>	<b>521,100</b>
Lease cost		
Dry hole contributions		
<b>TOTAL WELL COST</b>	<b>333,150</b>	<b>521,100</b>

Prepared by HBI

Date 4-2-79

OPERATOR: GREAT WESTERN PILLING COMPANY

PARTNER:

GWC 7. Interest

APPROVAL

PARTNER 7. Interest

BY

DATE

GWC Approved by



BEFORE EXAMINER NUTTER

OIL CONSERVATION DIVISION

QW EXHIBIT NO. 6

CASE NO. 6759

A.A.P.L. FORM 610 - 1977

## MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

December 19 , 1979 ,

OPERATOR GREAT WESTERN DRILLING COMPANY

CONTRACT AREA S/2 SECTION 19, T-18-S, R-27-E

COUNTY ~~OR PARISH~~ OF EDDY STATE OF NEW MEXICO

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AMERICAN ASSOCIATION OF PETROLEUM LANDMEN  
APPROVED FORM. A.A.P.L. NO 610 - 1977 REVISED  
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER  
KRAFTBILT PRODUCTS. BOX 800 TULSA 74101

**TABLE OF CONTENTS**

<u>Article</u>	<u>Title</u>	<u>Page</u>
I.	DEFINITIONS	1
II.	EXHIBITS	1
III.	INTERESTS OF PARTIES	2
	A. OIL AND GAS INTERESTS	2
	B. INTEREST OF PARTIES IN COSTS AND PRODUCTION	2
IV.	TITLES	2
	A. TITLE EXAMINATION	2
	B. LOSS OF TITLE	2
	1. Failure of Title	2-3
	2. Loss by Non-Payment or Erroneous Payment of Amount Due	3
	3. Other Losses	3
V.	OPERATOR	3
	A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR	3
	B. RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR	4
	1. Resignation or Removal of Operator	4
	2. Selection of Successor Operator	4
	C. EMPLOYEES	4
	D. DRILLING CONTRACTS	4
VI.	DRILLING AND DEVELOPMENT	4
	A. INITIAL WELL	4
	B. SUBSEQUENT OPERATIONS	5
	1. Proposed Operations	5
	2. Operations by Less than All Parties	5-6
	C. RIGHT TO TAKE PRODUCTION IN KIND	6-7
	D. ACCESS TO CONTRACT AREA AND INFORMATION	7
	E. ABANDONMENT OF WELLS	7
	1. Abandonment of Dry Holes	7
	2. Abandonment of Wells that have Produced	7-8
VII.	EXPENDITURES AND LIABILITY OF PARTIES	8
	A. LIABILITY OF PARTIES	8
	B. LIENS AND PAYMENT DEFAULTS	8
	C. PAYMENTS AND ACCOUNTING	8
	D. LIMITATION OF EXPENDITURES	9
	1. Drill or Deepen	9
	2. Rework or Plug Back	9
	3. Other Operations	9
	E. ROYALTIES, OVERRIDING ROYALTIES AND OTHER PAYMENTS	9
	F. RENTALS, SHUT-IN WELL PAYMENTS AND MINIMUM ROYALTIES	9-10
	G. TAXES	10
	H. INSURANCE	10
VIII.	ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST	10
	A. SURRENDER OF LEASES	10-11
	B. RENEWAL OR EXTENSION OF LEASES	11
	C. ACREAGE OR CASH CONTRIBUTION	11
	D. SUBSEQUENTLY CREATED INTEREST	11-12
	E. MAINTENANCE OF UNIFORM INTEREST	12
	F. WAIVER OF RIGHT TO PARTITION	12
	<del>G. PREFERENTIAL RIGHT TO PURCHASE</del>	<del>12</del>
IX.	INTERNAL REVENUE CODE ELECTION	12-13
X.	CLAIMS AND LAWSUITS	13
XI.	FORCE MAJEURE	13
XII.	NOTICES	13
XIII.	TERM OF AGREEMENT	13-14
XIV.	COMPLIANCE WITH LAWS AND REGULATIONS	14
	A. LAWS, REGULATIONS AND ORDERS	14
	B. GOVERNING LAW	14
XV.	OTHER PROVISIONS	14
XVI.	MISCELLANEOUS	15

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between GREAT WESTERN DRILLING COMPANY, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators",

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.  
DEFINITIONS

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

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.  
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

- ☒ A. Exhibit "A", shall include the following information:
  - (1) Identification of lands subject to agreement.
  - (2) Restrictions, if any, as to depths or formations.
  - (3) Percentages or fractional interests of parties to this agreement.
  - (4) Oil and gas leases and/or oil and gas interests subject to this agreement.
  - (5) Addresses of parties for notice purposes.
- ☒ B. Exhibit "B", Form of Lease.
- ☒ C. Exhibit "C", Accounting Procedure.
- ☒ D. Exhibit "D", Insurance.
- ☒ E. Exhibit "E", Gas Balancing Agreement.
- ☒ F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

**ARTICLE III.  
INTERESTS OF PARTIES**

**A. Oil and Gas Interests:**

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B" / "A" to such interest. The owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

**B. Interest of Parties in Costs and Production:**

Exhibit "A" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties which will be borne by the Joint Account, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

**ARTICLE IV.  
TITLES**

**A. Title Examination:**

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

**B. Loss of Title:**

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development



1 or operating costs which it may have theretofore paid, but there shall be no monetary liability on its  
2 part to the other parties hereto for drilling, development, operating or other similar costs by reason of  
3 such title failure; and

4 (b) There shall be no retroactive adjustment of expenses incurred or revenues received from the  
5 operation of the interest which has been lost, but the interests of the parties shall be revised on an acre-  
6 age basis, as of the time it is determined finally that title failure has occurred, so that the interest of  
7 the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract  
8 Area by the amount of the interest lost; and

9 (c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled  
10 on the Contract Area is increased by reason of the title failure, the party whose title has failed shall  
11 receive the proceeds attributable to the increase in such interests (less costs and burdens attributable  
12 thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well;  
13 and

14 (d) Should any person not a party to this agreement, who is determined to be the owner of any in-  
15 terest in the title which has failed, pay in any manner any part of the cost of operation, development,  
16 or equipment, such amount shall be paid to the party or parties who bore the costs which are so refund-  
17 ed; and

18 (e) Any liability to account to a third party for prior production of oil and gas which arises by  
19 reason of title failure shall be borne by the party or parties in the same proportions in which they shared  
20 in such prior production; and

21 (f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection  
22 with the defense of the interest claimed by any party hereto, it being the intention of the parties  
23 hereto that each shall defend title to its interest and bear all expenses in connection therewith.

24  
25 2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight,  
26 any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously  
27 paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against  
28 the party who failed to make such payment. Unless the party who failed to make the required payment  
29 secures a new lease covering the same interest within ninety (90) days from the discovery of the fail-  
30 ure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of  
31 the parties shall be revised on an acreage basis, effective as of the date of termination of the lease in-  
32 volved, and the party who failed to make proper payment will no longer be credited with an interest in  
33 the Contract Area on account of ownership of the lease or interest which has terminated. In the event  
34 the party who failed to make the required payment shall not have been fully reimbursed, at the time of  
35 the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an  
36 acreage basis, for the development and operating costs theretofore paid on account of such interest, it  
37 shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the  
38 cost of any dry hole previously drilled or wells previously abandoned) from so much of the following  
39 as is necessary to effect reimbursement:

40 (a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost  
41 interest, on an acreage basis, up to the amount of unrecovered costs;

42 (b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an  
43 acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production  
44 from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable  
45 to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said  
46 portion of the oil and gas to be contributed by the other parties in proportion to their respective in-  
47 terests; and

48 (c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or  
49 becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or be-  
50 coming a party to this agreement.

51  
52 3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2.  
53 above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties  
54 in proportion to their interests. There shall be no readjustment of interests in the remaining portion of  
55 the Contract Area.

## 56 57 ARTICLE V. 58 OPERATOR

### 59 60 A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

61  
62 GREAT WESTERN DRILLING COMPANY shall be the  
63 Operator of the Contract Area, and shall conduct and direct and have full control of all operations on  
64 the Contract Area as permitted and required by, and within the limits of, this agreement. It shall con-  
65 duct all such operations in a good and workmanlike manner, but it shall have no liability as Operator  
66 to the other parties for losses sustained or liabilities incurred, except such as may result from gross  
67 negligence or willful misconduct.



**B. Resignation or Removal of Operator and Selection of Successor:**

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

**C. Employees:**

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

**D. Drilling Contracts:**

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

**ARTICLE VI.  
DRILLING AND DEVELOPMENT**

**A. Initial Well:**

On or before the 1ST day of June, 19 80 Operator shall commence the drilling of a well for oil and gas at the following location:

**660' FSL and 1980' FEL Section 19, T-18-S, R-27-E**

and shall thereafter continue the drilling of the well with due diligence to 9900' or to a depth sufficient to adequately test the Harrow formation, whichever is a lesser depth,

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, under this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

1 300% of that portion of the cost of newly acquired equipment in the well (to and including the well-  
2 head connections), which would have been chargeable to such Non-Consenting Party if it had partici-  
3 pated therein.

4  
5 Gas production attributable to any Non-Consenting Party's relinquished interest upon such Party's  
6 election, shall be sold to its purchaser, if available, under the terms of its existing gas sales con-  
7 tract. Such Non-Consenting Party shall direct its purchaser to remit the proceeds receivable from  
8 such sale direct to the Consenting Parties until the amounts provided for in this Article are recov-  
9 ered from the Non-Consenting Party's relinquished interest. If such Non-Consenting Party has not  
10 contracted for sale of its gas at the time such gas is available for delivery, or has not made the elec-  
11 tion as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-  
12 Consenting Party's share of gas as hereinabove provided during the recoupment period.

13  
14 During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share  
15 of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of  
16 all production, severance, gathering and other taxes, and all royalty, overriding royalty and other  
17 burdens applicable to Non-Consenting Party's share of production.

18  
19 In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall  
20 be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of  
21 all such equipment shall remain unchanged; and upon abandonment of a well after such reworking,  
22 plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the  
23 owners thereof, with each party receiving its proportionate part in kind or in value, less cost of  
24 salvage.

25  
26 Within sixty (60) days after the completion of any operation under this Article, the party con-  
27 ducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an in-  
28 ventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling,  
29 deepening, plugging back, testing, completing, and equipping the well for production; or, at its option,  
30 the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed  
31 statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being  
32 reimbursed as provided above, the Party conducting the operations for the Consenting Parties shall furn-  
33 ish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the  
34 operation of the well, together with a statement of the quantity of oil and gas produced from it and the  
35 amount of proceeds realized from the sale of the well's working interest production during the preceding  
36 month. In determining the quantity of oil and gas produced during any month, Consenting Parties  
37 shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any  
38 amount realized from the sale or other disposition of equipment newly acquired in connection with any  
39 such operation which would have been owned by a Non-Consenting Party had it participated therein  
40 shall be credited against the total unreturned costs of the work done and of the equipment purchased,  
41 in determining when the interest of such Non-Consenting Party shall revert to it as above provided;  
42 and if there is a credit balance, it shall be paid to such Non-Consenting party.

43  
44 If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest  
45 the amounts provided for above, the relinquished interests of such Non-Consenting Party shall auto-  
46 matically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same  
47 interest in such well, the material and equipment in or pertaining thereto, and the production there-  
48 from as such Non-Consenting Party would have been entitled to had it participated in the drilling,  
49 reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be  
50 charged with and shall pay its proportionate part of the further costs of the operation of said well in  
51 accordance with the terms of this agreement and the Accounting Procedure, attached hereto.

52  
53 Notwithstanding the provisions of this Article VI.B.2, it is agreed that without the mutual consent  
54 of all parties, no wells shall be completed in or produced from a source of supply from which a well  
55 located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing  
56 well spacing pattern for such source of supply.

57  
58 The provisions of this Article shall have no application whatsoever to the drilling of the initial  
59 well described in Article VI.A, except (a) when Option 2, Article VII.D.1., has been selected, or (b)  
60 to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall  
61 prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article  
62 VI.A.

#### 63 C. Right to Take Production in Kind:

64  
65 Each party shall have the right to take in kind or separately dispose of its proportionate share of  
66 all oil and gas produced from the Contract Area, exclusive of production which may be used in de-  
67 velopment and producing operations and in preparing and treating oil for marketing purposes and  
68 production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate dispo-  
69 sition by any party of its proportionate share of the production shall be borne by such party. Any  
70

1 party taking its share of production in kind shall be required to pay for only its proportionate share  
2 of such part of Operator's surface facilities which it uses.

3  
4 Each party shall execute such division orders and contracts as may be necessary for the sale of its  
5 interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled  
6 to receive payment direct from the purchaser thereof for its share of all production.

7  
8 In the event any party shall fail to make the arrangements necessary to take in kind or separately  
9 dispose of its proportionate share of the oil and gas produced from the Contract Area Operator shall have  
10 the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such  
11 oil and gas or sell it to others at any time and from time to time, for the account of the non-taking  
12 party at the best price obtainable in the area for such production. Any such purchase or sale by Op-  
13 erator shall be subject always to the right of the owner of the production to exercise at any time its  
14 right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a  
15 purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for  
16 such reasonable periods of time as are consistent with the minimum needs of the industry under the  
17 particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the  
18 foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's  
19 share of gas production without first giving such other party thirty (30) days notice of such intended  
20 sale.

21  
22 In the event one or more parties' separate disposition of its share of the gas causes split-stream de-  
23 liveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not  
24 exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the  
25 balancing or accounting between the respective accounts of the parties shall be in accordance with  
26 any Gas Balancing Agreement between the parties hereto, whether such Agreement is attached as  
27 Exhibit "E", or is a separate Agreement.

28  
29 **D. Access to Contract Area and Information:**

30  
31 Each party shall have access to the Contract Area at all reasonable times, at its sole risk to inspect  
32 or observe operations, and shall have access at reasonable times to information pertaining to the de-  
33 velopment or operation thereof, including Operator's books and records relating thereto. Operator, upon  
34 request, shall furnish each of the other parties with copies of all forms or reports filed with govern-  
35 mental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports  
36 of stock on hand at the first of each month, and shall make available samples of any cores or cuttings  
37 taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to  
38 Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the  
39 information.

40  
41 **E. Abandonment of Wells:**

42  
43 1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well  
44 which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole  
45 shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent  
46 effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours  
47 (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and  
48 abandon such well, such party shall be deemed to have consented to the proposed abandonment. All  
49 such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost,  
50 risk and expense of the parties who participated in the cost of drilling of such well. Any party who ob-  
51 jects to the plugging and abandoning such well shall have the right to take over the well and conduct  
52 further operations in search of oil and/or gas subject to the provisions of Article VI.B.

53  
54 2. Abandonment of Wells that have Produced: Except for any well which has been drilled or re-  
55 worked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reim-  
56 bursed as therein provided, any well which has been completed as a producer shall not be plugged and  
57 abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall  
58 be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense  
59 of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment  
60 of such well, all parties do not agree to the abandonment of any well, those wishing to continue its op-  
61 eration shall tender to each of the other parties its proportionate share of the value of the well's salvageable  
62 material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated  
63 cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall  
64 assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity,  
65 quality, or fitness for use of the equipment and material, all of its interest in the well and related equip-  
66 ment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the  
67 formation or formations then open to production. If the interest of the abandoning party is or includes  
68 an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an  
69 oil and gas lease, limited to the interval or intervals of the formation or formations then open to produc-  
70 tion, for a term of one year and so long thereafter as oil and/or gas is produced from the interval or inter-



vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

## ARTICLE VII. EXPENDITURES AND LIABILITY OF PARTIES

### A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

### B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

### C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

**D. Limitation of Expenditures:**

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

☐ Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and or surface facilities.

☒ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Fifteen Thousand Dollars (\$ 15,000.00 ) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, 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 to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Fifteen Thousand Dollars (\$ 15,000.00 ).

**E. Royalties, Overriding Royalties and Other Payments:**

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of 1/8 due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

**F. Rentals, Shut-in Well Payments and Minimum Royalties:**

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments



1 of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article  
2 IV.B.3.

3  
4 **G. Taxes:**

5  
6 Beginning with the first calendar year after the effective date hereof, Operator shall render for ad  
7 valorem taxation all property subject to this agreement which by law should be rendered for such  
8 taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the ren-  
9 dition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be  
10 limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests con-  
11 tributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its  
12 being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in  
13 ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold  
14 estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such  
15 reduction. Operator shall bill other parties for their proportionate share of all tax payments in the man-  
16 ner provided in Exhibit "C".

17  
18 If Operator considers any tax assessment improper, Operator may, at its discretion, protest within  
19 the time and manner prescribed by law, and prosecute the protest to a final determination, unless all  
20 parties agree to abandon the protest prior to final determination. During the pendency of administrative  
21 or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and  
22 penalty. When any such protested assessment shall have been finally determined, Operator shall pay  
23 the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then  
24 be assessed against the parties, and be paid by them, as provided in Exhibit "C".

25  
26 Each party shall pay or cause to be paid all production, severance, gathering and other taxes im-  
27 posed upon or with respect to the production or handling of such party's share of oil and/or gas pro-  
28 duced under the terms of this agreement.

29  
30 **II. Insurance:**

31  
32 At all times while operations are conducted hereunder, Operator shall comply with the Workmen's  
33 Compensation Law of the State where the operations are being conducted; provided, however, that Op-  
34 erator may be a self-insurer for liability under said compensation laws in which event the only charge  
35 that shall be made to the joint account shall be an amount equivalent to the premium which would have  
36 been paid had such insurance been obtained. Operator shall also carry or provide insurance for the  
37 benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof.  
38 Operator shall require all contractors engaged in work on or for the Contract Area to comply with the  
39 Workmen's Compensation Law of the State where the operations are being conducted and to maintain  
40 such other insurance as Operator may require.

41  
42 In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently  
43 receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for  
44 such insurance for Operator's fully owned automotive equipment.

45  
46 **ARTICLE VIII.**

47 **ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST**

48  
49 **A. Surrender of Leases:**

50  
51 The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall  
52 not be surrendered in whole or in part unless all parties consent thereto.

53  
54 However, should any party desire to surrender its interest in any lease or in any portion thereof, and  
55 other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express  
56 or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and  
57 equipment which may be located thereon and any rights in production thereafter secured, to the parties  
58 not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the as-  
59 signing party shall execute and deliver to the party or parties not desiring to surrender an oil and gas  
60 lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas  
61 is produced from the land covered thereby; such lease to be on the form attached hereto as Exhibit "B".  
62 Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing,  
63 but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon,  
64 and the assigning party shall have no further interest in the lease assigned and its equipment and pro-  
65 duction other than the royalties retained in any lease made under the terms of this Article. The parties  
66 assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells  
67 and equipment on the assigned acreage. The value of all material shall be determined in accordance  
68 with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plug-  
69 ging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

#### B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this Agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

#### C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

#### D. Subsequently Created Interest:

Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement, and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

#### E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or
2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

#### F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

#### G. Preferential Right to Purchase:

Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.

### ARTICLE IX

#### INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

1 such party shall give any notices or take any other action inconsistent with the election made hereby.  
 2 If any present or future income tax laws of the state or states in which the Contract Area is located or  
 3 any future income tax laws of the United States contain provisions similar to those in Subchapter "K",  
 4 Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that  
 5 provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as  
 6 may be permitted or required by such laws. In making the foregoing election, each such party states that  
 7 the income derived by such party from Operations hereunder can be adequately determined without the  
 8 computation of partnership taxable income.

#### 9 10 **ARTICLE X.** 11 **CLAIMS AND LAWSUITS**

12  
13 Operator may settle any single damage claim or suit arising from operations hereunder if the ex-  
 14 penditure does not exceed Five Thousand and No/100----- Dollars  
 15 (\$ 5,000.00-----) and if the payment is in complete settlement of such claim or suit. If the amount  
 16 required for settlement exceeds the above amount, the parties hereto shall assume and take over the  
 17 further handling of the claim or suit, unless such authority is delegated to Operator. All costs and ex-  
 18 pense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense  
 19 of the parties. If a claim is made against any party or if any party is sued on account of any matter  
 20 arising from operations hereunder over which such individual has no control because of the rights given  
 21 Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall  
 22 be treated as any other claim or suit involving operations hereunder.

#### 23 24 **ARTICLE XI.** 25 **FORCE MAJEURE**

26  
27 If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations  
 28 under this agreement, other than the obligation to make money payments, that party shall give to all  
 29 other parties prompt written notice of the force majeure with reasonably full particulars concerning it;  
 30 thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure,  
 31 shall be suspended during, but no longer than, the continuance of the force majeure. The affected party  
 32 shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

33  
34 The requirement that any force majeure shall be remedied with all reasonable dispatch shall not  
 35 require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its  
 36 wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party  
 37 concerned.

38  
39 The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other  
 40 industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood,  
 41 explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment,  
 42 and any other cause, whether of the kind specifically enumerated above or otherwise, which is not  
 43 reasonably within the control of the party claiming suspension.

#### 44 45 **ARTICLE XII.** 46 **NOTICES**

47  
48 All notices authorized or required between the parties, and required by any of the provisions of  
 49 this agreement, unless otherwise specifically provided, shall be given in writing by United States mail  
 50 or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to  
 51 whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any  
 52 provision hereof shall be deemed given only when received by the party to whom such notice is directed,  
 53 and the time for such party to give any notice in response thereto shall run from the date the originat-  
 54 ing notice is received. The second or any responsive notice shall be deemed given when deposited in  
 55 the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid,  
 56 or when sent by teletype. Each party shall have the right to change its address at any time, and from  
 57 time to time, by giving written notice hereof to all other parties.

#### 58 59 **ARTICLE XIII.** 60 **TERM OF AGREEMENT**

61  
62 This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas in-  
 63 terests subjected hereto for the period of time selected below; provided, however, no party hereto shall  
 64 ever be construed as having any right, title or interest in or to any lease, or oil and gas interest con-  
 65 tributed by any other party beyond the term of this agreement.

66  
67 ☐ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are con-  
 68 tinued in force as to any part of the Contract Area, whether by production, extension, renewal or other-  
 69 wise, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.



1 ☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled  
 2 under any provision of this agreement, results in production of oil and/or gas in paying quantities, this  
 3 agreement shall continue in force so long as any such well or wells produce, or are capable of produc-  
 4 tion, and for an additional period of 90 days from cessation of all production; provided, however,  
 5 if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in  
 6 drilling or reworking a well or wells hereunder, this agreement shall continue in force until such op-  
 7 erations have been completed and if production results therefrom, this agreement shall continue in  
 8 force as provided herein. In the event the well described in Article VI.A., or any subsequent well  
 9 drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil  
 10 and/or gas from the Contract Area, this agreement shall terminate unless drilling or reworking opera-  
 11 tions are commenced within 90 days from the date of abandonment of said well.

12  
 13 It is agreed, however, that the termination of this agreement shall not relieve any party hereto from  
 14 any liability which has accrued or attached prior to the date of such termination.

15  
 16 **ARTICLE XIV.**  
 17 **COMPLIANCE WITH LAWS AND REGULATIONS**

18  
 19 **A. Laws, Regulations and Orders:**

20  
 21 This agreement shall be subject to the conservation laws of the state in which the committed  
 22 acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of  
 23 said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and  
 24 orders.

25  
 26 **B. Governing Law:**

27  
 28 The essential validity of this agreement and all matters pertaining thereto, including, but not lim-  
 29 ited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and in-  
 30 terpretation or construction, shall be governed and determined by the law of the state in which the  
 31 Contract Area is located. If the Contract Area is in two or more states, the law of the state where most  
 32 of the land in the Contract Area is located shall govern.

33  
 34 **ARTICLE XV.**  
 35 **OTHER PROVISIONS**  
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ARTICLE XVI.  
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 19th day of December, 1979.

OPERATOR

ATTEST:

GREAT WESTERN DRILLING COMPANY

W. K. Kahan  
Assistant Secretary

John. Hampton  
President

NON-OPERATORS

ATTEST:

DAVOIL, INC.

Secretary

President

ATTEST:

YATES PETROLEUM CORPORATION

By:

ATTEST:

READ AND STEVENS

By:

ATTEST:

DEPCO, INC.

Michael D. Shepard  
Michael D. Shepard, Secretary

By: C. D. Crump \*  
C. D. Crump, Vice President

Charles C. Loveless, Jr.

Roy G. Barton

SPEAR BROS. SHEEP & CATTLE CO.

By:

\*DEPCO, Inc.'s execution hereof is contingent upon Great Western Drilling Co.'s agreeing to the terms and conditions of that certain letter dated April 3, 1980 from DEPCO, Inc. to Great Western Drilling Co.,

Winnie Dill Knox

EXHIBIT "A"

Tract 1:	SE/4 Section 19, T-18-S, R-37-E SAE Fairchild Farm Tracts 406 and 415	152.5 Acres
Tract 2:	E/2 SW/4 Section 19, T-18-S, R-37-E lying East of the Old Pecos River	16.4 Acres
Tract 3:	Fairchild Farm Tracts #401, 406, 415 Section 19, T-18-S, R-37-E	12.4 Acres
Tract 4:	Fairchild Farm Tract #402 Section 19, T-18-S, R-37-E	5.5 Acres
Tract 5:	Fairchild Farm Tracts #404, 405, 411, 413 Section 19, T-18-S, R-37-E	20.6 Acres
Tract 6:	Fairchild Farm Tracts 407, 408, 409, 410 Section 19, T-18-S, R-37-E	20.0 Acres
Tract 7:	Fairchild Farm Tracts 403, 412 Section 19, T-18-S, R-37-E	7.6 Acres
Tract 8:	Fairchild Farm Tract 414 Section 19, T-18-S, R-37-E	5.0 Acres
Tract 9:	Lots 3 and 4, Section 19, T-18-S, R-37-E	81.0 Acres

Attached to and made a part of that Operating Agreement  
dated December 19, 1979, between Great Western Drilling  
Company, as Operator, and Depco, Inc. as a Non-Operator.

A. Description of Lands

The Unit Area consists of the South Half (S/2) of Section 19, T-18-S,  
R-27-E, Eddy County, New Mexico, limited to the oil and gas interests from  
the base of the San Andres formation down to top of Mississippian Chester limestone.

B. The Names of the parties, their addresses, and their percentages in the  
Unit Area are as follows:

<u>Name and Address</u>	<u>Net Acres in Unit</u>	<u>DDI in Unit</u>
Great Western Drilling Co. P. O. Box 1659 Midland, Texas 79702	89.87417094	.27998184
Davoll, Inc. P. O. Box 12507 Fort Worth, Texas 76116	49.51749564	.15426011
Yates Petroleum Corporation 207 South Fourth Street Artesia, New Mexico 88210	61.0328125	.19013337
Read and Stevens P. O. Box 2126 Roswell, New Mexico 88201	7.13000012	.02221184
Depco, Inc. 1000 Petroleum Building Denver, Colorado 80202	55.94375000	.17427959
C. R. McMillan Room 714, Petroleum Building Roswell, New Mexico 88201	16.78906250	.05230238
Roy G. Burton 300 W. Taylor Hobbs, New Mexico 88240	15.00000000	.04672897
Spear Bros. Sheep & Cattle Co. 603 Seco Dr. Hobbs, New Mexico 88240	5.00000000	.01557632
Winnie Dill Knox Weatherford, Texas	3.54375000	.01103972
Donald S. Johnson Jamestown, Kansas	0.06458329	.00020119
Flora Jane Hopkins 2149 San Anselmo Ave. Long Beach, Calif. 90815	0.15500000	.00048287
Gleason Brown 756 Bacon Road Hinesville, Georgia 31113	0.15500000	.00048287
Robert A. Brown Fletcher, Oklahoma 73541	0.15500000	.00048287

<u>Name and Address</u>	<u>Net Acres in Unit</u>	<u>DDI in Unit</u>
Ernest L. Redford 111 Nara Vista NW Albuquerque, N. M. 87107	0.19375000	.00048353
Virginia Collier Box 418 Fletcher, Oklahoma	0.15500000	.00048287
Elizabeth Major 2407 Crockett Amarillo, Texas 79100	0.15500000	.00048286
Robert Collier Box 449 Fletcher, Oklahoma 73541	0.15500000	.00048287
Nelson Collier 1605 Dixie Ardmore, Oklahoma 73401	0.46500000	.00144860
J. N. Roman et al 217 Mid-America Bldg. Midland, Texas 79701	5.44218760	.01695385
Sentinel Development Corporation 714 Petroleum Bldg. Roswell, N. M. 88201	10.07343750	.03138142
	<hr/> <hr/> 321.00000000 Acres	<hr/> <hr/> 1.00000000

C. The Leasehold and Unleased Interests of each party in the Unit Area are as follows:

GREAT WESTERN DRILLING COMPANY AND DAVOIL, INC.

1. Oil and Gas Lease dated May 16, 1973, Book 105, Page 461, from Arthur B. Kaiser and Lula Kaiser, et al, to Great Western Drilling Company covering among other lands, Tract #1 of the captioned lands.
2. Oil and Gas Lease dated May 16, 1973, Book 105, Page 459, from J. W. Miller and Patricia A. Miller, his wife, et al, to Great Western Drilling Company covering, among other lands, Tract #1 of the captioned lands.
3. Oil and Gas Lease dated July 26, 1978, Book 161, Page 801, from Dorothy Parker, a widow, to Great Western Drilling Company covering Tract #2 of the captioned lands.
4. Oil and Gas Lease dated July 26, 1978, Book 161, Page 797, from Edward L. Upham and Lurline R. Upham, his wife, to Great Western Drilling Company covering Tract #2 of the captioned lands.
5. Oil and Gas Lease dated July 26, 1978, Book 161, Page 799, from Patricia A. Moreman, Executrix of the Estate of L. T. Atkeson, deceased, and Guardian of the Estate of Reita H. Atkeson, NCM, to Great Western Drilling Company covering Tract #2 of the captioned lands.
6. Oil and Gas Lease dated November 8, 1978, Book 167, Page 178, from Helen J. Hardgrave, dealing in her separate property, to Great Western Drilling Company covering Tract 3 of the captioned lands.
7. Oil and Gas Lease dated November 8, 1978, Book 167, Page 180, from Georgia Lafferty, dealing in her separate property, to Great Western Drilling Company covering Tract #3 of the captioned lands.
8. Oil and Gas Lease dated November 8, 1978, Book 167, Page 182, from Harrie L. Perry, Jr., dealing in his separate property, to Great Western Drilling Company covering Tract #3 of the captioned lands.
9. Oil and Gas Lease dated November 8, 1978, Book 167, Page 184, from Homer A. Swearingen, dealing in his separate property, to Great Western Drilling Company, covering Tract #3 of the captioned lands.
10. Oil and Gas Lease dated November 8, 1978, Book 167, Page 186, from Marion L. Swearingen, dealing in his separate property, to Great Western Drilling Company covering Tract #3 of the captioned lands.
11. Oil and Gas Lease dated November 8, 1978, Book 167, Page 188, from Pauling R. Swearingen, dealing in her separate property, to Great Western Drilling Company, covering Tract #3, of the captioned lands.
12. Oil and Gas Lease dated November 8, 1978, Book 167, Page 190, from Ruby Rogers, dealing in her separate property, to Great Western Drilling Company, covering Tract #3, of the captioned lands.
13. Oil and Gas Lease dated November 8, 1978, Book 167, Page 192, from Charlene Watson, dealing in her separate property, to Great Western Drilling Company, covering Tract #3 of the captioned lands.
14. Oil and Gas Lease, dated November 8, 1978, Book 167, Page 194, from Mayme White, dealing in her separate property, to Great Western Drilling Company, covering Tract #3, of the captioned lands.
15. Oil and Gas Lease dated November 8, 1978, Book 167, Page 242, from First National Bank of Topeka as Trustee for the Rita J. Evert Trust, to Great Western Drilling Company, covering Tract #3 of the captioned lands.



16. Oil and Gas Lease dated November 8, 1978, Book 168, Page 146, from Florence Swearingen, to Great Western Drilling Company covering Tract #3, of the captioned lands.
17. Oil and Gas Lease dated November 8, 1978, Book 169, Page 288, from Edna Mae Watt, dealing in her separate property, to Great Western Drilling Company, covering Tract #3 of the captioned lands.
18. Oil and Gas Lease, dated November 28, 1978, Book 166, Page 1026, from Roy E. Thompson and wife, Elizabeth A. Thompson, to Great Western Drilling Company, covering Tract #8 of the captioned lands.

#### READ & STEVENS

1. Oil and Gas Lease dated November 7, 1978, Book 166, Page 392, from Addie Swearingen, a widow, to Read & Stevens, covering Tract #3, of the captioned lands.
2. Oil and Gas Lease dated \_\_\_\_\_, Book 173, Page 220, from James A. Collier to Read & Stevens covering Tract #3 of the captioned lands.
3. Oil and Gas Lease dated \_\_\_\_\_, Book 173, Page 358, from Stella P. Herrell to Read & Stevens covering Tract #3 of the captioned lands.
4. Oil and Gas Lease dated June 18, 1979, Book 173, Page 409, from Birdie F. Coryell to Read & Stevens covering Tract #3 of the captioned lands.
5. Oil & Gas Lease dated \_\_\_\_\_, Book 173, Page 19, from Vera Hadsell to Read & Stevens, covering Tract #3 of the captioned lands.
6. Oil and Gas Lease dated \_\_\_\_\_, Book 173, Page 22, from Sheryl S. Johnson to Read & Stevens, covering Tract #3 of the captioned lands.
7. Oil and Gas Lease dated \_\_\_\_\_, Book 173, Page 25, from Glen Swearingen to Read & Stevens, covering Tract #3 of the captioned lands.
8. Oil and Gas Lease dated \_\_\_\_\_, Book 173, Page 28, from Howard Swearingen to Read & Stevens, covering Tract #3 of the captioned lands.
9. Oil and Gas Lease dated \_\_\_\_\_, Book 173, Page 31, from Ralph Swearingen to Read & Stevens, covering Tract #3 of the captioned lands.
10. Oil and Gas Lease dated November 1, 1979, Book 179, Page 1066 from Louise Richardson to Read & Stevens, covering Tract #3 of the captioned lands.

C. R. McMILLAN - 62½%  
SENTINEL DEVELOPMENT CORPORATION - 37½%

1. Oil and Gas Lease dated May 11, 1979, Book 172, Page 265, from First National Bank of Roswell, Trustee, Laura Hedgecoxe Cahoon to Charles C. Loveless, covering Tract #5 of the captioned lands.
2. Oil and Gas Lease dated May 11, 1979, Book 172, Page 251, from First National Bank of Roswell, Trustee, Laura Cahoon Debardeleben to Charles C. Loveless covering Tract #5 of captioned lands.
3. Oil and Gas Lease dated May 11, 1979, Book 172, Page 261, from Mabel Cahoon Lamon to Charles C. Loveless covering Tract #5 of captioned lands.
4. Oil and Gas Lease dated July 12, 1979, Book 173, Page 621, from Nancy Ordway et al to Charles C. Loveless, covering Tract #5 of captioned lands.
5. Oil and Gas Lease dated May 11, 1979, Book 171, Page 371, from Mary Lutz Cahoon Grantham to Charles C. Loveless, covering Tract #5 of captioned lands.
6. Oil and Gas Lease dated May 11, 1979, Book 172, Page 263, from Security Realty Corporation to Charles C. Loveless, covering Tract #9 of captioned lands.

DEPCO, INC.

1. Oil and Gas Lease dated June 6, 1974, Book 117, Page 682, from R. E. Boyle and Sweetie Boyle, husband and wife, et al, to Depco, Inc. covering Tract #4 of the captioned lands.
2. Oil and Gas Lease dated June 10, 1974, Book 123, Page 738, from Mary Lutz Cahoon Grantham, Guardian for Edward Charles Cahoon and Dianne Cahoon, minors, to Depco, Inc. covering Tract #5 of the captioned lands.
3. Oil and Gas Lease dated April 29, 1974, Book 117, Page 672, from Farris D. Evans and wife, Lois D. Evans to Depco, Inc. covering Tract #9 of the captioned lands.
4. Oil and Gas Lease dated June 11, 1974, Book 118, Page 567, from Grady R. Stevens and June Stevens, husband and wife, to Depco, Inc. covering Tract #9 of the captioned lands.
5. Oil and Gas Lease dated June 11, 1974, Book 119, Page 819, from Thyra Nell Myers Welborne, a married woman dealing with her sole and separate property, to Depco, Inc. covering Tract #9 of the captioned lands.
6. Oil and Gas Lease dated June 11, 1974, Book 118, Page 981, from Kittie Muncy, a widow et al to Depco, Inc. covering Tract #9 of the captioned lands.
7. Oil and Gas Lease dated June 17, 1974, Book 119, Page 821, from Owen Levi Muncy, et al to Depco, Inc. covering Tract #9 of the captioned lands.
8. Oil and Gas Lease dated June 17, 1974, Book 120, Page 934, from Ila Mae Muncy Jacobs et al, to Depco, Inc. covering Tract #9 of the captioned lands.

9. Oil and Gas Lease dated June 20, 1974, Book 118, Page 985, from Clarence F. McCubbins, et al, to Depco, Inc. covering Tract #9 of the captioned lands.
10. Oil and Gas Lease dated June 20, 1974, Book 110, Page 826, from William D. Healey, et al, to Depco, Inc. covering Tract #9 of the captioned lands.
11. Oil and Gas Lease dated June 20, 1974, Book 120, Page 55, from Frank L. Munsey, also known as Frank Lee Muncy, et al, to Depco, Inc. covering Tract #9 of the captioned lands.
12. Oil and Gas Lease dated June 25, 1974, Book 118, Page 987, from Bert N. Muncy, Jr., a married man, dealing in his sole and separate property, to Depco, Inc. covering Tract #9 of the captioned lands.
13. Oil and Gas Lease dated June 27, 1974, Book 120, Page 59, from Elizabeth Muncy Schrader, a married woman, dealing in her separate property, to Depco, Inc. covering Tract #9 of the captioned lands.
14. Oil and Gas Lease dated June 25, 1974, Book 119, Page 828, from Winnie R. Truesdell, also known as Winnie Ruth Clayton Truesdell, a married woman, dealing in her separate property, to Depco, Inc. covering Tract #9 of the captioned lands.
15. Oil and Gas Lease dated June 25, 1974, Book 119, Page 830, from Leon Clayton, a married man; et al, each dealing with their sole and separate property, to Depco, Inc., covering Tract #9 of the captioned lands.
16. Oil and Gas Lease dated June 26, 1974, Book 119, Page 833, from Allie Mae Lemard, et al, to Depco, Inc., covering Tract #9 of the captioned lands.
17. Oil and Gas Lease dated July 1, 1974, Book 120, Page 936, from Nevil Lee Muncy, et al, to Depco, Inc. covering Tract #9 of the captioned lands.
18. Oil and Gas Lease dated July 18, 1974, Book 121, Page 332, from Vernon D. Brookshire, a married man, dealing with his separate property, to Depco, Inc. covering Tract #9 of the captioned lands.
19. Oil and Gas Lease dated July 22, 1974, Book 120, Page 430, from Ray H. Sipple et al, to Depco, Inc. covering Tract #9 of the captioned lands.
20. Oil and Gas Lease dated July 22, 1974, Book 120, Page 432, from Lillian A. Rice, a widow, to Depco, Inc., covering Tract #9 of the captioned lands.
21. Oil and Gas Lease dated August 7, 1974, Book 120, Page 63, from Matred Devol Rickhoff and Stanley Rickhoff, wife and husband, to Depco, Inc. covering Tract #9 of the captioned lands.
22. Oil and Gas Lease dated August 7, 1974, Book 120, Page 65, from Ellis M. Evans, a married man, dealing in his sole and separate property, to Depco, Inc., covering Tract #9 of the captioned lands.
23. Oil and Gas Lease dated February 26, 1975, Book 125, Page 921, from Delbert Muncy and Betty R. Muncy, husband and wife, to Depco, Inc. covering Tract #9 of the captioned lands.
24. Oil and Gas Lease dated June 22, 1973, Book 106, Page 284, from P. R. Ramuz and wife, Christine Ramuz, acting by and through their Attorney-in-Fact, Johnnie R. Johnson, to Depco, Inc., covering Tract #9 of the captioned lands.

25. Oil and Gas Lease dated July 9, 1973, Book 106, Page 287, from Louise Callans Cherry, a widow, to Depco, Inc., covering Tract #9, of the captioned lands.
26. Oil and Gas Lease, dated August 2, 1973, Book 108, Page 400, from Otto J. Bogenschuts, et al, heirs and devisees of Margaret B. Brown, deceased, to Depco, Inc., covering Tract #9 of the captioned lands.
27. Oil and Gas Lease dated November 15, 1973, Book 111, Page 327, from Vilas P. Sheldon, to Depco, Inc. covering Tract #9, of the captioned lands.
28. Oil and Gas Lease dated November 15, 1973, Book 112, Page 254, from Betty Sue Bagwell, formerly Betty Sue Sheldon by Vilas P. Sheldon, Attorney-in-fact, to Depco, Inc., covering Tract #9 of the captioned lands.
29. Oil and Gas Lease dated June 11, 1974, Book 119, Page 817, from Rada Muncy Hamilton et al, to Depco, Inc., covering Tract #9 of the captioned lands.
30. Oil and Gas Lease dated August 16, 1973, Book 109, Page 28 from Edward C. Keller to Depco Inc., covering Tract #5 of the captioned lands.
31. Oil and Gas Lease dated June 26, 1973, Book 106, Page 266 from Johnnie G. Johnson et vir to Depco, Inc. covering Tract #7 of the captioned lands.

#### YATES PETROLEUM CORPORATION

1. Oil and Gas Lease dated April 21, 1975, Book 126, Page 609, from Yates Brothers, a partnership, to Yates Petroleum Corporation, covering Tract #9 of the captioned lands.
2. Oil and Gas Lease dated April 17, 1973, Book 100, Page 154, from Kate G. Hoffman, a widow, et al to Yates Petroleum Corporation, covering Tract #9 of the captioned lands.
3. 25% Unleased Mineral Interest in Tract #1.
4. Oil and Gas Lease dated October 10, 1959, Book 114, Page 307, from Ruth Gamble Haskins to Yates Petroleum Corp., covering Tract #9 of the captioned lands.

#### J. R. ROWAN, ET AL

1. Oil and Gas Lease dated September 25, 1975, Book 132, Page 148, from Emma Swisher Felkins to J. R. Rowan covering Tract #9 of captioned lands.
2. Oil and Gas Lease dated September 25, 1975, Book 132, Page 150, from Katherine S. Hayyard, also known as Katherine Swisher Hayyard, dealing in her separate property, to J. R. Rowan, covering Tract #9 of captioned lands.
3. Oil and Gas Lease dated September 29, 1975, Book 130, Page 882, from Hola H. Brewer, widow, to R. C. Roberts, now owned by J. R. Rowan et al, covering Tract #9 of captioned lands.

DONALD S. JOHNSON

1. 1/96 of 1/2 Unleased Mineral Interest  
Tract #3

FLORA JANE HOPKINS

1. 1/5 of 1/8 of 1/2 Unleased Mineral Interest  
Tract #3

GLEASON BROWN

1. 1/5 of 1/8 of 1/2 Unleased Mineral Interest  
Tract #3

ROBERT A. BROWN

1. 1/5 of 1/8 of 1/2 Unleased Mineral Interest  
Tract #3

ERNEST L. REDFORD

1. 1/4 of 1/8 of 1/2 Unleased Mineral Interest  
Tract #3

VIRGINIA COLLIER

1. 1/40 of 1/2 Unleased Mineral Interest  
Tract #3

ELIZABETH MAJOR

1. 1/40 of 1/2 Unleased Mineral Interest  
Tract #3

ROBERT COLLIER

1. 1/40 of 1/2 Unleased Mineral Interest  
Tract #3

NELSON COLLIER

1. 3/80 Unleased Mineral Interest  
Tract #3



ROY G. BARTON, JR.

1.  $\frac{3}{4}$  Unleased Mineral Interest  
Tract #6

SPEAR BROS. SHEEP AND CATTLE CO.

1.  $\frac{1}{4}$  Unleased Mineral Interest  
Tract #6

WINNIE DILL KNOX, INDIVIDUALLY AND AS TRUSTEE

1.  $\frac{1}{80}$  plus  $\frac{1}{32}$ , Unleased Mineral Interest  
Tract #9.

<u>LEASE NO.</u>	<u>LESSOR</u>	<u>LESSEE</u>	<u>DATE</u>	<u>RECORDING BOOK</u>	<u>PAGE</u>	<u>PRIMARY TERM</u>	<u>TRACT COVERED</u>	<u>INTEREST COVERED</u>	<u>ROYALTY</u>
1	Arthur B. and Lula Mae Kaiser, Trustees	Great Western Drilling Company	5-16-73	105	461	5 Years	1	3/4	3/16
2	J. W. Miller et al.	Great Western Drilling Company	5-16-73	105	459	5 Years	1	1/4	3/16
3	Dorothy Parker	Great Western Drilling Company	7-26-78			5 Years	2	1/2	3/16
4	Edward L. Upham, et ux, Lurline R. Upham	Great Western Drilling Company	7-26-78			5 Years	2	1/4	3/16
5	Patricia A. Moreman, Guardian	Great Western Drilling Company	7-26-78			5 Years	2	1/4	3/16
6	Addie Swearingen	Read and Stevens	11-7-78	166	392	3 Years	3	19/40	7/32
7	Helen J. Hardgrave	Great Western Drilling Company	11-8-78	167	178	2 Years	3	1/8 of 1/2	3/16
8	Georgia Lafferty	Great Western Drilling Company	11-8-78	167	180	2 Years	3	1/4 of 1/8 of 1/2	3/16
9	Harrie L. Perry, Jr.	Great Western Drilling Company	11-8-78	167	182	2 Years	3	1/24 of 1/2	3/16
10.	Howard A. Swearingen	Great Western Drilling Company	11-8-78	167	184	2 Years	3	3/4 of 1/8 of 1/2	3/16
11	Marion L. Swearingen	Great Western Drilling Company	11-8-78	167	186	2 Years	3	1/4 of 1/8 of 1/2	3/16
12	Pauline R. Swearingen	Great Western Drilling Company	11-8-78	167	188	2 Years	3	1/4 of 1/8 of 1/2	3/16
13	Ruby Rogers	Great Western Drilling Company	11-8-78	167	190	2 Years	3	1/4 of 1/8 of 1/2	3/16
14	Charline Watson	Great Western Drilling Company	11-8-78	167	192	2 Years	3	1/24 of 1/2	3/16

LEASE NO.	LESSOR	LESSEE	DATE	RECORDING BOOK PAGE	PRIMARY TERM	TRACT COVERED	INTEREST COVERED	ROYALTY
15	Layne White	Great Western Drilling Company	11-8-78	167 194	2 Years	3	1/24 of 1/2	3/16
16	First National Bank of Topeka, Trustee for Rita J. Evert Trust	Great Western Drilling Company	11-8-78	167 242	2 Years	3	1/48 of 1/2	3/16
17	Florence Swearingen	Great Western Drilling Company	11-8-78	168 146	2 Years	3	1/2 of 1/8 of 1/2	3/16
18	Elna Mae Watt	Great Western Drilling Company	11-8-78	169 288	2 Years	3	1/4 of 1/8 of 1/2	3/16
19	James A. Collier	Read and Stevens		173 220	3 Years	3	1/40 of 1/2	3/16
20	Stella P. Herrell	Read and Stevens		173 358	3 Years	3	1/5 of 1/8 of 1/2	3/16
21	Birdie F. Coryell	Read and Stevens		173 409	3 Years	3	1/5 of 1/8 of 1/2	3/16
22	Vera Hadsell	Read and Stevens		173 19	3 Years	3	1/48 of 1/2	3/16
23	Steryl S. Johnson	Read and Stevens		173 22	3 Years	3	1/96 of 1/2	3/16
24	Glen Swearingen	Read and Stevens		173 25	3 Years	3	1/48 of 1/2	3/16
25	Howard Swearingen	Read and Stevens		173 28	3 Years	3	1/48 of 1/2	3/16
26	Ralph Swearingen	Read and Stevens		173 31	3 Years	3	1/48 of 1/2	3/16
27	R. E. Boyle et al	Depco, Inc.	6-6-74	117 682	10 Years	4	Full	3/16
28	Mary Lutz Grantham, Guardian	Depco, Inc.	6-10-74	123 738	10 Years	5	1/12	3/16

## LEASE

NO.

## LESSOR

## LESSEE

## DATE

RECORDING  
BOOK PAGEPRIMARY  
TERMTRACT  
COVEREDINTEREST  
COVERED

## ROYALTY

29	First National Bank of Roswell, Trustee, Laura Hedgecoxe Cahoon	Charles C. Loveless	172	265	3 Years	5	1/3	1/4	
30	First National Bank of Roswell, Trustee, for Laura Cahoon Debardeleben	Charles C. Loveless	172	257	3 Years	5	5/24	1/4	
31	Mabel Cahoon Lamson	Charles C. Loveless	172	261	3 Years	5	5/48	1/4	
32	Nancy Ordway et al	Charles C. Loveless	173	621	5 Years	5	5/48	1/4	
33	Mary Lutz Cahoon Grantam	Charles C. Loveless	171	371	5 Years	5	1/16	1/4	
34	Edward C. Keller	Depco, Inc.	109	28	5 Years	5	5/48	3/16	
35	Johnnie G. Johnson Estate	Depco, Inc.	106	266	5 Years	7	Full	1/8	
36	Roy E. Thompson	Great Western Drilling Company	11-28-78	166	1026	5 Years	8	Full	3/16
37	Betty Sue Sheldon Bagwell	Depco, Inc.	11-15-73	112	254	5 Years	9	1/32	3/16
38	Vilas P. Sheldon	Depco, Inc.	11-15-73	111	327	5 Years	9	1/32	3/16
39	Katherine S. Hagyard	J. R. Rowan	9-25-75	132	150	5 Years	9	3/8 of 1/32 & 1/2 of 1/32	3/16
40	Emma Swisher Felkins	J. R. Rowan	9-25-75	131	148	5 Years	9	3/8 of 1/32 & 1/2 of 1/32	3/16
41	Yates Brothers	Yates Petroleum Co.	4-21-75	126	609	5 Years	9	1/4 of 1/32 & 1/40 & 1/32	3/16
42	Nola M. Brewer	R. C. Roberts	9-29-75	130	882	5 Years	9	1/80	3/16
43	Winnie R. Truesdale Clayton	Depco, Inc.	6-25-74	119	828	10 Years	9	1/160	3/16

LEASE NO.	LESSOR	LESSEE	DATE	RECORDING BOOK	PAGE	PRIMARY TERM	TRACT COVERED	INTEREST COVERED	ROYALTY
44	Eula B. Stoldt et al	Depco, Inc.	6-25-74	119	830	10 Years	9	15/800	3/16
45	Lillian Rice et al	Depco, Inc.	7-22-74	120	430	10 Years	9	1/40	3/16
46	Owen Muncy et al	Depco, Inc.	7-17-74	119	821	10 Years	9	6/7 of 3/4 of 1/360	3/16
47	Ila Muncy Jacobs et al	Depco, Inc.	7-17-74	120	934	10 Years	9	1/7 of 3/4 of 1/360	3/16
48	Neville Lee Muncy et al	Depco, Inc.	7-1-74	120	936	10 Years	9	1/360	3/16
49	L. D. Myers et al	Depco, Inc.	6-11-74	119	819	10 Years	9	1/360	3/16
50	Elizabeth Muncy Schrader	Depco, Inc.	6-27-74	120	59	10 Years	9	3/8 of 1/360	3/16
51	Bert N. Muncy, Jr.	Depco, Inc.	6-25-74	118	987	10 Years	9	5/8 of 1/360	3/16
	Clarence F. McCubbins et al	Depco, Inc.	6-20-74	118	985	10 Years	9	1/5 of 1/360	3/15
53	Elmer Healey et al	Depco, Inc.	6-20-74	119	826	10 Years	9	1/5 of 1/360	3/16
54	Frank L. Muncy et al	Depco, Inc.	6-20-74	120	55	10 Years	9	3/5 of 1/360	3/16
55	Rada Muncy Hamilton et al	Depco, Inc.	6-11-74	119	817	10 Years	5	1/360	3/16
56	Grady R. Stevens, et ux June	Depco, Inc.	6-11-79	118	567	10 Years	9	1/360	3/16
57	Security Realty Corp.	Charles C. Lovelless		172	263	3 Years	9	1/8	1/4
58	Otto J. Bojenschutz et al	T. F. Hodge	8-3-73	106	406	5 Years	9	1/24	1/8
59	Louise Calians Cherry	J. W. Manough	7-9-73	106	287	10 Years	9	1/12	1/8
60	Farris D. Evans et ux, Lois D. Evans	Depco, Inc.	4-29-74	117	672	5 Years	9	3/20 of 1/3	3/16



LEASE NO.	LESSOR	LESSEE	DATE	RECORDING		PRIMARY TERM	TRACT COVERED	INTEREST COVERED	ROYALTY
				BOOK	PAGE				
61	Mattred David Rickhoff et vir, Stanley Rickhoff	Depco, Inc.	6-7-74	120	63	10 Years	9	10/20 of 1/8	3/16
62	Ellis M. Evans	Depco, Inc.	8-7-74	120	65	10 Years	9	7/20 of 1/8	3/16
63	Estate of Johnnie Johnson	Depco, Inc.	6-22-73	106	284	5 Years	9	3/32	1/8
64	Ruch Gamble Hawkins	Yates Petroleum	10-10-59	114	307	5 Years	9	1/32	1/8
65	Kittie Muncy et al	Depco, Inc.	6-11-74	118	981	10 Years	9	1/360	3/16
66	Minnie Young et al	Depco, Inc.	6-26-74	119	833	10 Years	9	1/9 of 1/40	3/16
67	Leslie W. Skuzle, et ux Catherine Skuzle	Yates Petroleum Corp.	4-17-73	100	154	10 Years	9		1/8
68	Louise Richardson	Read & Stevens	11-1-79	179	1066	3 Years	3	1/4 of 1/8 of 1/2	7/32

<u>TRACT NO.</u>	<u>OWNER</u>	<u>LEASE NO.</u>	<u>GROSS W. I.</u>	<u>NET</u>	<u>TYPE</u>	<u>ACRES</u>
1	Arthur B. Kaiser, et ux, Lula Mae	1		.0196875	RI	152.5
1	Reatha Kaiser	1		.0196875	RI	152.5
1	Clarence D. Kaiser et ux	1		.0196875	RI	152.5
1	George Elwood Kaiser et ux, Vera	1		.0196875	RI	152.5
1	Larado Gertrude McKinney	2		.01171875	RI	152.5
1	Evellyn D. Miller	2		.01171875	RI	152.5
1	John W. Miller	2		.01171875	RI	152.5
1	Forest C. Miller	2		.01171875	RI	152.5
1	Sare S. Zeleny	1		.00750000	ORRI	152.5
1	Ann S. Yates	1		.00750000	ORRI	152.5
1	Yates Petroleum Corp.		.25000000	.25000000	LMI	152.5
1	Great Western Drilling Company	1, 2	.48357000	.39290063	WI	152.5
1	Davoll, Inc.	1, 2	.26643000	.21647437	WI	152.5
2	Dorothy Upham Parker	3		.09375000	RI	16.4
2	Edward L. Upham	4		.04687500	RI	16.4
2	Reita Atkeson	5		.04687500	RI	16.4
2	Great Western Drilling Company		.64476000	.52386750	WI	16.4
2	Davoll, Inc.		.35524000	.28863250	WI	16.4

<u>TRACT NO.</u>	<u>OWNER</u>	<u>LEASE NO.</u>	<u>GROSS W. I.</u>	<u>NET</u>	<u>TYPE</u>	<u>ACRES</u>
3	Donald S. Johnson		.00520833	.00520833	UMI	12.4
3	Flora Jane Hopkins		.01250000	.01250000	UMI	12.4
3	Cleason Brown		.01250000	.01250000	UMI	12.4
3	Robert A. Brown		.01250000	.01250000	UMI	12.4
3	Louise M. Richardson	68		.00341797	RI	12.4
3	Ernest L. Redford		.01562500	.01562500	UMI	12.4
3	Virginia Collier		.01250000	.01250000	UMI	12.4
3	Elizabeth Major		.01250000	.01250000	UMI	12.4
3	Robert Collier		.01250000	.01250000	UMI	12.4
3	Nelson Collier		.03750000	.03750000	UMI	12.4
3	Addie Swearingen	6		.10390625	RI	12.4
3	Florence Swearingen	17		.00585936	RI	12.4
3	Ruby Rogers	13		.00292969	RI	12.4
3	Marion L. Swearingen	11		.00292969	RI	12.4
3	Pauline R. Swearingen	12		.00292969	RI	12.4
3	Homer A. Swearingen	10		.00878906	RI	12.4
3	Helen Joyce Hardgrave	7		.01171375	RI	12.4
3	First National Bank of Topeka, Trustee, Rita J. Evert Trust	16		.00195313	RI	12.4
3	Vera Hadsell	22		.00227365	RI	12.4
3	Howard Swearingen	25		.00227865	RI	12.4

<u>TRACT NO.</u>	<u>OWNER</u>	<u>LEASE NO.</u>	<u>GROSS W. I.</u>	<u>NET</u>	<u>TYPE</u>	<u>ACRES</u>
3	Ralph Swearingen	26		.00227865	RI	12.4
3	Glen Swearingen	24		.00227865	RI	12.4
3	Sheryl S. Johnson	23		.00113932	RI	12.4
3	Stella P. Hurrell	20		.00273438	RI	12.4
3	Birdie F. Coryell	21		.00273438	RI	12.4
3	Georgia B. Afferty	8		.00292969	RI	12.4
3	Edna Mae Warrick	18		.00292969	RI	12.4
3	Charlene Watson	14		.00390625	RI	12.4
3	Mayme White	15		.00390625	RI	12.4
3	Harrie L. Perry, Jr.	9		.00390625	RI	12.4
3	James A. Collier	19		.00273438	RI	12.4
3	Read & Stevens	21, 19, 20, 23, 24, 25, 25, 22 6, 68	.57500001	.43359373	WT	12.4
3	Great Western Drilling Company	17, 13, 11, 12, 10, 7, 16, 18, 14, 15, 9, 8	.18805499	.15279467	WI	12.4
3	Davoll, Inc.	17, 13, 11, 12, 10, 7, 16, 18, 14, 15, 9, 8	.10361167	.08413447	WI	12.4

<u>TRACT NO.</u>	<u>OWNER</u>	<u>LEASE NO.</u>	<u>GROSS W. I.</u>	<u>NET</u>	<u>TYPE</u>	<u>ACRES</u>
4	R. E. Boyle et ux, Sweetie	27		.07031250	RI	5.5
4	W. J. Hill et ux, Dorothy	27		.08203125	RI	5.5
4	J. M. Cleary et ux, Louise	27		.01171875	RI	5.5
4	J. A. Davidson	27		.02343750	RI	5.5
4	Depco, Inc.	27	100%	.81250000	WI	5.5
5	Mary Lutz Grantam Guardian for Edward Charles Cahoon and Dianne Cahoon	28		.01562500	RI	20.6
5	The First National Bank of Roswell, Trustee U/V of Laura Hedgecote Cahoon, Dec'd.	29		.08333333	RI	20.6
5	The First National Bank of Roswell, Trustee for Laura (Cahoon) Debardeleben	30		.01562500	RI	20.6
5	Mabel Cahoon Lamont	31		.02604167	RI	20.6
5	Nancy Wilson Ordway and Susan Folinger	32		.02604167	RI	20.6
5	Edward C. Keller	34		.01953125	RI	20.6
5	Mary Lutz Cahoon Grantam	33		.01562500	RI	20.6
5	Mark D. Wilson	28, 34		.0046375	ORRI	20.6



<u>TRACT NO.</u>	<u>OWNER</u>	<u>LEASE NO.</u>	<u>GROSS W. I.</u>	<u>NET</u>	<u>TYPE</u>	<u>ACRES</u>
5	Charles C. Lovelless, Jr.	24, 30, 31, 32, 33	.81250000	.54583334	WI	20.6
5	Depco, Inc.	28, 34	.18750000	.14765624	WI	20.6
6	Roy G. Barton, Jr.		.75000000	.75000000	UMI	20
6	Spear Bros. Sheep & Cattle Co.		.25000000	.25000000	UMI	20
7	Estate of Johnnie Johnson, Dec'd.	35		.12500000	RI	7.6
7	Depco, Inc.	35	1.00000000	.87500000	WI	7.6
8	Roy E. Thompson	36		.18750000	RI	5
8	Devoil, Inc.	36	.35524000	.28863250	WI	5
8	Great Western Drilling Company	36	.64476000	.52386750	WI	5

## TRACT NO.

## OWNER

## LEASE NO.

## GROSS W. T.

## NET

## TYPE

## ACRES

9	Betty Sue Bagwell	37	.00585938	RI	81
9	Vilas P. Sheldon	38	.00585938	RI	81
9	Otto J. Bojanschutz	58	.02083333	RI	81
9	Marjorie Anderson	58	.00130208	RI	81
9	Mary Elizabeth Anderson	58	.00130208	RI	81
9	Louise Calhoun Cherry	59	.01041667	RI	81
9	Johnnie Johnson Esute	63	.01171875	RI	81
9	Ruth Gamble Haskins	64	.00390625	RI	81
9	Winnie R. Clayton	43	.00117188	RI	81
9	Eula B. Stead	44	.00070313	RI	81
9	J. A. Clayton, Jr.	44	.00070313	RI	81
9	Leor Clayton	44	.00070313	RI	81
9	Eddie V. Peoples	44	.00070313	RI	81
9	Pearl M. Clayton	44	.00070313	RI	81
9	Lillian A. Rice	45	.00156250	RI	81
9	Gordon Sipple and Fay Sipple	45	.00312500	RI	81
9	Owen Levi Muncy	46	.00007440	RI	81
9	Weldon L. Muncy	46	.00007440	RI	81
9	Ila Muncy Goodman	46	.00007440	RI	81
9	Zula Muncy Smith	46	.00007440	RI	81
9	Neva Muncy Kilser	46	.00007440	RI	81

<u>LEASE NO.</u>	<u>OWNER</u>	<u>LEASE</u>	<u>GROSS W. I.</u>	<u>NET</u>	<u>TYPE</u>	<u>ACRES</u>
9	Jewel Muncy, Kile	46		.00007440	RI	81
9	Ila Muncy, Jacobs, Paul Herman Muncy, Bobby Jack Muncy	47		.00007440	RI	81
9	Nevil Lee Muncy, Herbert Gayle Muncy, Roy Weldon Muncy, Floyd Muncy Linquist, Vera Muncy Beckett, Lois Muncy Williams	48		.00052083	RI	81
9	Thyra Neil Myers Leborne, L. D. Myers, Martha B. Myers	49		.00052083	RI	81
9	Elizabeth Schrader	50		.00019531	RI	81
9	Bert N. Muncy, Jr.	51		.00032552	RI	81
9	Clarence F. McCubbins, Robert McCubbins, et al	52, 53, 54		.00052083	RI	81
9	Ruth Haverth, Rada Muncy Hamilton, Lou Ellen Krailick	55		.00052083	RI	81
9	Grady Stevers et al	56		.00052083	RI	81
9	Kittie Muncy, O. R. Muncy, E. L. Muncy, Iona Muncy Hopkins	65		.00052083	RI	81
9	Minnie Young, Allie Mae Lennard, Mary Neil Hambright, Vivian Dohrmann, Allen Ray Young, Acquilla Faye Maples	66		.00052083	RI	81
9	Farris Devol Evans	60		.00351563	RI	81
9	Mattred D. Ruckhoff	61		.01171875	RI	81
9	Ellis M. Evans	62		.00820313	RI	81
9	Depco, Inc.	37, 38, 43 thru 56, 53 thru 63, 65, 66	.48125000	.40097973	WI	81

TRACT NO.	OWNER	LEASE	GROSS W. I.	NET	TYPE	ACRES
9	Yates Brothers	41		.01701172	RI	81
9	Leslie W. Skuzie et ux, Catherine	67		.02343750	RI	81
9	Yates Petroleum Corporation	41, 67, 64	.26281250	.21220703	WI	81
9	Katherine S. Hayyard	39		.00512696	RI	81
9	Emma Swisher Jenkins	40		.00512695	RI	81
9	Nola M. Brewer	42		.00234375	RI	81
9	J. R. Roman, Doris J. Watson, R. C. Roberts, H. P. Beck	42, 39, 40	.0671875	.05458984	WI	81
9	Winnie D. H. Knox, Individually and as Trustee		.04375000	.04375000	UMI	81
9	Security Realty Corp.	57		.0315000	RI	81
9	Charles C. Loveless, Jr.	57	.12500000	.09375000	RI	81
9	T. F. Hodge	53		.00208333	ORRI	81
9	Mark D. Wilson	37, 38, 43 thru 56 58 thru 63, 65, 66		.01464529	ORRI	31



THIS AGREEMENT made this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_ between \_\_\_\_\_

**LEAVE. WITNESSETH:**

1. Lease in consideration of \_\_\_\_\_ Dollars  
(S. \_\_\_\_\_), in hand paid, of the royalties herein provided, and of the agreement of Lease herein contained, hereby grants, leases and lets exclu-  
sively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, laying pipe-  
lines, building roads, tanks, power stations, telephone lines and other structures thereon to produce, save the cost of, treat, transport and own said products,  
and employing the employees, use the following described land in \_\_\_\_\_ County, Texas, to-wit:

$\frac{3}{16}$  Royalty in place of  $\frac{1}{8}$  below

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above. For the purposes of calculating the rental payments hereinafter provided for, said land is estimated to comprise \_\_\_\_\_ acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall be for a term of ten years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, one-eighth of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one eighth of the amount realized from such sale; while there is a gas or gas condensate well on this lease, or on acreage pooled therewith, during or after the expiration of the primary term, but gas is not being sold or used, Lessee may pay or tender as royalty, by check or draft of Lessee, to the owner of such royalty, or to their credit in the depository bank named in the lease, on or before ninety days after the date on which said well is shut in and annually thereafter, a sum equal to the amount of annual rental payable in lieu of drilling operations during the primary term of this lease on the number of acres subject to this lease at the time such payment is made, and if such payment is made it will be considered that gas is being produced within the meaning of Paragraph 2 hereto; and (c) on all other minerals mined and marketed, one-tenth either in kind or value at the well or mine, at Lessee's election, except that on sulphur mined and marketed the royalty shall be fifty cents (50¢) per long ton, Lessee shall have free use of oil, gas, coal, and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas and coal shall be computed after deduction any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, or either of them, with other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when in Lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said leased premises in compliance with the spacing rules of the Railroad Commission of Texas, or other lawful authority, or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas from said premises. Units pooled for oil hereunder shall not substantially exceed 80 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction prohibit or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prohibited or permitted by governmental regulations. Lessee under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit composed in whole or in part of the land covered by this lease regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units as to oil and gas or either of them as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them, shall be entitled on production of oil and gas, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit a pro rata portion of the oil and gas, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit.

5. If operations for drilling are not commenced on said land or on acreage pooled therewith as above provided on or before one year from this date the lease shall then terminate as to both parties, unless on or before such anniversary date Lessee shall pay or tender to Lessor or to the credit of Lessor in

Bank at \_\_\_\_\_, Texas, (which bank and its successors are Lessor's agent and shall continue as the depository for all rentals payable hereunder regardless of changes in ownership of said land or the rental the sum of

Dollars \$\_\_\_\_\_ therein called rental which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. In like manner and upon like payments or tenders annually the commencement of drilling operations may be further deferred for successive periods of twelve (12) months each during the primary term. The payment or tender of rental under this paragraph and of royalty under paragraph 3 or any gas well from which gas is not being sold or used may be made by the check or draft of Lessee mailed or delivered to Lessor or to such bank, on or before the date of payment. If such bank for any successive bank should fail, liquidate or be succeeded by another bank, or for any reason fail or refuse to accept rental, Lessee shall not be held in default for failure to make such payment or tender of rental until thirty (30) days after Lessee shall deliver to Lessor a proper receiptable instrument, naming another bank as agent to receive such payments or tenders. The down payment is a consideration for the lease according to its terms, and shall not be allocated as a mere rental for a period. Lessee may at any time or times exercise and deliver to Lessor or to the depository above named or place of record a release covering any portion or portions of the above described premises, and Lessor surrenders this lease as to such portion or portions and be released of all obligations as in the acts so surrendered, and thereafter the rental payments tendered shall be reduced in the proportion that the acreage covered hereby is reduced by said release of acreage.

[illegible]



## EXHIBIT

Attached to and made a part of OPERATING AGREEMENT dated  
December 19, 1979 between GREAT WESTERN DRILLING COMPANY,  
Operator and DEPCO, INC. ET AL, Non-Operators.

# 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.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

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

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"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. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

### 3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

### 4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator 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 Controllable Material as provided for in Section V.

### 5. 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 Joint Account 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 adjustments of accounts as provided for in Paragraph 4 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. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

### 6. Approval by Non-Operators

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

## II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

### 1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

### 2. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs 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. 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 costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

### 3. Employee Benefits

Operator's current costs 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 chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

### 4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. 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, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.
- 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, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

### 6. Services

The cost of contract services, equipment and facilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1, 2 of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

### 7. Equipment and Facilities Furnished by Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

### 8. 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 other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

### 9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

#### 10. 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.

#### 11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

#### 12. 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 in the necessary and proper conduct of the Joint Operations.

### III. OVERHEAD

#### 1. Overhead - Drilling and Producing Operations

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

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

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not ( X ) be covered by the Overhead rates.

#### A. Overhead - Fixed Rate Basis

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

Drilling Well Rate \$ 3,000.00  
Producing Well Rate \$ 300.00

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

##### (a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the 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 suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

##### (b) Producing Well Rates

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

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



**B. Overhead - Percentage Basis**

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

(a) Development

Percent ( %) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

Percent ( %) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

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

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, re-drilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

**2. Overhead - Major Construction To be negotiated.**

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ \_\_\_\_\_:

- A. \_\_\_\_\_ % of total costs if such costs are more than \$ \_\_\_\_\_ but less than \$ \_\_\_\_\_; plus
- B. \_\_\_\_\_ % of total costs in excess of \$ \_\_\_\_\_ but less than \$1,000,000; plus
- C. \_\_\_\_\_ % of total costs in excess of \$1,000,000.

Total cost shall mean the 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 and workover wells shall be excluded.

**3. Amendment of Rates**

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

**IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS**

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and in surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

**1. Purchases**

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

**2. Transfers and Dispositions**

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

**A. New Material (Condition A)**

- (1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.
- (2) Line Pipe
  - (a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.
  - (b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

**B. Good Used Material (Condition B)**

Material in sound and serviceable condition and suitable for reuse without reconditioning:

- (1) Material moved to the Joint Property
  - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.
- (2) Material moved from the Joint Property
  - (a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

- nnnnn  
CURTIS
- (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

**C. Other Used Material (Condition C and D)**

**(1) Condition C**

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

**(2) Condition D**

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

**D. Obsolete Material**

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

**E. Pricing Conditions**

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) 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 published or listed prices 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 providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided 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 ten 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.

**V. INVENTORIES**

The Operator shall maintain detailed records of Controllable Material.

**1. Periodic Inventories, Notice and Representation**

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. 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.

**2. Reconciliation and Adjustment of Inventories**

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable 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.

**4. Expense of Conducting Periodic Inventories**

The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.



EXHIBIT "D"

INSURANCE TO BE CARRIED

Unit Operator shall not be liable for damages arising out of injuries to any Non-Operator or to any of the employees of any Non-Operator or for damages to any property of any Non-Operator in connection with operations hereunder for the joint account on the Unit Area, except for willful misconduct or gross negligence of Unit Operator.

Unit Operator shall, at all times while operations are conducted by it for the joint account on the Unit Area, carry insurance as follows:

- (a) Workmen's Compensation and Employer's Liability Insurance meeting the requirements of the State of Texas and,
- (b) Comprehensive General Public Liability Insurance with limits of not less than One Hundred Thousand (\$100,000.00) dollars for any one person injured in any one accident, and not less than Three Hundred Thousand (\$300,000.00) dollars for more than one person injured in any one accident; and not less than One Hundred Thousand (\$100,000.00) dollars for property damage per accident.
- (c) Automobile Public Liability Insurance with limits of not less than One Hundred Thousand (\$100,000.00) dollars as to any person and Three Hundred Thousand (\$300,000.00) dollars as to any accident, and Automobile Property Damage Insurance with a limit of not less than One Hundred Thousand (\$100,000.00) dollars.

EXHIBIT "E"

Attached to and made a part of Operating Agreement  
between UNITED NATION DRILLING COMPANY  
as "Operator"  
and DEPCO, INC., ET AL  
as "non-Operator"

GAS STORAGE AND BALANCING AGREEMENT

The parties to the Operating Agreement to which this agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such agreement in accordance with the percentages of participation as set forth in Exhibit "A" to the Operating Agreement.

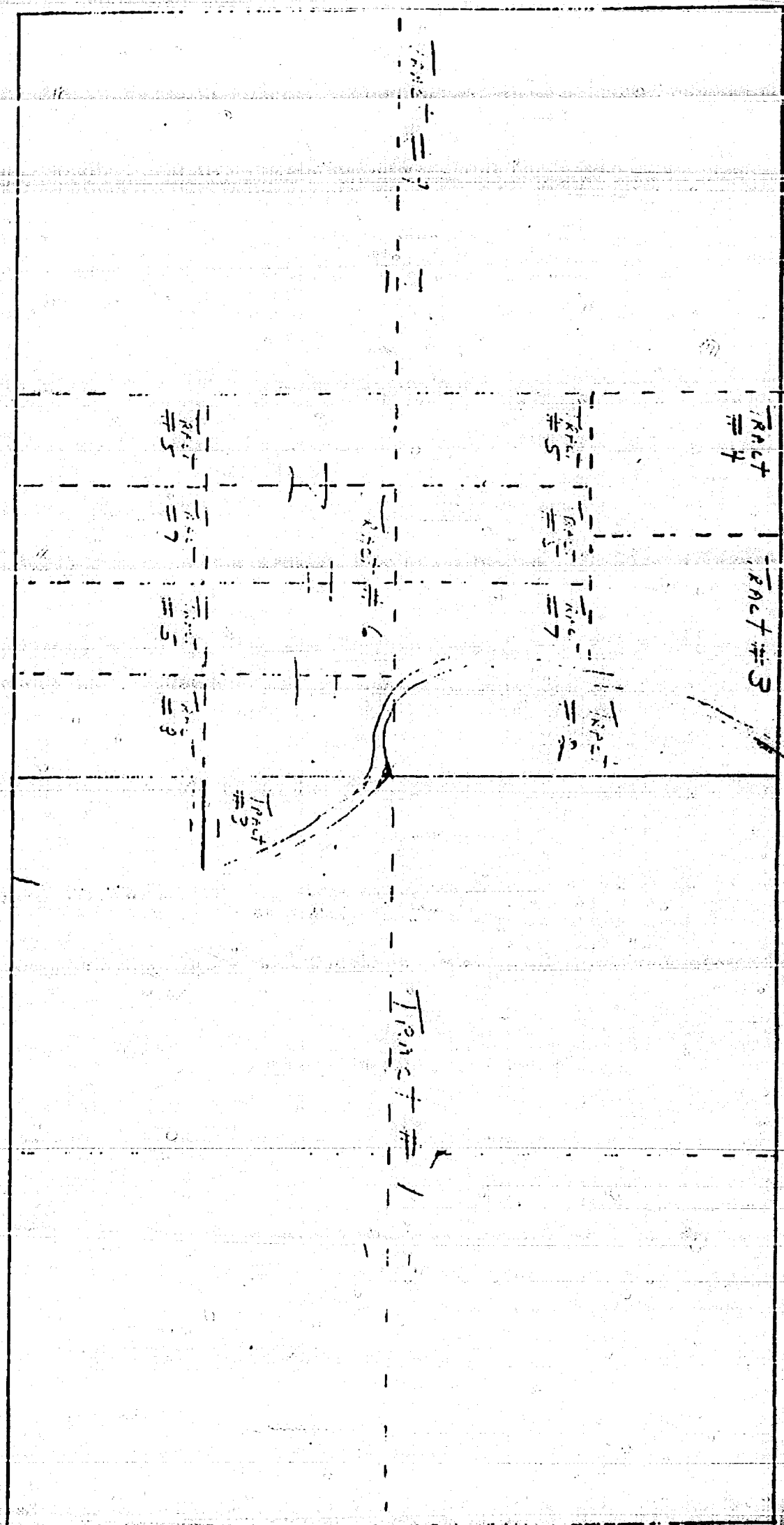
In accordance with the terms of the Operating Agreement, each party thereto has the right, subject to existing contracts, to take its share of gas produced from the Unit Area and market the same. In the event any of the parties hereto is not at any time taking or marketing its share of gas or has contracted to sell its share of gas produced from the Unit Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, the terms of this agreement shall automatically become effective.

During the period or periods when any party hereto has no market or fails to take its share of gas produced from any proration unit within the Unit Area, or its purchaser does not take its full share of gas produced from such proration unit, the other parties shall be entitled to produce each month one hundred percent (100%) of the allowable gas production assigned to such proration unit by the state regulatory body having jurisdiction and shall be entitled to take and deliver to its or their purchaser all of such gas production. All parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests and subject to the Operating Agreement to which this agreement is attached, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser.

On a cumulative basis, each party not taking or marketing its full share of the gas produced shall be credited with gas in storage equal to its full share of the gas produced under this agreement, less its share of gas used in lease operations, vented or lost, and less that portion such party took or delivered to its purchaser. The Operator will maintain a current account of the gas balance between the parties and will furnish all parties hereto monthly statements showing the total quantity of gas produced, the amount used in lease operations, vented or lost, the total quantity of liquid hydrocarbons recovered therefrom, and the monthly and cumulative over and under account of each party.

At all times while gas is produced from the Unit Area, each party hereto will make settlement with the respective royalty owners to whom they are each accountable, just as if each party were taking or delivering to a purchaser its share, and its share only, of total gas production exclusive of gas used in lease operations, vented or lost. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom each party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and similar interests.

10055.5 / 8.5 A-17-1  
 Section 19: 3/4



the old peccos  
 river channel

TEGRIE

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Great Western ) CASE  
Drilling Company for compulsory ) 6959  
pooling, Eddy County, New Mexico. )

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

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

For the Applicant:

James T. Jennings, Esq.  
JENNINGS & CHRISTY  
Roswell, New Mexico

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# INDEX

W. T. COWAN

Direct Examination by Mr. Jennings 3

Cross Examination by Mr. Nutter 10

# EXHIBITS

Applicant Exhibit One, List 5

Applicant Exhibit Two, Plat 5

Applicant Exhibit Three, Plat 6

Applicant Exhibit Four, Correspondence 11

Applicant Exhibit Five, AFE 7

Applicant Exhibit Six, Operating Agreement 7

Applicant Exhibit Seven, Receipts 16

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MR. NUTTER: We'll call next Case  
Number 6959.

MR. PADILLA: Application of Great Western  
Drilling Company for compulsory pooling, Eddy County, New  
Mexico.

MR. JENNINGS: I'm James T. Jennings of  
Jennings and Christy, appearing on behalf of the Great Western  
Drilling Company, and we'll have one witness, Mr. Tom Cowan.

(Witness sworn.)

W. T. COWAN

being called as a witness and having been duly sworn upon  
his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. JENNINGS:

Q Would you state your name, please?

A W. T. Cowan.

Q Mr. Cowan, what is your occupation?

A I'm Land Manager for Great Western  
Drilling Company.

Q And where do you reside?

A Midland, Texas.

Q As such do you have charge of the develop

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1 ment operations of Great Western Drilling Company?

2 A Yes.

3 Q Are you familiar with the application  
4 which has been filed herein in Case Number 6959?

5 A I am.

6 Q Generally, would you explain just the  
7 nature of the application and what you desire?

8 A Great Western proposes to drill a well  
9 to be located in the south half of Section 19, Township 18  
10 South, Range 27 East, Eddy County, to the Morrow formation,  
11 approximately 9900 feet in depth. We have had something like  
12 120 mineral owners to contend with. We have secured leases  
13 from all but about 8 of them. We've had a couple of lessors  
14 that didn't want to join us and since this force pooling  
15 order has been issued, I mean the application issued, they  
16 have decided to come in, which is in the exhibits here.

17 Q Mr. Cowan, what acreage do you propose  
18 to dedicate to the -- this well?

19 A The south half of Section 19, 18 South,  
20 27 East.

21 Q Would you refer to what has been marked  
22 Exhibit A and identify just the percentage and the numbers  
23 of the parties who have either royalty interest or working  
24 interest you have not been able to get leases from or to join  
25 the unit?

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1 A Exhibit One?

2 Q Exhibit One, yes.

3 A Right. There are six mineral owners  
4 listed on Exhibit One and two lease owners.

5 The six mineral owners are the people we  
6 have tried to contact on two different occasions and several  
7 times by phone and have been able to do so and get response  
8 from.

9 You want the percentages here?

10 Q Just if you could roughly give the per-  
11 centage that are not now -- have not now joined in the oper-  
12 ation.

13 A Yes. The ones that haven't joined, the  
14 percentage is approximately .3 of 1 percent, representing  
15 about .8 of an acre.

16 Q Now, Mr. Cowan, if you would refer to what  
17 has been marked as Exhibit Two, and identify that, if you  
18 would, please.

19 A Colored in yellow is this proposed south  
20 half of 19 with the location spotted on it, which would be  
21 in the southwest of the southeast quarter. It shows the land  
22 information and adjoining wells and dry holes around it.

23 Q Is there a well -- a producing well in  
24 the same section?

25 A Not in the same section, no. There's a

1 dry hole to the same formation in the north part of the same  
2 section.

3 Q And you propose to dedicate the south half  
4 of Section 19. Is that the normal spacing unit?

5 A Yes.

6 Q Projected to this well?

7 A Right.

8 Q Mr. Cowan, if you'll now refer to Exhibit  
9 Number Three.

10 A Exhibit Three was included mainly to show  
11 the river has been straightened out over the years. We have  
12 a USGS survey plat, which is Exhibit Three, because on the  
13 land plat, which is Exhibit Two, it appears that the river  
14 is going right through where the well is. Actually the river  
15 is over on the east side of the section and all of this is  
16 completely different than this land plat shows.

17 Q So that what you're testifying now is that  
18 the river no longer causes a problem?

19 A Not on the surface. Of course it did on  
20 the mineral owners, which we have attempted to get straightened  
21 out, and which probably instigated why some of these people  
22 are no longer available to try to find the lease, because of  
23 the river changing and changing their thoughts on whether  
24 they owned the land or not.

25 Q Mr. Cowan, if you'd now refer to Exhibit

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1 Number Five, please.

2 A You're skipping Four?

3 Q Yes, I won't need that.

4 A Exhibit Five is an AFE prepared by our  
5 engineering department. To the best of our ability it shows  
6 what we contemplate the completed well as to having cost.

7 Q Well, if you'll give those figures, please  
8 for the record.

9 A Right. To the casing point, which would  
10 indicate a dry hole it would be \$333,150. For a completed  
11 well, \$521,100.

12 I might note that this AFE is a year old  
13 and there could be a little inflationary escalation there.

14 Q Now, who is the who is the proposed  
15 operator of the property?

16 A Great Western Drilling Company.

17 Q And have you entered into operating agree-  
18 ment with the other working interest owners?

19 A Yes, we have. That's Exhibit Number Six.

20 Q Will you refer to Exhibit Number Six?

21 A Right.

22 Q Is that your operating agreement?

23 A Yes.

24 Q Mr. Cowan, this does not show all of the  
25 complete execution. This is just a copy of the agreement?

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1 A. That's right. We have a complete execu-  
2 tion by all parties, of course, except the ones we're force  
3 pooling, in our files.

4 Q I think you further testified that there  
5 were two parties that had not joined but they have now, since  
6 this case has been filed, have indicated a willingness to  
7 join, to execute the operating agreement, this is J. R. Rowan  
8 and R. C. Roberts?

9 A. That's correct.

10 Q To your knowledge do you now believe that  
11 you have all of the operating -- the working interest owners  
12 have joined or ratified --

13 A. That's right. That's correct.

14 Q Referring to this operating agreement,  
15 what administrative overhead is provided for under the terms  
16 of the operating agreement?

17 A. \$300 a month for a producing well; \$3000  
18 for a drilling well.

19 These rates are acceptable to the industry  
20 and we feel comfortable with them.

21 Q Do you feel that's a reasonable charge  
22 to be made for the services rendered in this connection?

23 A. I do.

24 Q And that all the other working interest  
25 owners have agreed to this?

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1 A They have agreed to it, right.

2 Q This is a standard form operating agree-

3 ment generally used in the industry?

4 A That's correct.

5 Q Mr. Cowan, have you -- do you request the

6 Commission for authority to withhold production attributable

7 to the non-consenting interest owners until such time as their

8 share of the cost has been recovered?

9 A I do.

10 Q And you've suggests a risk factor of 200

11 percent, correct?

12 A That's correct.

13 Q Do you feel that this is fair and reason-

14 able?

15 A I do.

16 Q Does the operating agreement provide for

17 a greater percent for nonconsent interest?

18 A Yes. Yes, it provides for 300 percent

19 nonconsent penalty, which again is considered customary in

20 this area.

21 Q And, Mr. Cowan, do you believe that it's

22 necessary to -- to force pool this half section -- well,

23 strike that.

24 Do you believe that it is necessary to

25 avoid drilling unnecessary wells it is necessary that you

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1 force pool this half section?

2 A. I do.

3 Q And the half section is the normal spacing  
4 unit?

5 A It is, right.

6 Q Will the granting of a forced pooling  
7 order in this protect the rights of all the correlative owners?

8 A It will.

9 Q Do you think that it will also prevent  
10 waste?

11 A I do.

12 MR. JENNINGS: don't have any further  
13 questions at this time of this witness.

14  
15 CROSS EXAMINATION

16 BY MR. NUTTER:

17 Q Mr. Cowan, I'm having a hard time under-  
18 standing Exhibit One, now.

19 A All right.

20 Q Now, on the first page of Exhibit One,  
21 under Tract 3, we have six parties listed here.

22 A Yes, sir.

23 Q Now these are parties that own the minerals  
24 in fee, are they?

25 A Yes, sir.

1 Q And none of these six parties has leased  
2 to anyone, is that it?

3 A That's right, yes.

4 Q And they have not signed the operating  
5 agreement?

6 A No, no, sir.

7 Q So these parties here under Tract 3

8 A Uh-huh.

9 Q -- would be working interest owners as  
10 well as royalty owners.

11 A That's right, yes, sir.

12 Q Okay. Now, under Tract 9 we have two  
13 parties listed, Rowan and Roberts.

14 A Yes.

15 Q And what's the status of those two parties?

16 A They're the people that at first wouldn't  
17 join us and Exhibit Four sets out some correspondence, the  
18 last two pages, where they didn't want to join under condi-  
19 tions in the operating agreement. I wrote him a letter and  
20 talked to him on the phone, and since this proceeding has been  
21 commenced on June the 20th, he wrote a letter saying he would  
22 accept the terms of the operating agreement and has signed  
23 it. So since this has started those two people are really  
24 excluded from this proceeding.

25 Q Okay, so Mr. Rowan and Mr. Roberts are --

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1 what did they do, lease, or just join as working interest  
2 owners?

3 A No, they joined as working interest owners.  
4 They own the lease.

5 Q So they're in it as working interest owners  
6 as well as royalty owners, then.

7 A No, not royalty owners; they're just  
8 lessors.

9 Q Okay, I see.

10 A Yes, sir.

11 Q Okay, now on the second page of this ex-  
12 hibit, what's all this?

13 A These were the people that had leased to  
14 Rowan, et al, including this fellow Roberts. We included  
15 them because, for one reason, the lease expired here on Sep-  
16 tember 29th, and we wanted to be sure that at this time Rowan  
17 et al, had said they wouldn't join us, and we wanted to be  
18 sure and have the lessees covered by some sort of an agreement  
19 so that we could go ahead and commence and drill this well.

20 Q These are the lessors to Mr. Rowan, who  
21 has joined as a working interest owner.

22 A That's right, yes, sir.

23 Q Now I note from careful scrutiny of the  
24 Exhibit Number Two --

25 A Two, yes, sir.

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Q That it looks like Tract 3 here in Section 9 corresponds with Tract 3 on some exhibit, I think it's at the back end of your operating agreement.

A Uh-huh, yes, sir.

Q Tract 3 looks like that little tract up there in the extreme northeast corner of the southwest corner of -- quarter of Section 19.

A Yes, sir.

Q Says Swearingen.

A That's right, yes, sir.

Q Now are these parties in Tract 3 the heirs to Mr. Swearingen?

A They are; there's over 40 of them.

Q I see.

A And us and other people have leased from them and some of these we have contacted and other people have leased, we have leased, but the ones that are listed to be force pooled, we can't get any place. We seem to think we have the right addresses but we can't get any response.

Q Is this the same Mr. Swearingen who was an elderly gentleman who owned little tracts of land all around through Atoka and Dayton and all around in there?

A Yes, sir.

MR. JENNINGS: I can answer the question for the witness, yes. His wife still lives up at Elkins or

1 some place.

2 A This Swearingen is sort of the patriarch  
3 of the family now, but this Fairchild (sic) tract, which  
4 goes -- the area you're talking about, all up and down the  
5 river, was a promotional scheme back in the teens, and evi-  
6 dently Mr. Swearingen -- I don't know the history, but he was  
7 very active in the ownership of it.

8 And these people have paid their taxes  
9 all these years and they own this in fee simple.

10 Q I remember a very memorable forced pooling  
11 case we had a number of years ago, and when it went right down  
12 to the final decisions, Mr. Swearingen came up with his money  
13 and he joined the unit. He didn't want to be penalized.

14 A Is that right?

15 Q Okay, now do you have any idea how far  
16 out of date this cost estimate is, Mr Cowan?

17 A Well, the date on it is the fourth month  
18 of last year.

19 Q April of '79. I would imagine your  
20 drilling costs are going to be considerably more than that  
21 right now.

22 A I asked the engineer the last thing I did  
23 before I left the office, did he not have an updated AFE, and  
24 he did not. I asked him about the escalation and he said,  
25 hopefully, what they had built into this in the beginning

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1 would probably take care of any escalation. They built in  
2 a factor.

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4 10 percent contingency and rather than to try to get into the  
5 escalations he said to let it go as it was, yes, sir.

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7 here would probably be the figure we'd be living with if we  
8 were successful in this, but he acquiesced, so --

9 Q So you will have to send out a cost esti-  
10 mate after the entry of the order and prior to drilling the  
11 well, to the parties who will be working interest owners?

12 A That we force pool?

13 Q Yes, sir.

14 A Yes, right.

15 Q Under the terms of the compulsory pooling  
16 order you're required to send out --

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18 Q -- a new AFE.

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20 Q You may want to revise that at that time.

21 A Yes, sir, I see.

22 MR. JENNINGS: If we do, we'll furnish a  
23 copy.

24 MR. NUTTER: Yes, and furnish us with a  
25 copy of it.

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A. Yes sir.

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

MR. JENNINGS: No further questions.

MR. NUTTER: Does anyone have any questions of him? He may be excused.

MR. JENNINGS: Well, a minute, we would like to offer the exhibits and I would like to offer, if the Commission so desires, and we don't propose to encumber the record, but we have two letters which were returned to us from two of the people who are shown to have received copies on filing the application, and we have the return cards from the rest of the people who were notified, saying that they all received these. And we'll be glad to tender these to the Commission, if you so desire.

MR. NUTTER: I think it would be appropriate they be in the record, Mr. Jennings.

MR. JENNINGS: All right, we will so tender these and we mark them Exhibit Seven.

MR. NUTTER: Now I notice on your application, Mr. Jennings, the parties that you sent the certified mail to are included on Exhibit One under Tract 3 and Tract 9, Rowan and Roberts, with the exception of a couple here, a Katherine Haggard (sic) from Lexington, Kentucky, is not listed. She is listed on the application; and an Emma Felkins.

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1 MR. JENNINGS: Well, I think those are all  
2 over on page two, I think they're the lessors of -- they are  
3 on page two of --

4 MR. NUTTER: Those are the lessors of --  
5 to Rowan, then, aren't they?

6 MR. JENNINGS: To Rowan, yes, and we don't  
7 know whether Rowan has renewed the lease or not.

8 MR. NUTTER: Okay. And you were going to  
9 offer your exhibits, Mr. Jennings?

10 MR. JENNINGS: Yes, sir, we did.

11 MR. NUTTER: Great Western Exhibits One  
12 through Six will be admitted in evidence.

13 Are there any further questions of the  
14 witness? He may be excused.

15 Do you have anything further, Mr. Jennings?

16 MR. JENNINGS: Just off the record.

17 MR. NUTTER: Does anyone have anything  
18 they wish to offer in Case Number 6959?

19 We will also admit Great Western Exhibit  
20 Number Seven, and we'll take the case under advisement.

21  
22 (Hearing concluded.)  
23  
24  
25

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## C E R T I F I C A T E

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

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I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6959 heard by me on 7/9 1980.

 , Examiner  
Oil Conservation Division

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Great Western  
Drilling Company for compulsory  
pooling, Eddy County, New Mexico. CASE  
6959

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation  
Division:

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

For the Applicant:

James T. Jennings, Esq.  
JENNINGS & CHRISTY  
Roswell, New Mexico

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# INDEX

W. T. COWAN

Direct Examination by Mr. Jennings	3
Cross Examination by Mr. Nutter	10

# EXHIBITS

Applicant Exhibit One, List	5
Applicant Exhibit Two, Plat	5
Applicant Exhibit Three, Plat	6
Applicant Exhibit Four, Correspondence	11
Applicant Exhibit Five, AFE	7
Applicant Exhibit Six, Operating Agreement	7
Applicant Exhibit Seven, Receipts	16

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MR. NUTTER: We'll call next Case

Number 6959.

MR. PADILLA: Application of Great Western  
Drilling Company for compulsory pooling, Eddy County, New  
Mexico.

MR. JENNINGS: I'm James T. Jennings of  
Jennings and Christy, appearing on behalf of the Great Western  
Drilling Company, and we'll have one witness, Mr. Tom Cowan.

(Witness sworn.)

W. T. COWAN

being called as a witness and having been duly sworn upon  
his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. JENNINGS:

Q Would you state your name, please?

A W. T. Cowan.

Q Mr. Cowan, what is your occupation?

A I'm Land Manager for Great Western  
Drilling Company.

Q And where do you reside?

A Midland, Texas.

Q As such do you have charge of the develop

1 ment operations of Great Western Drilling Company?

2 A Yes.

3 Q Are you familiar with the application  
4 which has been filed herein in Case Number 6959?

5 A I am.

6 Q Generally, would you explain just the  
7 nature of the application and what you desire?

8 A Great Western proposes to drill a well  
9 to be located in the south half of Section 19, Township 18  
10 South, Range 27 East, Eddy County, to the Morrow formation,  
11 approximately 9900 feet in depth. We have had something like  
12 120 mineral owners to contend with. We have secured leases  
13 from all but about 8 of them. We've had a couple of lessors  
14 that didn't want to join us and since this force pooling  
15 order has been issued, I mean the application issued, they  
16 have decided to come in, which is in the exhibits here.

17 Q Mr. Cowan, what acreage do you propose  
18 to dedicate to the -- this well?

19 A The south half of Section 19, 18 South,  
20 27 East.

21 Q Would you refer to what has been marked  
22 Exhibit A and identify just the percentage and the numbers  
23 of the parties who have either royalty interest or working  
24 interest you have not been able to get leases from or to join  
25 the unit?

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1 A Exhibit One?

2 Q Exhibit One, yes.

3 A Right. There are six mineral owners  
4 listed on Exhibit One and two lease owners.

5 The six mineral owners are the people we  
6 have tried to contact on two different occasions and several  
7 times by phone and have been able to do so and get response  
8 from.

9 You want the percentages here?

10 Q Just if you could roughly give the per-  
11 centage that are not now -- have not now joined in the oper-  
12 ation.

13 A Yes. The ones that haven't joined, the  
14 percentage is approximately .3 of 1 percent, representing  
15 about .8 of an acre.

16 Q Now, Mr. Cowan, if you would refer to what  
17 has been marked as Exhibit Two, and identify that, if you  
18 would, please.

19 A Colored in yellow is this proposed south  
20 half of 19 with the location spotted on it, which would be  
21 in the southwest of the southeast quarter. It shows the land  
22 information and adjoining wells and dry holes around it.

23 Q Is there a well -- a producing well in  
24 the same section?

25 A Not in the same section, no. There's a

1 dry hole to the same formation in the north part of the same  
2 section.

3 Q And you propose to dedicate the south half  
4 of Section 19. Is that the normal spacing unit?

5 A Yes.

6 Q Projected to this well?

7 A Right.

8 Q Mr. Cowan, if you'll now refer to Exhibit  
9 Number Three.

10 A Exhibit Three was included mainly to show  
11 the river has been straightened out over the years. We have  
12 a USGS survey plat, which is Exhibit Three, because on the  
13 land plat, which is Exhibit Two, it appears that the river  
14 is going right through where the well is. Actually the river  
15 is over on the east side of the section and all of this is  
16 completely different than this land plat shows.

17 Q So that what you're testifying now is that  
18 the river no longer causes a problem?

19 A Not on the surface. Of course it did on  
20 the mineral owners, which we have attempted to get straightened  
21 out, and which probably instigated why some of these people  
22 are no longer available to try to find the lease, because of  
23 the river changing and changing their thoughts on whether  
24 they owned the land or not.

25 Q Mr. Cowan, if you'd now refer to Exhibit

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1 Number Five, please.

2 A You're skipping Four?

3 Q Yes, I won't need that.

4 A Exhibit Five is an AFE prepared by our  
5 engineering department. To the best of our ability it shows  
6 what we contemplate the completed well as to having cost.

7 Q Well, if you'll give those figures, please  
8 for the record.

9 A Right. To the casing point, which would  
10 indicate a dry hole it would be \$333,150. For a completed  
11 well, \$521,100.

12 I might note that this AFE is a year old  
13 and there could be a little inflationary escalation there.

14 Q Now, who is the -- who is the proposed  
15 operator of the property?

16 A Great Western Drilling Company.

17 Q And have you entered into operating agree-  
18 ment with the other working interest owners?

19 A Yes, we have. That's Exhibit Number Six.

20 Q Will you refer to Exhibit Number Six?

21 A Right.

22 Q Is that your operating agreement?

23 A Yes.

24 Q Mr. Cowan, this does not show all of the  
25 complete execution. This is just a copy of the agreement?

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1 A That's right. We have a complete execu-  
 2 tion by all parties, of course, except the ones we're force  
 3 pooling, in our files.

4 Q I think you further testified that there  
 5 were two parties that had not joined but they have now, since  
 6 this case has been filed, have indicated a willingness to  
 7 join, to execute the operating agreement, this is J. K. Rowan  
 8 and R. C. Roberts?

9 A That's correct.

10 Q To your knowledge do you now believe that  
 11 you have all of the operating -- the working interest owners  
 12 have joined or ratified --

13 A That's right. That's correct.

14 Q Referring to this operating agreement,  
 15 what administrative overhead is provided for under the terms  
 16 of the operating agreement?

17 A \$300 a month for a producing well; \$3000  
 18 for a drilling well.

19 These rates are acceptable to the industry  
 20 and we feel comfortable with them.

21 Q Do you feel that's a reasonable charge  
 22 to be made for the services rendered in this connection?

23 A I do.

24 Q And that all the other working interest  
 25 owners have agreed to this?

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1 A They have agreed to it, right.

2 Q This is a standard form operating agree-  
3 ment generally used in the industry?

4 A That's correct.

5 Q Mr. Cowan, have you -- do you request the  
6 Commission for authority to withhold production attributable  
7 to the non-consenting interest owners until such time as their  
8 share of the cost has been recovered?

9 A I do.

10 Q And you've suggests a risk factor of 200  
11 percent, correct?

12 A That's correct.

13 Q Do you feel that this is fair and reason-  
14 able?

15 A I do.

16 Q Does the operating agreement provide for  
17 a greater percent for nonconsent interest?

18 A Yes. Yes, it provides for 300 percent  
19 nonconsent penalty, which again is considered customary in  
20 this area.

21 Q And, Mr. Cowan, do you believe that it's  
22 necessary to -- to force pool this half section -- well,  
23 strike that.

24 Do you believe that it is necessary to  
25 avoid drilling unnecessary wells it is necessary that you



1 force pool this half section?

2 A I do.

3 Q And the half section is the normal spacing  
4 unit?

5 A It is, right.

6 Q Will the granting of a forced pooling  
7 order in this protect the rights of all the correlative owners?

8 A It will.

9 Q Do you think that it will also prevent  
10 waste?

11 A I do.

12 MR. JENNINGS: I don't have any further  
13 questions at this time of this witness.

14  
15 CROSS EXAMINATION

16 BY MR. NUTTER:

17 Q Mr. Cowan, I'm having a hard time under-  
18 standing Exhibit One, now.

19 A All right.

20 Q Now, on the first page of Exhibit One,  
21 under Tract 3, we have six parties listed here.

22 A Yes, sir.

23 Q Now these are parties that own the minerals  
24 in fee, are they?

25 A Yes, sir.

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1 Q And none of these six parties has leased  
2 to anyone, is that it?  
3 A That's right, yes.  
4 Q And they have not signed the operating  
5 agreement?  
6 A No, no, sir.  
7 Q So these parties here under Tract 3 --  
8 A Uh-huh.  
9 Q -- would be working interest owners as  
10 well as royalty owners.  
11 A That's right, yes, sir.  
12 Q Okay. Now, under Tract 9 we have two  
13 parties listed, Rowan and Roberts.  
14 A Yes.  
15 Q And what's the status of those two parties?  
16 A They're the people that at first wouldn't  
17 join us and Exhibit Four sets out some correspondence, the  
18 last two pages, where they didn't want to join under condi-  
19 tions in the operating agreement. I wrote him a letter and  
20 talked to him on the phone, and since this proceeding has been  
21 commenced on June the 20th, he wrote a letter saying he would  
22 accept the terms of the operating agreement and has signed  
23 it. So since this has started those two people are really  
24 excluded from this proceeding.  
25 Q Okay, so Mr. Rowan and Mr. Roberts are --

1 what did they do, lease, or just join as working interest  
2 owners?

3 A No, they joined as working interest owner.  
4 They own the lease.

5 Q So they're in it as working interest owner  
6 as well as royalty owners, then.

7 A No, not royalty owners; they're just  
8 lessors.

9 Q Okay, I see.

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19 so that we could go ahead and commence and drill this well.

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21 has joined as a working interest owner.

22 A That's right, yes, sir.

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24 Exhibit Number Two --

25 A Two, yes, sir.

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1 Q That it looks like Tract 3 here in Section  
2 9 correspondes with Tract 3 on some exhibit, I think it's at  
3 the back end of your operating agreement.

4 A Uh-huh, yes, sir.

5 Q Tract 3 looks like that little tract up  
6 there in the extreme northeast corner of the southwest corner  
7 of -- quarter of Section 19.

8 A Yes, sir.

9 Q Says Swearingen.

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21 an elderly gentleman who owned little tracts of land all  
22 around through Atoka and Dayton and all around in there?

23 A Yes, sir.

24 MR. JENNINGS: I can answer the question  
25 for the witness, yes. His wife still lives up at Elkins or



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3 of the family now, but this Fairchild (sic) tract, which  
4 goes -- the area you're talking about, all up and down the  
5 river, was a promotional scheme back in the teens, and evi-  
6 dently Mr. Swearingen -- I don't know the history, but he was  
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9 all these years and they own this in fee simple.

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11 case we had a number of years ago, and when it went right down  
12 to the final decisions, Mr. Swearingen came up with his money  
13 and he joined the unit. He didn't want to be penalized.

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16 out of date this cost estimate is. Mr. Cowan?

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18 of last year.

19 Q April of '79. I would imagine your  
20 drilling costs are going to be considerably more than that  
21 right now.

22 A I asked the engineer the last thing I did  
23 before I left the office, did he not have an updated AFE, and  
24 he did not. I asked him about the escalation and he said,  
25 hopefully, what they had built into this in the beginning

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1 would probably take care of any escalation. They built in  
2 a factor.

3 Well, for example, they've got a \$15,000  
4 10 percent contingency and rather than to try to get into the  
5 escalations he said to let it go as it was, yes, sir.

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7 here would probably be the figure we'd be living with if we  
8 were successful in this, but he acquiesced, so --

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11 well, to the parties who will be working interest owners?

12 A That we force pool?

13 Q Yes, sir.

14 A Yes, right.

15 Q Under the terms of the compulsory pooling  
16 order you're required to send out --

17 A Sure.

18 Q -- a new AFE.

19 A Yes, sir.

20 Q You may want to revise that at that time.

21 A Yes, sir, I see.

22 MR. JENNINGS: If we do, we'll furnish a  
23 copy.

24 MR. NUTTER: Yes, and furnish us with a  
25 copy of it.

1 A Yes, sir.

2 MR. NUTTER: Are there any further questions  
3 of Mr. Cowan?

4 MR. JENNINGS: No further questions.

5 MR. NUTTER: Does anyone have any questions  
6 of him? He may be excused.

7 MR. JENNINGS: Well, a minute, we would  
8 like to offer the exhibits and I would like to offer, if the  
9 Commission so desires, and we don't propose to encumber the  
10 record, but we have two letters which were returned to us  
11 from two of the people who are shown to have received copies  
12 on filing the application, and we have the return cards from  
13 the rest of the people who were notified, saying that they  
14 all received these. And we'll be glad to tender these to the  
15 Commission, if you so desire.

16 MR. NUTTER: I think it would be appro-  
17 priate they be in the record, Mr. Jennings.

18 MR. JENNINGS: All right, we will so.  
19 tender these and we mark them Exhibit Seven.

20 MR. NUTTER: Now I notice on your appli-  
21 cation, Mr. Jennings, the parties that you sent the certified  
22 mail to are included on Exhibit One under Tract 3 and Tract  
23 9, Rowan and Roberts, with the exception of a couple here, a  
24 Katherine Haggard (sic) from Lexington, Kentucky, is not  
25 listed. She is listed on the application; and an Emma Felkin.

SALLY W. BOYD, C.S.R.

Rt. Box 152-B  
Santa Fe, N. M. 87501  
Phone (405) 457-7409

1 MR. JENNINGS: Well, I think those are all  
2 over on page two, I think they're the lessors of -- they are  
3 on page two of --

4 MR. NUTTER: Those are the lessors of --  
5 to Rowan, then, aren't they?

6 MR. JENNINGS: To Rowan, yes, and we don't  
7 know whether Rowan has renewed the lease or not.

8 MR. NUTTER: Okay. And you were going to  
9 offer your exhibits, Mr. Jennings?

10 MR. JENNINGS: Yes, sir, we did.

11 MR. NUTTER: Great Western Exhibits One  
12 through Six will be admitted in evidence.

13 Are there any further questions of the  
14 witness? He may be excused.

15 Do you have anything further, Mr. Jennings?

16 MR. JENNINGS: Just off the record.

17 MR. NUTTER: Does anyone have anything  
18 they wish to offer in Case Number 6959?

19 We will also admit Great Western Exhibit  
20 Number Seven, and we'll take the case under advisement.

21  
22 (Hearing concluded.)  
23  
24  
25

SALLY W. BOYD, C.S.R.

P.O. Box 119-B  
Santa Fe, New Mexico 87501  
Phone (505) 435-7409

## C E R T I F I C A T E

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

*Sally W. Boyd C.S.R.*

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6854, heard by me on 7/9 1980.

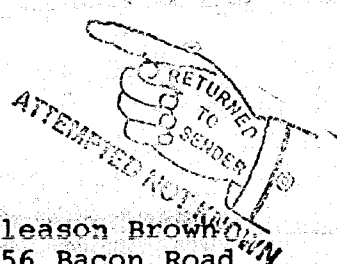
*[Signature]*, Examiner  
Oil Conservation Division

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B  
Santa Fe, New Mexico 87501  
Phone (505) 433-7419

**ENERGY and MINERALS DEPARTMENT**

Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501



Gleason Brown  
756 Bacon Road  
Hinesville, Georgia 31313



**CASE 6958:** Application of Kernal Oil and Gas, Inc. for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of undesignated Seven Rivers and Artesia Queen-Grayburg-San Andres production in the wellbore of its Gulf State Well No. 1 located in Unit K of Section 36, and its Cobb Federal Well No. 2 located in Unit H of Section 22, both in Township 18 South, Range 27 East, Artesia Pool. Applicant further seeks an administrative procedure whereby similar commingling could be approved for other wells to be drilled in the NE/4 and S/2 NW/4 of said Section 22.

**CASE 6959:** Application of Great Western Drilling Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the S/2 of Section 19, Township 18 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

**CASE 6960:** Application of Bass Enterprises Production Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Strawn formation underlying the S/2 SE/4 of Section 13, Township 16 South, Range 36 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

**CASE 6960:** (Continued from June 25, 1980, Examiner Hearing)

Application of Bass Enterprises Production Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a Morrow test well to be drilled 660 feet from the North line and 1980 feet from the East line of Section 4, Township 25 South, Range 31 East, the E/2 of said Section 4 to be dedicated to the well.

**CASE 6961:** Application of Conoco Inc. for a dual completion and unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Meyer A-29 Well No. 11 to be drilled at an unorthodox location 990 feet from the North line and 660 feet from the East line of Section 29, Township 22 South, Range 36 East, to produce gas from the Langley-Devonian and Ellenburger Pools thru parallel strings of tubing, the E/2 of said Section 29 to be dedicated to the well.

**CASE 6962:** Application of BTA Oil Producers for special pool rules and pool extension, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of Special Pool Rules for the North Bell Lake-Devonian Gas Pool to provide for 640-acre spacing and specified well locations. Applicant also seeks the extension of said pool to include all of Sections 6, 7, and 18, Township 23 South, Range 34 East.

**CASE 6896:** (Continued from June 25, 1980, Examiner Hearing)

Application of John E. Schalk for a non-standard gas proration unit and an unorthodox gas well location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Blanco Mesaverde gas proration unit comprising the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to his Gulf Well No. 2 to be drilled at an unorthodox location 1925 feet from the North line and 790 feet from the East line of said Section 8.

**CASE 6963:** Application of Supron Energy Corporation for a non-standard gas proration unit, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard Mesaverde and Dakota gas proration unit comprising the SE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon.

**CASE 6966:** Application of Reading & Bates Petroleum Co. for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Gallup and Dakota formations underlying the NE/4 of Section 17, Township 24 North, Range 3 West, Chacon Field, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

**CASE 6942:** (Continued from June 25, 1980, Examiner Hearing)

Application of Benson-Montin-Greer Drilling Corporation for amendment of Order No. R-2565-B, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Rule 2 of the Special Pool Rules for the West Puerto Chiquito-Mancos Oil Pool as promulgated by Order No. R-2565-B to provide that all 320-acre spacing and proration units in said pool would comprise either the W/2 or the E/2 of a governmental section, provided however, that one injection well would have dedicated thereto the W/2 of Section 1, Township 24 North, Range 1 West, and also that the short 400-acre sections on the South side of Township 27 North, Range 1 West, would each comprise a single spacing unit.

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6939  
Order No. R-6411

APPLICATION OF GREAT WESTERN  
DRILLING COMPANY FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 9, 1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 5th day of August, 1980, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Great Western Drilling Company, seeks an order pooling all mineral interests in the Morrow formation underlying the S/2 of Section 19, Township 18 South, Range 27 East, NMPM, Dayton Area, Eddy County, New Mexico.
- (3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.
- (4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

-2-

Case No. 6959

Order No. R-6411

(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 who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner who 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 \$3000.00 per month while drilling and \$300.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before October 1, 1980, the order pooling said unit should become null and void and of no effect whatsoever.

-3-

Case No. 6959  
Order No. R-6411

**IT IS THEREFORE ORDERED:**

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying the S/2 of Section 19, Township 18 South, Range 27 East, NMPM, Dayton Area, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

**PROVIDED HOWEVER**, that the operator of said unit shall commence the drilling of said well on or before the first day of October, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

**PROVIDED FURTHER**, that in the event said operator does not commence the drilling of said well on or before the first day of October, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

**PROVIDED FURTHER**, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Great Western Drilling Company is hereby designated the operator of the subject well and unit.

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

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

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



-4-  
Case No. 6959  
Order No. R-6411

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

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$3000.00 per month while drilling and \$300.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.



-3-

Case No. 6959

Order No. R-6411

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
JOE D. RAMEY  
Director

  
S E A L

fd/



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

POST OFFICE BOX 2000  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
505/827-2424

August 6, 1960

Re: CASE NO. 6959  
ORDER NO. R-6411

Mr. James Jennings  
Jennings, Christy & Copple  
Attorneys at Law  
Post Office Box 1180  
Roswell, New Mexico 88201

**Applicant:**

**Great Western Drilling Company**

**Dear Sir:**

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

Yours very truly,

**JOE N. DAMEV**  
**Director**

**JDR/fd**

Copy of order also sent to:

Hobbs OCD	x
Artesia OCD	x
Aztec OCD	

**Other**

DRAFT

dr/

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 6959

Order No. R- 1411

APPLICATION OF GREAT WESTERN  
DRILLING COMPANY FOR COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 9,  
1980, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of July, 1980, the Division  
Director, having considered the testimony, the record, and the  
recommendations of the Examiner, and being fully advised in the  
premises,

FINDS:

(1) That due public notice having been given as required by  
law, the Division has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, Great Western Drilling Company,  
seeks an order pooling all mineral interests in the Morrow  
formation underlying the S/2  
of Section 19, Township 18 South, Range 27 East  
NMPM, Dayton Area, Eddy County, New  
Mexico.

(3) That the applicant has the right to drill and proposes to drill a well ~~on the same tract as the well being drilled~~ at a standard location thereon.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas 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 who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner who 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.

-3-

(11) That \$ 3000.00 per month while drilling and \$ 300.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before October 1, 1980, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying the S/2 of Section 19, Township 18 South, Range 27 East, NMPM, Dayton Area, Eddy County, New Mexico, are hereby pooled to form a standard 320 acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of October, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of October, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the division for good cause shown.



PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Great Western Drilling Company is hereby designated the operator of the subject well and unit.

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

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

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided

-5-

Case No.

Order No. R-

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$ 3000.00 per month while drilling and \$ 300.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-  
Case  
Order No.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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