## MERIDIAN OIL

January 18, 1993

Mr. Michael Stogner, Engineer State of New Mexico Energy, Mineral and Natural Resources Dept. New Mexico Oil Conservation Division P. O. Box 2088 Santa Fe, New Mexico

Re: 120 Acre Non-Standard Proration Unit Gregory B #2 T26S, R37E, NE/4 NE/4 & S/2 NE/4 Section 15 Yates-Seven Rivers Gas Pool Lea County, New Mexico

Dear Mr. Stogner:

Reference is made to your letter of December 10, 1992 addressed to Ms. Maria Perez of Meridian Oil's Regulatory Group concerning administrative application for a 120 acre non-standard gas spacing and proration unit for the proposed Gregory B #2. Please be advised that El Paso Production Company (Meridian Oil) owns 100% of the gas operating rights from the surface to 4000 feet beneath the surface. Mr. Hartman challenged Meridian's rights in his letter addressed to me dated January 7, 1993. This ownership is more completely set out in my letter addressed to Doyle Hartman, a copy of which is enclosed for your perusal. Mr. Hartman also stated that he would not be in agreement to farm-out his interest in the NW/4 NE/4 of Section 15 to Meridian, nor would he contribute his 40 acre tract to the drilling of the Gregory B #2 which would allow for a 160 acre proration unit if pooled with Meridian's 120 acres.

Therefore, Meridian Oil respectfully requests administrative approval of a non-standard gas proration unit encompassing 120 acres, being the NE/4 NE/4 & S/2 NE/4 Section 15, T26S, R37E, Lea County, New Mexico. Per letter of December 18, 1992, Patrick R. Worrell, Engineer for Doyle Hartman waived any objection to Meridian's application for a 120 acre non-standard gas proration unit.

Letter to Mr. Michael Stogner Page 2

If further information is needed, you may contact me directly at (915) 688-6928, or Mr. Tom O'Donnell, Reservoir Engineer at (915) 688-6829. Thank you for your assistance concerning this matter.

Very truly yours,

MERIDIAN OIL INC.

Leslyn M. Swierc, CPL Petroleum Landman

LMS/lg

cc: Tom O'Donnell

Dennis Sledge

OIL CONSERVE ON DIVISION RECEIVED

'92 DET 21 AM 10 05

DOYLE HARTMAN

Oil Operator

500 N. MAIN P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

December 18, 1992

#### CERTIFIED - RETURN RECEIPT REQUESTED

Mr. William J. Lemay State of New Mexico Oil Conservation Division P. O. Box 2088 Santa Fe, NM 87504-2088

Re: Meridian Oil

Administrative Application for a 120-acre non-standard proration unit

Rhodes (Gas) Pool

SE/4 SE/4 Section 10, and the S/2 NE/4

and NE/4 NE/4 Section 15

T-26-S, R-37-E

Lea County, New Mexico

#### Gentlemen:

Reference is made to the attached notification from Meridian, dated December 3, 1992, and received by Hartman December 4, 1992, concerning Meridian's request for a 120-acre non-standard Rhodes (Gas) proration unit consisting of the SE/4 SE/4 of Section 10 and the S/2 NE/4 and NE/4 NE/4 of Section 15, T-26-S, R-37-E, Lea County, New Mexico. Meridian plans to drill the Gregory B Federal No. 2 well at a standard location of 990' FNL and 660' FEL, Section 15, T-26-S, R-37-E and dedicate it to this proposed 120-acre non-standard proration unit.

As an offset operator, Hartman hereby waives any objection to Meridian's application for a 120-acre non-standard Rhodes (Gas) proration unit consisting of the SE/4 SE/4 of Section 10 and the S/2 NE/4 and NE/4 NE/4 of Section 15, T-26-S, R-37-E, Lea County, New Mexico.

Thank you for your consideration in this matter, and please let me know if you need anything further.

Very truly yours,

DOYLE HARTMAN

Patrick K. Worrell

Engineer

PKW/jg Attachment

cc: Mr. Jerry Sexton
State of New Mexico
Oil Conservation Division
P. O. Box 1980
Hobbs, NM 88241-1980

Ms. Maria L. Perez Meridian Oil P. O. Box 51810 Midland, Texas 79710-1810

#### MERIDIAN OIL

December 3, 1992

Doyle Hartman Attn: Patrick Worrell P. O. Box 10426 Midland, Texas 79702

RE:

Offset Operator Notification for

Application for a 120 acre non-standard

Gas Unit

Gregory B Federal No. 2 A, 990' FNL & 660' FEL Section 15, T-26-S, R-37-E Lea County, New Mexico LC-032510-B

Dear Mr. Worrell:

Enclosed is a copy of a letter submitted to the ODC in Santa Fe, New Mexico requesting approval for a non-standard gas unit for the captioned well.

Also, attached is a plat showing the lease boundary, gas unit boundary and offset operators.

Should you have any questions, please contact Mr. Tom O'Donnell, Reservoir Engineer at 915-688-6829.

Sincerely,

Maria L. Perez

**Production Assistant** 

915-688-6906

XC:

Well File

Don McBee

Land Dept.

Joint Interest

Reservoir Eng.

Production Eng.

Geologist

Kermit Field Office

BLM - Carlsbad

OCD - Carlsbad

Regulatory File

Becky Kidd - NGPA - Houston Corp.

DOCKE HARIMAN OF THE PRINCE OF

## MERIDIAN OIL

December 3, 1992

Mr. Michael Stogner Oil Conservation Commission P.O. Box 2088 Santa Fe, New Mexico 87504

RE: Application for a Non-Standard

Gas Unit

Gregory B No. 2

Rhodes Yates -7 Rivers (Gas)

A, 990' FNL & 660' FEL

Section 15, T-26-S, R-37-E

Lea County, New Mexico

LC-032510-B

Dear Mr. Stogner:

Meridian Oil Inc. requests administrative approval for a 120 acre non-standard gas unit. The unorthodox shape of this unit is due to the shape of the lease. Enclosed is a plat showing the lease boundaries of the Gregory B Lease. Also, the offset operators are shown on the plat. Doyle Hartman and United Gas Search, Inc. are the offset operators and have been notified by certified return receipt mail on 12-3-92.

Should you require additional information, please call me at 915-688-6906.

Sincerely,

Maria L. Perez

**Production Assistant** 

XC:

Well File

Don McBee

Land Dept.

Joint Interest

Reservoir Eng.

Production Eng.

Geologist

Kermit Field Office

BLM - Carlsbad

Marin F. Por

OCD - Hobbs

Regulatory File

Becky Kidd - NGPA Dept. - Houston Corp.

Richard Atchley - Prod. Serv.

Gregory B No. 2 A, Section 15, T-26-S, R-37-E Lea County, New Mexico

Rhodes Yates - 7 Rivers Gas Field

### Offset Operators

Doyle Hartman Attn: Mr. Patrick Worrell P. O. Box 10426 Midland, Texas 79702

United Gas Search, Inc. Attn: Rodney Ratheal - Agent 1550 Wynn Joyce Garland, Texas 75043

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#### State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised 1-1-89

DISTRICT P.O. Box 1980, Hobbs, NM 88240

### OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT II P.O. Drawer DD, Artesia, NM 88210

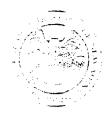
WELL LOCATION AND ACREAGE DEDICATION PLAT

1000 Rio Brazos Rd., Aztec, NM 87410 All Distances must be from the outer boundaries of the section Well No. MERIDIAN OIL INC. GREGORY B FEDERAL County Unit Letter Section Township Range 15 37-E LEA 26-S **NMPM** Actual Footage Location of Well: 660 990 NORTH EAST feet from the feet from the line and line Ground level Elev. Producing Formation Dedicated Acreage: YATES (GAS) RHODES YATES-7 RIVERS (GAS) 120 2986.61 Acres 1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below. 2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). 3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.? Yes If answer is "yes" type of consolidation ☐ No If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if neccessary. No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division. OPERATOR CERTIFICATION I hereby certify that the information contained herein in true and complete to the best of my knowledge and belief. Signature 6601 Printed Name MARIA L. PEREZ PRODUCTION ASST. BOUNDARY! Company LEASE MERIDIAN OIL INC. Date GAS DRLG UNIT 12-3-92 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervison, and that the same is true and correct to the best of my knowledge and belief. Date Surveyed Signature & Seal of Professional Surveyor Ceruficate No. 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

SENDER:  Complete items 1 and/or 2 for additional services.  Complete items 3, and 4a & b.  Print your name and address on the reverse of this form so th return. this card to yeu.  Attach this form to the front of the mailpiece, or on the back does not permit.  Write "Return Receipt Requested" on the mailpiece below the art  The Return Receipt Fee will provide you the signature of the pers to and the date of delivery.	if space  1. Addressee's Address ticle number.  2. Restricted Delivery
3. Article Addressed to:  Doyle Hartman Attn: Mr. Patrick Warrell P. 0. Box 10426 Midland, TX 79702	4a. Article Number P045 808 100  4b. Service Type □ Registered □ Insured □ COD □ Express Mail □ Return Receipt for Merchandise  7. Date of Delivery □ 2 - 4 - 92
5. Signature (Addressee) 6. Signature (Adent) Form 3811, November 1980 e.u.s. app; 1991—28	8. Addressee's Address (Only if requested and fee is paid) 7.606 DOMESTIC RETURN RECEIPT

.

#### STATE OF NEW MEXICO



## ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

**DRUG FREE** 

BRUCE KING GOVERNOR

ANITA LOCKWOOD CABINET SECRETARY

December 10, 1992

STATE LAND OFFICE BUILDING SANTA KE, NEW MEXICO 87504 (505) 827-5800

Meridian Oil, Inc. P.O. Box 51810 Midland, TX 79710-1810

Attention: Maria L. Perez

GREGORY B NO. 2

RE:

Administrative application for a 120-acre non-standard gas spacing and proration unit in the NE/4 of Section 15, Township 26 South, Range 37 East, NMPM, Rhodes Yates-Seven Rivers Gas Pool, Lea County, New Mexico.

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Dear Ms. Perez:

The subject application did not adequately indicate that all the proper parties of interest in the NE/4 of Section 5 were properly notified of the formation of this non-standard unit pursuant to General Rule 104.D(2)(a)(iii) and (iv). Also, please provide a listing and percentage of ownership of these interests in the NE/4 of Section 5.

Further, please explain the necessity of the formation of this unit rather than pooling all parties to form a standard 160-acre unit covering all of the NE/4 of Section 5.

Should you have any questions concerning this matter, please contact me.

Sincerely,

Michael E. Stogner

Chief Hearing Officer/Engineer

MES/amg

cc:

Oil Conservation Division - Hobbs

W. Thomas Kellahin - Santa Fe

Do James Contact me.

James Ja

## MERIDIAN OIL

January 15, 1993

Doyle Hartman
Oil Operator
P. O. Box 10426
Midland, Texas 79702

Re:

T26S, R37E

NE/4 NE/4 and S/2 NE/4 Section 15

Lea County, New Mexico

Dear Mr. Hartman:

Reference is made to your response of January 7, 1993 to Meridian Oil's (Meridian) proposal to drill the Gregory B #2, located 990' FNL & 660 FEL Section 15, T26S, R37E, Lea County, New Mexico. This letter should clarify Meridian's position regarding its gas rights and the privileges it acquired in the captioned lands under various contracts.

El Paso Natural Gas (El Paso) acquired its rights by virtue of an assignment dated July 1, 1942 (recorded in Volume 27, Page 585, Lea County Records) from Stanolind Oil and Gas Company. Under the terms of the assignment, El Paso acquired the gas operating rights between the surface of the earth and 3500 feet beneath the surface (later amended to extend to 4000 feet beneath the surface) in Oil & Gas Lease LC-032510(b). The rights acquired were subject to several outstanding agreements including contract dated November 16, 1938 between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and the W-K Royalty Company, as oil operators and Stanolind Oil & Gas Company, as gas operator. Under the terms of this contract, Stanolind acquired the gas rights in and under the above described lands. This contract also granted the gas operator the "right to operate and develop" the captioned lands (among others) "for gas" and the "gas rights therein."

On February 6, 1987, but effective July 16, 1986 El Paso Natural Gas Company transferred 100% of all its right, title and interest in Oil and Gas Lease LC-032510(b) to El Paso Production Company insofar as said lease covers the gas operating rights from the surface to 4000 feet. El Paso Production Company is a wholly owned subsidiary of Burlington Resources (BR) operating under the name of Meridian Oil, also owned by BR.

Your letter states that, as to the S/2 NE/4 Section 15 from the surface to 3500 feet, the operating rights that are owned by the Hartman Group were created "under and by virtue of that certain Operating Agreement dated November 30, 1944, between Stanolind Oil & Gas Company and R. Olsen Oil Company." The rights created under this Operating Agreement covered portions of Section 23 and 24, T26S, R37E, Lea County, New Mexico. Pursuant to Article II therein,

Stanolind further conveyed to Olsen "the oil rights and all rights and privileges of the oil operator" under the aforementioned contract of November 16, 1938 which includes the S/2 NE/4 Section 15, T26S, R37E. Stanolind was named as the Gas Operator under the November 16, 1938 contract and had no oil rights to convey to Olsen, insofar as the S/2 NE/4 Section 15 was concerned.

You also stated that Oil & Gas Lease LC-032510(b)was subject (in part) to "Contract dated May 31, 1939, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and the W-K Royalty Company, as oil operator and Stanolind Oil & Gas Company, as gas operator, which provides, among other things, that gas operator shall have the right to purchase and thereafter own and operate wells capable of producing gas only." The instrument dated May 31, 1939 is an Amendment to the November 16, 1938 Contract which, as stated earlier, gives the gas operator the right to operate and develop for gas. No where is it mentioned that oil & casinghead rights are "dominant" over gas rights.

Meridian has conducted numerous studies in this area, and based upon its findings, proposed a 3200' gas well within the limits of a gas pool. Meridian is confident that the proposed Gregory B #2 will be gas productive and feels its proposal is justified.

Very truly yours,

MERIDIAN OIL INC.

Leslyn M Swierc, CPL Petroleum Landman

LMS/lg

cc: State of New Mexico

Energy, Mineral and Natural Resources Department

New Mexico Oil Conservation Division

P. O. Box 2088

Santa Fe, NM 87501

Attn: Michael Stogner, Engineer

Tom O'Donnell

Dennis Sledge

#### ASSIGNMENT - CONTRACT

July 1,

THIS INSTRUMENT to be and become effective on February 1x A. D. 1942, by and between STANOLIND OIL AND GAS COMPANY, a corporation, hereinafter called "Stanolind," Party of the First Part, and EL PASO NATURAL GAS COMPANY, a corporation, hereinafter called "El Paso," Party of the Second Part:

#### WITNESSETH:

1. For and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable considerations paid by El Paso to Stanolind, the receipt whereof is hereby confessed and acknowledged, and in consideration of the other agreements of El Paso herein contained. Stanolind does hereby bargein, sell, transfer set over and assign unto El Paso and to its successors and assigns, without any covenant of warranty of any nature whatsoever, and subject to the reservations and exceptions hereinafter contained, all of Stanolind's right, title and interest in and to the gas rights and gas producing rights from all formations between the surface of the ground and a depth of 3,500 feet, in and to the following described land, and none other, situate in the County of Leavin the State of New Mexico, namely:

#### Township 26S, Range 37E

Sec. 10: Sec. 15:

SWŁSWŁ, SEŁSEŁ NEŁNEŁ, NWŁNWŁ, SŻNŻ

together with three Shipley Sand gas wells now located on said land, and the well property used in connection therewith.

- 2. The right, title and interest of Stanolind Oil and Gas Company is subject to the following described leases and contracts, copies of which heve been furnished El Paso:
  - (a) United States oil and gas lease Las Cruces 054668, dated April 12, 1934, issued to Stanolind.
  - (b) Operating Agreement on prospecting permit dated December 21 1926, between Cyrus M. Farnsworth and Kent S. Whitford.
  - (c) United States oil and gas lease dated July-29, 1937, bearing Serial Number Las Cruces 032510-B, Assued to R. 01sen 014 Company and Anderson-Prichard Oil Corporation.
    - (d) Operating Agreement on prospecting permit dated March 1; 1927; Between L. W. Gregory and S. R. Cohagan.



FILE 19376

- (e) Agreement dated January 31, 1934, between L. W. Gregory and Stanolind.
- (f) Assignment and Contract, both dated July 16, 1936, between Stanolind and Anderson-Prichard Oil Corporation and Uscan Oil Company.
- (g) Contract dated November 167, 1938, petween Anderson-Prichard Oil:Corporation, R. Olsen Oil Company, W-K Royalty Company, and Stanolind.
- (h) Amendment to contract dated may 31, 1939, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company, W=K Royalty Company, end Stanolind
- (i) Contract for development of oil lands dated October 10: 1927,

  by and between Kent S. Wnitford and eight others and Tie Lid
  west Refining Company:
- (j) Contract dated August 23, 1939, between A. K. Barnes, et al.
  Trustees of the Alverago Oil Syndicate and Standling.
- 3: For the considerations aforesaid, and subject to the exceptions and reservations hereinafter noted, Stanclind gives, grants, transfers, and assigns unto Els Paso all of its rights, title, interests; powers; and privileges under each and every of the above described leases and contracts and all assignments and transfers thereof to the extent that they apply to the gas rightskin all formations above 3.500 feet, as aforesaid, in and to the above specifically described acreage, but hone other. This transfer is made subject to each, every and all of the terms; conditions, duties; obligations and liabilities set forth in, and implied from each and every of the above described instruments, to be kept and performed by Stanolind as the holder of \* said rights, all of which El Paso expressly agrees to keep and perform from and after the effective date of this contract, to the extent that they apply to the formations above the depth of 3,500 feet and to save Stanolind harmless from and on account thereof, except as next hereinefter provided. In consideration of the covenant of El Paso contained in Section numbered 5 of this contract Stemolind agrees that from the effective date of this contract to and including June 30, 1944, Stanolind will make settlement with all net profits interests and campied working interests making any claim against the production from any or

all of the three Shipley Sand gas wells hereby sold to El Paso out of Stanolind's payment under Section 5 hereof and save El Paso harmless for and on account thereof; but it is understood that El Paso assumes all royalty curdens on the land described in Section numbered 1 hereof from the effective date hereof and forever thereafter, except such royalties as Stanolind may have paid prior to the date of execution and delivery of this contract, and lakewise El Paso assumes all obligations to the net profits interests and carried working interests on said lands arising on account of any gas production taken on or after July 1, 1944 from said three wells or any of them, and likewise all obligations to said net profits and carried working interests from the veiffective date hereof as to any new wells which El Paso may drill on said land: It is particularly understood and agreed that El Paso will assume all of the was rental advance royalty) obligations of Stanolind as to the above described land, under the apove leases and contracts, unless at some future. time Stanolind shall complete a producing gas well to some formation below the depth of 3,500 feet. Thereafter the advance royalty burdens shall be apportioned equitably between the parties hereto.

- the rights secured to Stanolind by Paragraph One (1) of the above described contract of July 16, 1936, as amended by Paragraph Eleven (11) of the above described of November 16, 1938, to have and receive the money payments from Anderson-Prichard Oil Corporation. R. Olsen Oil Company and W-K Royalty Company as provided for in Said Contracts; and no part thereof is transferred to El Pasc by this assignment, but said rights are expressly retained by Stanolind.
- 5. Stanolind and El Paso are the present parties in interest in a certain contractual arrangement for the sale and purchase of gas from the above described acreage and other land, all as evidenced by the following described contracts:
  - (a) Contract of September 20, 1928, petween The Midwest Refining Company and H. G. Frost and Paul Kayser.
  - (b) Contract of March 23, 1929, between The Midwest Reining.

    Company, H. G. Frost and Paul Keyser.
  - (c) Contract of September 10, 1929, between Kent'S: Whitford and

- (d) Contract of September 10. 1929, between Kent S. Whitford.
  The Midwest Refining Company and Elpaso.
  - (e) Sontract of March 1, 1932, between The Midwest Refining.
    Company, Kent S. Whitford and El Paso.
- (f) Contract of November 2, 1935, between Stanolind and El Paso.
- It is mutually agreed that said contracts are not cancelled as the result of this transfer, but shall be and remain in full force and effect according to their terms except as specifically modified hereby.

El Paso agrees during the term of said gas contracts to continue to take the total gas production from Stanolind's Farnsworth "B" well i.c. 3 located in the NET SWT Sec. 7, T26S, R37E; and Stanolind's Gregory "C" well No. 1; located in the NET NWT Sec. 33 T25S, R37E, and Stanolind's Gregory "A" well No. 22 located in the SET SWT Sec. 31 HT25S, R37E, so long as Stanolind operates said wells and so long as the gas can be produced at sufficient pressure to enter El Paso's line, provided that El Paso's mall not be required to take more than 1 700,000 cubic feet of gas per day in the aggregate from all of said wells collectively, or from any which may be producing.

As part consideration for this transfer, El Paso expressly agrees, however, to continue to pay Stanolind from the effective date hereof, and during the remainder of the term of the contract for not less than 1/10 of all the gas transported through El Paso's pipe line, as said ocligation is defined by Paraglaph (Two) (2) of the contract of September 20, [1928] as amended by Peragraph. Five (5) of the contract of November 2, 1935 at a price, however, of 4.2350 per thousand cubic feet, irrespective of whether the wells now or hereafter drilled on the land subject to said contracts produce or can be made to produce ten per cent (10%) of the requirements of seid pipe line, anything in said contracts to the contrary notwithstanding; sexcept as provided in Section o hereof. It is understood trat the price of 4.2357 per trousand cubic feet is a neduced price to make allowance for the royalty interest, and that in consideration the eof. so agrees to assume, pay and satisfy all royalties due and payable to The United States or to other royalty or overriding royalty holders, on account of gas: produced from anymor all of Stanolind's three wells specifically described ving this Section from the effective date of this contract to and including June. .30, 1977; as well as any claims for damages or compensatory royality or other claims made by said royalty or overriding royalty holders on account of the non-production or inadequate production of gas from said wells or any, of them. except such royalties as Stanolind may have pard prior to the date of the bitter.

and delivery of this contract. Stanolind essumes all such obligations arising as to said wells by reason of production taken therefrom after July 1, 1944, as well is all like royalty obligations on gas production above 3,500 feet from the effective date hereof on any additional wells Stanolind may hereafter drill on the land retained by Stanolind. Subject to the satisfaction of the acove obligations F1 Paso shall be under no obligation to Stanolind to produce or purchase gas from any well described at any place in this contract during the remainder of the term of said gas purchase contracts. Peferring to the casinghead gas sales contract of May 11, 1937 between Stanolind and F1 Paso as amended by letter contract of February 23, 1938, it is understood that Stanolind hereby transfers to E1 Paso all of its casinghead gas extraction rights in and to the formations above 3,500 feet to the extent that they apply to the above specifically described acreage.

- 6. For the purpose of adjusting settlements between El Paso and Stanolind for the period between the effective date of this contract, namely kabruary 1, 1942, and the actual date of the execution and delivery of this contract. it is agreed that all payments heretofore made and which shall or should be made by El Paso to Stanolind prior to the actual date of delivery and execution of the contract for gas purchased since the effective date of the contract, which purchases and settlements have been made at the rates provided in the now existing contracts, shall be allowed to stand without readjustment between the parties. anything in this contract to the contrary notwithstanding; and any royalty payments made by Stanolind prior to the actual date of the execution and delivery of this contract on account of gas so sold to El Paso shall be allowed to stand without readjustment between the parties, enything in this contract to the contrary notwithstanding; and if it should appear that the gas deliveries made by Stanolind between the effective date of this contract and the actual date of the execution and delivery hereof shall be less than 1/10 of the gas actually transported through El Paso's pipe line during said period, as provided in Sec. 5 hereof. El Paso shall settle with Stanolind for the deficiency or difference at the price of 4.235¢ per thousand cubic feet.
- 7. To have and to hold unto El Paso the rights bereby granted for and during the several terms of the respective contracts hereinabove enumerated. The right of assignment in whole or in part is hereby expressly granted with respect to the rights granted or reserved in and by this instrument, and the rights the subject matter hereof shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto. Stanolind and El Paso

- 5

agree to and with each other that they will not surrender their rights hereby transferred or reserved, under any of the above enumerated contracts, to the parties entitled to such surrender, until the party so desiring to surrender such rights shall first notify the other party hereto of its intention so to surrender and until it shall have afforded the other party hereto the opportunity for 15 days to elect to accourse said rights by assignment and assume the future duties obligations and liabilities attaching to the rights so to be assigned.

8. This contract is made subject to the approval of the Secretary of the Interior first had and obtained. It is understood that this assignment is made subject to the terms, conditions and provisions of the above described United States oil and gas leases and of the laws and regulations, including operating regulations, applicable thereto, and that the approval of this instrument by the Secretary of the Interior shall not be deemed to waive or in any way affect the rights of the United States thereunder or its relations with the oil and gas lessees in said leases.

IN WITNESS WHEREOF the parties hereto have caused these presents to be executed by their officers thereunto duly authorized and their corporate seals to be hereunto duly affixed this / day of A. D. 1942. ATTEST: STANOLIND OIL AND GAS COMPANY  $By_{\underline{}}$ Secretary Vice President ATTEST: EL PASO NATURAL GAS COMPANY Vice - President We hereby approve this assignment: ATTEST: ANDERSON-PRICHARD OIL CORPORATION Ву\_ Secretary President ATTEST: R. OLSEN OIL COMPANY By\_\_ Secretary President ATTEST: W-K ROYALTY COMPANY By\_ Secretary President

STATE OF OKLAHOMA (COUNTY OF TULSA

On this \_\_\_\_\_ day of January, 1942, before me appeared E. F. EULLARD, to me personally known, who, being by me duly sworn, did say that he is Vice President of STANOLIND GIL AND GAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Ecard of Directors, and said E. F. EULLARD acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year first above written.

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-1 V	COMMILSSION	evories		
		A NAME OF THE PARTY NAME OF TH	 	

Notary Public

# NA-1596

#### AMENDMENT OF ASSIGNMENT-CONTRACT

THIS INSTRUMENT, dated this \_\_\_\_\_day of February, A. D., 1943, by and between STANOLIND OIL AND GAS COMPANY, a corporation, hereinafter called "Stanolind," Party of the First Part, and EL PASO NATURAL GAS COMPANY, a corporation, hereinafter called "El Paso," Party of the Second Part;

WITNESSETH:

A. D., 1942, to be and become effective July 1, A. D., 1942, and subscribed by the above named parties, Stanolind assigned to El Paso all of Stanolind's right, title, and interest in and to the gas rights and the gas producing rights from all formations between the surface of the ground and a depth of 3500 feet on the following described land in Lea County, New Mexico:

#### Township 26S, Range 37E

Sec. 4: All

Sec. 10: SWL SWL, SEL SEL

Sec. 15: NEL NEL, NWL NWL, Sh Nh; and

WHEREAS, subsequently the United States Government has required El Paso to form a unit plan covering the gas rights from the surface of the ground to a depth of 4000 feet and the parties hereto desire to avoid complications which would result from that arrangement.

NOW, THEREFORE, in consideration of the premises and of the sum of One (\$1.00) Dollar paid by El Paso to Stanolind, Stanolind agrees that wherever the figure "3500 feet" appears in the above described Assignment-Contract as referring to a depth below the surface of the ground, the same shall be amended to read "4000 feet" to the end that said Assignment-Contract shall transfer to El Paso all of Stanolind's gas rights and gas producing rights from all formations between the surface of the ground and a depth of 4000 feet as to said land.

Except as hereby amended, said Assignment-Contract shall be and remain in full force and effect in accordance with its terms and provisions.

IN WITNESS WHEREOF Stanolind has caused these presents to be executed by its officers thereunto duly authorized the day and year first above writtens.

ATTEST:

SWEIANT Secretary

STANOLIND OIL AND GAS COMPANY

Vice President

We hereby approve this amendment, but this amendment shall not be construed as a transfer of any leasehold title of the undersigned.

ATTEST:

Mashall
Secretary

ANDERSON-PRICHARD OIL CORPORATION

By President

ATTEST:

R. CLSEN GIL COMPANY

By

STATE OF CKLAHOMA O SS:

On this / Law day of February, A. D., 1943, before me appeared

E. F. BULLARD, to me personally known, who, being by me duly sworn did say that
he is the Vice President of STANCLIND OIL AND GAS COMPANY, and that the seal
affixed to said instrument is the corporate seal of said corporation and that
said instrument was signed and sealed in behalf of said corporation by authority
of its board of directors, and said E. F. Bullard acknowledged said instrument
to be the free act and deed of said corporation.

IN WITNESS "HEREOF, I have hereunto set my hand and affixed my Notarial seal the day and year first above written.

My commission expires Gammacon Agriculture States

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MAY 29 1943

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State of New Mexico, SS.

County of Lea

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27 Page 589

OUNTY CLERK

COUNTY CLERK

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#### **TONTRACT**

THIS CONTRACT, Made this 18th day of November, 1938, by end between ANDERSON-PRICHARD OIL COMPANY, a corporation, R. GLEEN OIL COMPANY, a corporation, and THE W-K ROYALTY COMPANY, a corporation, Parties of the First Part, hereinafter called "Oil Operators" and STARGLIND OIL AND GAS COMPANY, a corporation, Party of the Second Part, hereinafter called "Gas Operators";

#### VITTERSETH, THAT

WHEREAS, concurrently with the execution of this instrument the Cil Operators have executed and delivered to the Cas Operator an assignment of all of the Cil Operators' gas rights in government lease Serial No. Las Cruces 052510(b), so far and to the extent that the lease covers the ST ST and the SE SE Of Section 10, and the NT NT and the NE NE and the SE SE of Section 15, all in Township 26-South, Range 57-East in Lea County, New Mariee, which land is hereinafter referred to as "Assigned Portion of the Gregory Lease", together with all their right, title and interest in the operating contract thereon, AND

WHEREAS, the Oil Operators have likewise concurrently herewith assigned to the Gas Operator all their right, title and interest in and to the gas rights in government lease Serial No. Las Oraces O54668 (formerly Las Cruces O50180(b), to the extent that said lease covers all of Section 4, Township 26-South, Range 57-East in Lea County, New Maxico, which land is hereinafter referred to as the "Assigned Portion of the Farnsworth Lease", together with all of the Oil Operators' right, title and interest in and to the operating agreement thereon, AND

WHEREAS, said assignments were made upon certain other terms and conditions and considerations not expressed in said agreements, and the parties hereto desire to set forth the terms, conditions and consideration of said transfer.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and premises herein contained, it is agreed as follows:

B. J. S. APPROVED

APPROVED

Komber 2.

thall be desired to make this gas and propose and their contents produced from
the produced to make the produced from
the produced to make the land which do not also
produce all he distillate, and also the contrated gas produced from any oil
producing fingly or function, but shall not include contrated question ar
vegers, namedly produced, nor the engineered gasoline extraction privileges
on much contagned gas sp produced with oil from oil producing sands or formations.

the Our Operator shall have the right to operate and devolop the exsigned portion of the Gregory Louis and the assigned portion of the Personerth lease, for gas and shall have the gas rights therein, with the understanding that if is drilling for gos the Cas Operator shall discover oil is a well not also espekts of professing gas in paying quantities to the setimfestion of Ges Operator, the Operator shall immediately give notice to Oil Operators and Oil Operators shall, at their sels cost and expense, have the right to make a library bast and may, at their sytiam, but shall not be required to, within 80 days from date of notice, take over such oil well or wells, upon paying the Gas Operator for the cost of drilling and equipping such well or walls, which cost shall not emeed the proveiling price currently peid in the visinity of said lands for the drilling of valls of like character and similar equipment, and the wall or walls shall therespon become the property of the Oil Operators, subject to the cil populat to the Gas Operator under the contract of July 16, 1986 between Stanoline Gal and Gas Conyeny, Anderson-Prichard Gil Corporation and though this Company, as hereinester emended. If any much wall so taken over by 011 Openators shall also produce gas, the Gas Operator shall be entitled to the ges production and the Oil Operators shall, at the option of the Gas Operator, deliver to or not! such gus for the credit of des Operator, des Operator shall redshares til Operators for the cost of necessary exten equipment required and fur fully operating charges for producing the gas. Themswer such ges to delivered in hint by Gil Operators to Can Operator, such delivery shall be it) the sale cost of the Operator, and the Operator shall hald the Oll Operators harmless from any elligation or liability for the repulty interest. In the event the 611 Operators shall fail or refuse to exercise their right or option tendored then by the fest sporette under this paragraph or paragraph & hereof to take over a nell drilled or comed by dus Operator upon the towns and conditions and within the time limited or specified by this contract, the Oil APPROVED

Operators shall therespon forfelt to the Gas Operator all of their oil and distillate rights in and to said wall, as to all herizons or oil formations than topped and tested by said wall, but shall not forfelt their rights in and to any untested or undeveloped formations underlying said wall site.

- So If the Gas Operator should bring in a well expedit of producing gas in paying quantities to the substantian of Gas Operator, and also ell or distillate, the Gas Operator may continue to operato it, and shall be entitled to the gas production, and the cil and distillate shall, at the sytim of Oil Operators, be delivered to ar sold for the credit of the Oil Operators. Such est or distillate production shall be debject to the above mutdened oil payment, and the Oil Operators shall pay the Gas Operator one sixteenth of such production to apply against said oil payment as provided herein, and Oil Operators shall retained Gas Operator for the cost of necessary extra equipment required and for thir operator for the cost of necessary extra equipment required and for thir operator for the cost of necessary extra equipment required and for thir operator for the cost of necessary extra equipment required and for thir operator for the cost of necessary extra equipment required and for thir operator for the cost of necessary extra equipment required and for this operator for the cost of necessary extra equipment required and for this operator for producing the oil and distillate.
- 4. The Oil Operators have it and by said assignments reserved the ed! rights in and to the analyses parties of the Gregory lesse and the essigned parties of the Paramerik lease, and shall have the right to drill and eperate and develop said property for all. If, in drilling for all, the all Characters discover mes in a well not also espekie of producing oil in paying quantities to the estimation of Oil Operators, Oil Sporetors shall immediately give motion to the Operator and the Operator shall, at its make cost and expense, here the right to mile a 10-day test, and may, at the syties, but shall not be required, within 50 days after cald methos, take ever such gas well or wells, uses paying 011 Operators for the cost of failling, and equipping the seas, which to visitioly and at Man visite property point in the visitity of seld leads for the desilies of male of like therestor and similar equipm in which case said will or walks and all gos preduced therefrom shall belo to the fee Specialty; provided, however, that if any such well or wells also produce call or distillate, til Operators shall be extitled to the til or distillate production, and flow Operator shall, at the option of Oil Operators, deliver to or cell the same for the arelit of the CIA Operators, but such all or distillate production shall be subject to the above mentioned oil payment, and the 011 Operators shall pay the Gos Operator one sixteenth of such productio

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inhunce the Operator for the cost of necessary extra equipment required and for fair operators for the cost of necessary extra equipment required and for fair operators for producing the oil or distillate. Whenever such oil or distillate is delivered in kind by the Operators and Oil Operators, such delivery shall be at the sole cost of Oil Operators and Oil Operators shall hold the the Operator hamiless from any obligation or liability for the royalty interest. In the event the the Operator shall fail or refuse to exercise its right or sption tendered it by Oil Operators under this paragraph or paragraph 8 hereof to take ever a well drilled or ensed by Oil Operators upon the terms and conditions and within the time limited or specified by this contract, the the Operator shall thereupon forfeit to the Oil Operators all of its gas rights in and to said well as to all horizons or gas formations then tapped and tested by said well, but shall not thereby forfeit its rights in and to any untested or understoped formations underlying said well site.

- 5. If 0il Operators should bring in a well capable of producing oil or distillate in paying quantities, to the satisfaction of 0il Operators, and also gas, 0il Operators may continue to operate it and shall be entitled to the oil and distillate production subject to the oil payment of one sixteenth payable to the Gas Operator as herein elsewhere provided, and the gas shall, at the option of the Gas Operator, be delivered to Gas Operator or sold for the credit of the Gas Operator if there is a market available, and Gas Operator shall reimburse 0il Operators for the cost of necessary axtra equipment required and for fair operating charges for producing said gas. Whenever such gas is delivered in kind by 0il Operators to Gas Operator, such delivery shall be at the sole cost of Gas Operator, and Gas Operator shall hold 0il Operators hamadeset from any obligation or liability for the royalty interest. This paragraph shall not be construed as in anywise chigating 0il Operators to dispose of said gas when there is no market available for some.
- and egrees to and from said premises, subject to the rights of the United States and any surface owner thereon, and each party hereto shall have the right to use so much of the surface and as much surplus gas, free of cost, as may be reasonably necessary and proper in the conduct of their operations, but each party shall so conduct its operations and so locate its improvements, equipment, structures, facilities and appliances as to interfere as little as possible

with the operations of the other.

- 7. Neither party hereto shall abandon any well drilled or owned by it on said premises until it has first offered the other party the right, upon thirty days' notice, to take over said well upon payment of the salvage value of the equipment thereon necessary for the future drilling or operation of said well.
- 3. In the event a well producing gas only or a well producing oil and gas, operated by Gas Operator, shall cease to produce gas in sufficient quantities to satisfy Gas Operator but commences or continues to produce oil or distillate, Oil Operators shall have the right, but shall not be subject to the obligation, to take over the said well, upon 30 days' notice, by payment to Gas Operator of the salvage value of the equipment thereon necessary to operate said well. Also, in the event that a well producing oil only, or a well producing oil and gas, operated by Oil Operators, shall cease to produce oil in sufficient quantities to satisfy Oil Operators, but commences or continues to produce gas, Gas Operator shall have the right, but shall not be subject to the obligation, to take over the said well on 30 days' notice by payment to Oil Operators of the salvage value of the equipment thereon necessary to operate said well.
- 9. Any party so ferfeiting its rights under paragraphs 2, 4 and 8 hereof shall promptly execute and deliver to the other a recordable assignment of the rights so forfulted.
- 10. How-operating party may, at any time, upon 50 days' notice to the other party, voluntarily surrender and assign to such other party all of its or their rights in the formation or at the horizon from which any well is preducing, and upon such surrender and assignment, the assignor shall thenceforth be relieved of and from all obligation to pay any portion of the cost of the future operation of any such well or wells so long as some are producing from the formations or horizons so surrendered and assigned. However, the assignor shall not thereby furfait its or their rights in and to any untested or undeveloped formation underlying such well site or sites. Under such circumstances, the assignor shall, at its option, either purchase all of the assignor's interest in and to all material and equipment in and about said well at the

current prevailing salvage value, or deliver on the premises to assigner such material and equipment in kind; salvage expense to be borne by assigner.

11. Puragraph No. 1 of the contract dated July 16, 1936, between Stanolind Oil and Gas Gompany, Anderson-Prichard Oil Gorporation, and Wester Oil Company (to which the parties to this contract are the successors in interest) is hereby amended so that the sum of \$500,000.00 in maney therein provided to be paid to the Gas Operator-heroin shall hereafter be paid in installments equal to the gress proceeds of the sale, disposal or utilization of one-sixteenth (1/16th) of the oil, casinghead gas, gas and other hydrocarbon substances produced by the Oil Operators herein from the portion of the lease and permit areas involved in said contract of July 16, 1936, but no credit on such sum of \$500,000.00 shall be allowed to 011 Operators for and on account of any gas, natural gas gasoline, or gasoline vapor produced by the Gas Operators from the assigned portion of the Gregory lease, the assigned portion of the Fernsworth lease, and the EE MF of Section 33-258-37E in Lea County, New Mexico, if assigned to Gas Operator under the provisions of Paregraph 14 hereof; ner shall any credit be allowed for or on account of any oil. casinghead gas or distillate produced by the Gas Operator and forfeited by Oil Operators under the terms and provisions of Paragraphs numbered 2, 4, 9 and 10 hereof. Except as hereby amended, said contract of July 16, 1936 shall be and remain in full force and effect, according to its terms and conditions. The oil rights on the assigned portion of the Gregory lease and the assigned pertion of the Fernsworth lease, and the MR MW of Section 35-208-575, if assigned, to Gas Operator under the provisions of paragraph 14 hereof, and any oil rights hereafter acquired by Oil Operators upon any wells drilled by Gas Operator hereunder, shall be and remain subject to paragraph 1 of said contract of July 16, 1956, as hereby amended.

12. Paragraph 7 of said contract of July 16, 1956 and sub-paragraphs

A, B, C, D, E and F thereof, are hereby suspended so far as they apply to the
assigned portion of the Gregory lease and the assigned portion of the Farasworth
lease, as long as the Gas Operator shall continue to exercise the gas rights
granted by the assignments executed concurrently herewith, and the Help Mell of
Section 33-258-37E, if assigned to Gas Operator under the provisions of paragraph 14 hereof, but in the event that Gas Operator shall reassign the gas

rights to 011 Operators in whole or in part, or in the event 011 Operators shall in any other manner acquire the gas producing rights in and under any well or wells on the acreege covered by this paragraph, thereupon said paragraph 7 and said subparagraphs shall be revived to the extent of the rights so reasquired by 011 Operators.

15. The parties herein agree that under the obligations imposed upon the Oil Operators under paragraph 4 of the contract of July 16, 1936, the Oil Operators are new obligated to drill two additional wells on the proporties in said contract described, on which the Gas Operator is entitled to an oil payment, and the Oil Operators shall, as part of the consideration of this contract, commence both of said wells within 60 days after the execution of this contract, at locations to be selected by Oil Operators, and drill the same diligently to the producing oil horizon in the field. This paragraph shall not be deemed to limit or modify the future drilling obligations of Oil Operators herein under said contract of July 16, 1936.

14. The 011 Operators agree, at their own expense, to plug back and recondition the cil well now located in the center of the Bit Section 55, Township 25 South, Range 37 Best, and endeaver to convert this well into a gas well. Such plugging back and reconditioning shall be communed immediately upon execution of this contract and shall be diligently presecuted to completion. If upon the completion of this work, the well is found by Gas Operator to be a well capable of producing gas in sufficient quantities and under sufficient pressure to be and constitute a commercial gas well, and, if the Gas Operator finds that the hole is in a satisfactory conflition, and the well has been fully equipped for gas production, Oil Operators shall thereupen assign and transfer the said gas well and the Oil Operators' rights under the Government lease and operating agreement thereon, severing the gas rights in said forty scres which embrace the gas well, to the Gas Operator, and, the Gas Operator agrees to take and receive said assignment and shall thereupon pay the Oil Operators therefor the cost of drilling and equipping such well, which cost shall not exceed the prevailing price currently paid in the vicinity of said land for the drilling of wells to the depth at which said well is completed as a gas well, and for similar equipment, and the Gas Operator shall thereafter operate the well and the Oil Operators shall retain the oil and distillate rights in such well and forty (40) acre tract, and said well shall be operated in the

same manner and under the same terms and conditions, including contribution of expanse and distribution of income, as wells are operated becauser upon the assigned portion of the Gregory lease and upon the assigned portion of the Farnsworth lease. If the Gas Operator shall find that the hole is in an unsatisfactory condition, or if the well does not make gas in sufficient volume and under sufficient pressure to constitute a cosmercial gas well, Gas Operator may decline to acquire said well by assignment and all the gas rights upon the forty (40) acres on which said well was drilled, in which event the same shall remain the property of Oil Operators, and the Oil Operators shall pay and bear all expanse of plugging back and reconditioning said well. Gas Operator may likewise deline to take over said well until it has been properly equipped for gas production; provided Gas Operator instructs Oil Operators in writing at the time of completion of said well as to the type of character of equipment desired.

well upon the lands above described it shall notify the other party. Upon request, each party shall furnish to the other, samples of cares and cuttings of formations encountered in its drilling operations, certified copies of sample well logs and any other information which may be reasonably requested partaining to the drilling of its wells. Each party shall give to the other party sufficient notice prior to testing any shows of production which the other party would be entitled to take over under this cantract, so that the other party may have a representative present during the time such test is made. Each party shall allow the other, at its own risk and expense, to run a geophone test upon any well drilled, such testing party to pay the non-testing party shutdown time caused by such operations, and if either party runs a Schlumberger test it shall furnish to the other party a copy of the log thereof.

16. As between the parties herete and the Government of the United States, the Gas Operator shall pay the annual advance rentals under the Government lease upon the assigned portion of the Gregory lease, upon the assigned portion of the Farmsworth lease, and upon the above described forty core tract in Section 35, in the event that the Gas Operator shall acquire the gas rights therein. So long as the assigned portion of the Farmsworth lease shall have no gas or oil wall thereon, the Oil Operators shall promptly re-

imburse the Ges Operator for one-half of the advance rentals upon the assigned portion of said lease. After the discovery of gas in commercial quantities upon the assigned portion of said lease, the Ges Operator shall pay and bear the said rentals thereafter coming due, and the Oil Operators shall not be required to contribute thereto, irrespective of whether or not the assigned portice is also productive of oil, but the Ges Operator shall have the right to recover the edvance rental out of Government royalty on both the gas and the oil production, to the extent that the lessee could be so reimbursed therefrom under the provisions of the Government lease and applicable laws and regulations, and where the oil has been delivered in kind to Oil Operators, Oil Operators will promptly pay Gas Operator said Government royalty money to effect such reinbursement. During such times as the assigned portion of said lease shall contain one or more commercial oil wells drilled or taken over by Oil Operators, but no commercial gas well operated by Gas Operator, Oil Operators shall promptly reimburse Gas Operator for the entire rental advanced by Gas Operator, and the Oil Operators shall thereupon be entitled to reimbursement out of the Government oil royalthes to the extent that the lessee could be likewise so reimbursed therefrom. The same provisions as to payment and reimbursement of advance rentals shall apply to the assigned portion of the Gregory lease as hereinabove provided for the assigned portion of the Farnsworth lease. Also, if the Gas Operator shall acquire the gas rights on the forty-acre tract in Section 53, the same provisions as to payment and reimbursement for and on account of said advance rentals shall apply to said forty-acre tract, as provided in respect to the assigned portion of the Farnsworth lease.

assigned portions of the Gregory and Farnsworth leases, and upon said forty acre tract in Section 35, if and after acquired by the Gas Operator, or upon the estate or interest thereby created, or upon the wells and equipment, and any and all taxes assessed or accruing after the date hereof upon the production, transportation or sale of oil and gas therefrom shall be paid by the party herete owning such leasehold rights, property or production, if such tax upon such rights and production is separately assessed and levied. All such taxes not separately assessed as between Oil Operators and Gas Operator shall be paid by Gas Operator and the amount of said taxes shall be equitably apportioned to

portion to the relative value thereof, and the Oil Operators shall reinburse the Oas Operator for their fair properties of said taxes.

18. Bither berty may essign, in whole or in part, the rights acquired in and by the assignments made concurrently with this contract, or the assignment herein contemplated, but any and all such assignments shall be made expressly subject to each and every of the terms of this contract, and the covenants hereof shall be deemed to be covenants running with the land and shall imre to the benefit of and be hinding upon the successors and assigns of the parties harato. Meither the Cil Operators nor the Cas Operator shall surrender to the United States Government, or to any predecessor in interest of the parties herete, any of the rights assigned or reserved in and by the assignments made consurrently herewith, or the assignment contemplated hereunder, or any rights to be acquired by either party hereto from the other, under the terms of this contract, without first offering to reassign said rights to the other party herete, on condition that the party receiving said assignment shall assume all future obligations under all the existing leases and contracts relating to the land desired to be surrendered, including the payment of the Government advance rentals, and on condition that the party desiring to receive such reassignment shall compensate the prespective assigner for the salvage value of assignor's interest in all casing and other well equipment which the assignee shall desire to take over.

- 19. Each party shall conduct its operations in full conformity with the requirements of law and the regulations and lawful orders of any duly constituted Governmental agency or authority, and the provisions of all applicable leases and contracts, and shall pay and discharge in full its obligations incident to such operations and shall so operate as not to cause any unlawful personal injury or death, or damage to the property of others, and will in all these things save the other party harmless at all times from any duty or obligation or liability in connection therewith, and so as to protect the rights of the other party in and to said premises from furfeiture, loss or cancellation on account of any default of the party in this paragraph first referred to.
- 20. The coat of drilling, equipping, completing and operating producing walls and the salvage value of lease and well equipment upon wells turned over by one party to the other shall, as far as possible, be determined in accordance with the provisions of the Schedule of Accounting Precedure, attached

hereto, and designated Exhibit "A", Where the words "joint lease" or "joint account" are used in said Exhibit they shall mean the subject leases and the accounts of the parties.

21. Before the commencement of any operations hereunder and during the life of this agreement, any party operating hereunder shall carry Workmen's Compensation insurance as required by the laws of the State of New Maxico and shall carry and maintain, with an insurance company or compenies approved by the other or non-operating party, Contractor's Public Liability insurance with limts of \$25,000.00 and \$50,000.00

22. This agreement shall remain in force as to each subdivision of land herein so long as the gas rights and oil rights are separately owned, for the full term of the Government lease or leases involved and any extension or renswal thereof; provided, however, that the termination of this contract shall not affect or alter the terms and conditions of the contract of July 16, 1956 as smended hereby.

WITTERS the execution hereo	f the day and year herein first above
ard then.	ANDERSON-PRIGRAND OIL CORPORATION
May Bearetary	By Fresident
ATTEST	By CLSEN OIL SOMPANY  President
g.M. Shelley	THE W-K ROTALTY COMPANY By Marille
Asst. Secretary	Oll Operators
ASSISTANT SOCIETY	APPROVED  APPROVED  LEAND DEPT LAND DEPT HCM (

STATE OF Oklahoma

to me personally known, who, being by me dely successful any that he is the majoritation of minimized out and confident, and that the seal affirms to said instrument is the corporate seal of said corporation and that said instrument was algorit and sealed in behalf of said corporation by authority of its Board of Directors, and said of final corporation.

IN VIDESS VERROOF, I have hereunte set my hand and affined my constant seal that and refined my constant and year first above unities.

J. E. Simmons.

MPROVED

STATE OF ONLAHOMA

88:

On this the day of the personally known, who, being by me dely sworn, did say that he is the the the seal affined to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in bahalf of said corporation by sutherity of its Beard of Directors, and said not and corporation.

Bet and doed of said corporation.

IN WITHESS WHEREOF, I have horsente set my head and affixed my notorial seal the day and year first above written.

hy commission expires June 29-1940

Slux Dinson

COUNTY OF UKLAHOMA,

**33** :

STATE OF OKLAHOMA.

On this set day of Mermin, 1938, before me appeared

R. Occur, to me personally known, who, being by me duly swarn,
did say that he is the Sound instrument is the corporate seal of said corporation and that said instrument was signed and scaled in behalf of said
corporation by authority of its Board of Directors, and said R. Olecan
colmowledged said instrument to be the free act and deed of said corporation.

IN WITHESS WHEREOF, I have hereunts set my head and affixed my
material seal the day and year first above written.

My commission expires April 13.1941

alurta R. Jones

COURT	CI	SEDGWICK	) 35:
STATE	or .	KANSAS	

On this 12th day of December , 1938, before me appeared L. E. Winkler , to me personally known, who, being by me duly sworm, did say that he is the Vice-President of THE W-K HOYALTY COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that suid instrument was signed one sealed in tehalf of said corporation by sutherity of its Beard of Directors, and said L. E. Winkler acknowledged said instrument to be the free set and deed of said corporation.

IN WITHESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year first above written.

My complession expires September 12, 1942

Mary E. Cearl

APPROJECT

#### EXHIBIT "A"

## ACCOUNTING PROCEDURE

The Operator shall bill the Non-Operators on or before the last day of each month for their proportionate share of costs and expenditures less proper credits for any miscellaneous income received for the joint account during the preceding calendar month. Itemized statements shall accompany such bills. Operator's monthly billing to each Non-Operator shall reflect credit for any amounts advanced to cover development and operating costs for that particular calendar month; and if the amount advanced was in excess of the actual expenditure made, Operator's billing shall be accompanied by check to refund the credit balance reflected. If actual expenditures exceed the amount advanced, each party shall pay its proportionate share of such deficit within fifteen days after the receipt of billing. If payment is not made within such time, the unpaid balance shall bear interest at the rate of 6 per cent per annum until paid. Payment of any such bill shall not prejudice the right of any party to protest or question the correctness thereof.

Operator shall have and be entitled to a prior lien on all the rights and interests of Non-Operator in said lease, the production therefrom, and the material and equipment thereon, to secure the payment by Non-Operator of his proportion of costs, charges and expenses of developing and operating the joint lease as herein provided.

Operator shall furnish Non-Operator with copies of well logs of each well drilled on the joint lease; and on request, Non-Operator shall be furnished samples of cuttings from the formations drilled.

Non-Operator shall have access to the joint lease premises, and to all books and records pertaining to said joint operation for the purpose of inspection at all reasonable times.

The joint account shall not be charged with any expenditures or contributions made by the Operator toward an employees' stock purchase, group life insurance, pension, retirement, bonus, or other employees' benefit plan, except such expenditures or contributions as are imposed or required by Governmental authority.

1.—DEVELOPMENT AND OPERATING CHARGES:

Operator shall charge the joint lease account with the following items:

- (1) Delay rentals, when such rentals are paid by the Operator for the joint lease account. Royalties, when not to be paid direct to Royalty Owners by the purchasers of the oil, gas, casinghead gas or other products of the lease.
- (2) Labor, teaming, and other services necessary for the development, maintenance and operation of the property.
- (3) Materials, equipment and supplies purchased, and/or furnished by Operator from its warehouse stocks or from its other leases for use on the joint lease. Insofar as is reasonably practical and consistent with efficient and economical operation, only such materials shall be purchased for or transferred to the joint lease as are required for immediate use, and the accumulation of warehouse and/or lease stock on the joint property shall be avoided.
- (4) Moving material to the joint lease from Vendor's or from Operator's warehouse in the district, or from other leases of Operator: but in either of the last events, the distance charged to the joint lease shall not exceed the distance from the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator.
- Moving surplus materials from the joint lease to outside Vendees, if sold f.o.b. destination, or minor returns to Operator's warehouse; but charge against the joint lease account for moving major surplus materials to Operator's warehouse, shall not exceed the cost of moving such material to the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator; and no charge shall be made to joint lease account for moving materials to other leases belonging to Operator, except by special agreement with Non-Operator.
- (6) Use of and service by Operator's exclusively owned equipment and utilities at rates not exceeding those prevailing in the district where the joint lease is located unless definitely stated under Section II, "Basis of Charges to Joint Account."
- (7) Damages or losses incurred by fire, flood, storm or other accidental or natural causes.
- (8) All costs and expenses of litigation, or legal services otherwise, necessary or expedient for the protection of the joint interests, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the joint account or the subject matter of this agreement; actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.
  - (a) If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder, may be handled by the legal staff of one or more of the parties hereto, and a charge commensurate with the services rendered may be made against the joint lease account, but no such charge shall be made until approved by the legal department of or attorneys for the respective parties hereto.
  - (b) Fees and expenses of outside attorneys shall not be charged to the joint lease account unless authorized by a vote of the majority of the interests hereunder.
- (9) All taxes of every kind and nature (except income taxes, and except gross production taxes not required by law to be paid by the Operator) assessed upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the operator. Upon timely notice given by any Non-Operator, the Operator shall, on behalf of the Non-Operator giving such notice, protest the payment of such Non-Operator's share of any such tax or taxes so paid, but Operator shall have no further obligation with respect to such protested tax payment.
- (10) Premiums for workmen's compensation, contractor's public liability and employers' liability insurance on the joint lease operations, and/or public liability and property damage insurance on jointly owned automotive equipment operated for the joint lease, if any such insurance carried or required to be carried for the joint account; together with all expenditures incurred and paid in settlement of claims or judgments, not recovered from the insurance carrier to fully discharge all liability of Operator ensuing from an accident occuring on or in connection with operations for the benefit of the joint lease.
- (11) If no insurance is carried or required to be carried on any or all of the above or other risks, all actual expenditures incurred and paid by the Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses including legal services shall be charged to the joint lease account. SAL SECTION क विद्यासाम् । एक्किक्किक विद्यालक अधिक । अधिक । विद्यालक विद्यालक ।
- (12) A proportionate share of the salaries and expenses of Operator's District Superintendent and other general District Employees serving the lease, whose time is not allocated directly to the lease, and a proportionate share of maintaining and operating a District Office in conducting the management of operations on the joint lease and other leases owned and operated by Operator in the same locality, such charges to be apportioned to all leases served in the ratios of direct labor payroll charges, numbers of wells, or on some other equitable basis consistent with Operator's accounting practice.
- (13) Camp Expense: The expense of providing and maintaining on or in the vicinity of the joint lease all necessary camps, housing facilities for employees, and boarding employees, if necessary. When leases other than the joint lease are served by these facilities, then an equitable distribution of expense including depreciation, or a fair monthly rental in lieur of the investment, maintenance and operating cost of buildings and camp equipment, shall be provided against all leases served.
- maintenance and operating cost of buildings and camp equipment, shall be prorated against all leases served.

  (14) Handling Charges: To cover the cost of handling material into and in the warehouse, a handling charge not in excess of 5% of the net cost of the material, new or second-hand, placed upon the lease from the Operator's warehouse may be assessed against the joint account; except that,

  (a) On new tubular goods (2" and over), tanks, derricks, hollers, engines, compressors, pumps, and other major items of equipment, no handling charge shall be assessed against the joint account;

  (b) On second-hand tubular goods (2" and over), tanks, derricks, boilers, engines, compressors, pumps, and other major items of equipment, a handling charge not in except of 25% of the net cost may be assessed against the joint account.

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- (15) Overhead charges, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employees of the Operator, including the division superintendent, the entire staff and expenses of the division office, and any portion of the office expense of the principal business office of the Operator, but are not in lieu of district or field office expenses incurred in developing and operating any such properties, or any other expenses of the Operator incurred in the development and operation of said leases; and the Operator shall have the right to assess against the properties covered hereby, the following overhead charges:
  - (a) \$ 100.00 per well per month for each drilling well, beginning on the date the well is spudded and terminating when it is on production or is plugged, as the case may be; except that no charge shall be made during suspension of drilling operations for 15 or more consecutive days.

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- (b) \$ 25.00 per well per month for the first 5 producing wells.
- (c) \$ \_\_\_15\_00 per well per month for the second 5 \_\_\_ producing wells.
- (d) \$ 10.00 per well per month for all producing wells over 10

The above overhead schedule on producing wells shall be applied to individual leases; provided that where leases covered by this agreement are operated as a unitized project in the interest of economic development the schedule shall be applied to the total number of wells irrespective of individual leases.

In connection with overhead charges, the status of wells shall be as follows:

In-put or key wells shall be included in overhead schedule the same as producing oil wells.

Salt water disposal wells shall not be included in overhead schedule.

Producing gas wells shall be included in overhead schedule the same as producing oil wells.

Wells permanently shut down but on which plugging operations are deferred, shall be dropped from overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during time required for the plugging operation.

Wells being plugged back or drilled deeper shall be included in overhead schedule the same as drilling wells.

Various wells may be shut down temporarily and later replaced on production. If and when a well is shut down and not produced or worked upon for a period of a full calendar month, it shall not be included on the overhead schedule for such month.

The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

100 Any other items of cost and expense incurred by Operator for the necessary and proper development, equipment and operation of the joint lease.

#### II.—BASIS OF CHARGES TO JOINT ACCOUNT:

- 1) Outside Purchases: All materials and equipment purchased and all service procured from outside sources will be charged at their actual cost to Operator after deducting any and all trade and/or cash discounts actually allowed off invoices or received by Operator.
- 2) New Materials furnished by Operator (Condition "A").

New Materials transferred to lease from Operator's warehouse or other leases shall be priced f.o.b. the nearest supply store or railway receiving point, at replacement cost of the same kind of materials. This will include large equipment such as tanks, rigs, pumps, boilers and engines. All tubular goods (2" and over) will be charged on the basis of mill-shipment, or carload price. Other materials, where the replacement cost cannot be readily ascertained, may, for the purpose of consistency and convenience, be charged on the basis of a reputable Supply Company's Preferential List Price, f.o.b. nearest supply store or railway receiving point to the lease, prevailing on the date of transfer of the materials to the lease. Cash discounts shall not be included in calculating cost prices of such transferred materials.

- (3) Second-Hand Materials furnished by Operator (Condition "B" and "C").
  - (a) Tubular goods (2" and over), fittings, registered machinery, and other equipment which is in sound and serviceable condition at date of transfer, will be classed as Condition "B" and charged at 75% of the price of new materials, in accordance with the provisions of Paragraph (2) above.
  - (b) Tanks, derricks, and buildings or other equipment involving erection costs on the joint lease, will be charged on a basis not to exceed 75% of knocked-down new price for similar materials.
  - Other materials and supplies, hardware, building materials, and similar items, in sound, serviceable condition, will be classed as condition "B" and charged at 75% of the price of new materials, in accordance with the provisions of paragraph (2) above.
  - (d) Other second-hand materials, such as units of machinery or other equipment that is serviceable, but substantially not good enough to be considered first-class second-hand material when transferred to the lease, will be classed as Condition "C" and charged at 50% of new price.
  - (e) There may also be cases when some items of equipment, due to their unusual condition, should be arbitrarily priced at an appraised figure.
- (4) Warranty of Materials Furnished by Operator: Operator does not warrant the materials furnished by it from its warehouse or other leases beyond or back of the dealer's or manufacturer's guaranty; and in case of defective materials, credit shall not be passed until adjustment has been received by it from the manufacturers or their agents.
- (5) Operator's Exclusively Owned Facilities: The following rates shall apply to service rendered to the lease by facilities owned exclusively by Operator:
  - (a) Water service, fuel gas, teaming, power, and compressor service: At rates commensurate with the cost of providing and furnishing such service to the joint lease, but not exceeding rates currently prevailing in the field where the joint lease is located.
  - b) Automotive Equipment: At rates commensurate with cost of ownership and operation and in line with schedule of rates adopted as recommended uniform standardized charges against joint lease account and revised from time to time by the Petroleum Motor Transport Association. Automotive rates shall include cost of oil, gas, repairs and other operating expenses and depreciation, and charges shall be based on use in actual service on, or in connection with, the joint lease. Following is schedule of Operator's present effective rates on automotive equipment in development and producing operations:

#### Automobiles:

Fords, Chevrolets, Plymouths and cars of like class.	\$ 3.50 p	er d	lay
Dodges and cars of like class	\$ 4.50 p	er d	lay
Buicks and cars of like class	\$ 5.00 p	oer d	lav

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Trucks (Other than Well Servicing Units):

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1½ Ton or less rated capacity trucks	\$ 1.50	. per	hr.
2 Ton trucks	\$ 2.50	. per	hr.
2½ and 3 ton trucks			
5 Ton plus trucks	\$ 6.00	. per	hr.
he above rates for truck service include wages and expense of driver.			
ractors (Other Than Well Servicing Units):			
Fordson and others of comparable cost	\$ 1.25	. per	hr.
Rumley and others of comparable cost	\$ 2.00	per	hr.
Caterpillar Tractors-ior each one-ton rated capacity or stated size of unit	\$ 0.50	. per	hr.

#### **Automotive Well Servicing Units:**

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In the event automotive well servicing units are furnished complete with tools and equipment, the rate charged shall be determined in keeping with the cost of ownership, operation, maintenance and depreciation of same.

- (c) A fair rate shall be charged for the use of drilling and cleaning out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint lease.
- (d) Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

### 111.-DISPOSAL OF LEASE EQUIPMENT AND MATERIALS:

The above rates for tractor service do not include wages of drivers.

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or second-hand materials or equipment on the joint lease. Upon request of Operator, Non-Operator shall participate in a division in kind. Rigs, tanks, buildings and other major items of surplus equipment shall not be removed by Operator to its full interest warehouse or lease without the approval of Non-Operator. Operator shall not sell major items of jointly owned equipment to a third party without giving Non-Operator an opportunity either to purchase same at the price offered or to take its share of equipment in kind.

- (1) Materials purchased by Operator shall be credited by it to the joint lease account and included in the monthly statement of operations for the month in which the materials are removed from the lease.
- (2) Materials purchased by Non-Operator shall be invoiced by Operator, and paid for by Non-Operator to Operator immediately following receipt of invoice and delivery of materials. The Operator will thereupon immediately pass credit to the joint lease account and include same in the monthly statement of operations for the month in which the materials were paid for by Non-Operator.
- (3) Division of materials in kind, if made between Operator and Non-Operator shall be in proportion to their respective interests in the joint lease. Each party will thereupon be charged individually with the value of the materials received or receivable by it, and corresponding credits will be made to the joint lease account by Operator, and both credits shall appear in the same monthly operating statement.
- (4) Sales to outsiders of materials or equipment from the joint lease shall be credited by Operator to the joint lease account at the full amount collected by him from Vendee. Any claims by Vendee for defective materials or otherwise shall be charged back to the joint lease account.

### IV.—BASIS OF PRICING MATERIALS TRANSFERRED FROM JOINT LEASE:

Materials and equipment purchased by either Operator or Non-Operator, or divided in kind between them, unless otherwise agreed, shall be valued on the following basis of condition and price. (New price as used in the following paragraphs shall have the same meaning and application as that used above in numbered Paragraph (2) under "Basis of Charges to Joint Account" for materials furnished by Operator.)

- (1) New Materials: (Condition "A") being new equipment or supplies purchased or procured for the lease, but never used thereon; at 100% of current new prices.
- (2) Good Second-Hand Materials: (Condition "B") being good serviceable materials which are further usable without repair, at:
  (a) 75% of current new prices, if they were originally new materials when charged to the lease:
  - (b) 75% of current new prices less 25% depreciation for their usage on and service to the joint lease, if materials were originally charged to the lease as second-hand at 75% of new prices.
- (3) Other Used Materials: (Condition "C") being materials further usable for their original function only after repair and reconditioning; at 50% of current new prices.
- (4) Bad Order Materials: (Condition "D") being materials not further usable for their original function, but for possible other service; at 25% of current new prices.
- (5) Junk: (Condition "E") being obsolete and unserviceable materials; at prevailing junk prices in the district. Where practicable, junk will be disposed of at the lease.
- (6) Temporarily Used Materials: When the use of certain items of equipment on the joint lease was only temporary, and the time of actual use thereon does not justify the deduction of depreciation as listed in Paragraph (2-b), such materials will be priced on a basis that will leave a net charge against the lease account consistent with the service rendered and adequate for the time the materials were in use.

#### V...INVENTORIES:

- (1) Periodic inventories shall be taken by Coerator of the materials and equipment on the joint lease, which shall include such materials and equipment as are ordinarily considered controllable by operators of oil and gas properties.
- (2) Notice of intention to take inventory shall be given by Operator to Non-Operator a week before any inventory is to begin, so that Non-Operator may be represented when any inventory is taken.
- (3) Failure of Non-Operator to be represented at the physical inventory shall bind him to accept the inventory taken by Operator who shall in that event furnish Non-Operator with a copy thereof.
- (4) Reconciliation of inventory with charges to the joint lease acount shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.
- (5) Inventory adjustments shall be made by Operator on the Joint lease account for overages and shortages, but Operator shall only be held accountable to Non-Operator for shortages due to lack of reasonable diligence.



Form 3106—14 (September 1982)

# UN D STATES DEPARTMENT OF THE INTERIOR

# BUREAU OF LAND MANAGEMENT

	FORM APPROVED OMB NO. 1004-0034	
	Expires: August 31, 1985	
Lease	Serial No.	•

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	TRANSFER,	ASSIGNMENT, OR SUBLEASE	
)F	<b>OPERATING</b>	RIGHTS IN OIL AND GAS LEASE	

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	07-29-	-37

of or analysis more more and an arrangement of the second	07-29-37
PART I	
1. Assignee's Name	
EL PASO PRODUCTION COMPANY	
Address (include zip code)	
801 Cherry Street, Fort Worth, Texas 76102	

percent of operating rights in the above-designated oil and gas lease, hereby transfers, assigns, The undersigned, as owner of 100 and/or sublesses to the assignee shown above, the operating rights in such lease as specified below.

2. Describe the lands affected by this transfer, assignment, and/or sublease (43 CFR 3101.2-3 or 3101.1-4)

# Township 26 South - Range 37 East

Section 10: SW/4SW/4, SE/4SE/4 Section 15: NE/4NE/4, NW/4NW/4, S/2N/2

Insofar as said lease covers gas rights only down to a depth of 4,000 feet

Lea County, New Mexico

APPROVAL DOES NOT WARRANT THAT EITHER PARTY TO THIS TRANSFER HOLDS LEGAL OR EQUITABLE TITLE TO THIS LEASE.

OF JULY 16, 1986.  EL PASO NATURAL GAS COMPANY  BY:  (Assignor's Signature)  Attorney-In-Fact	P. O. Bo		79978 (Zip Code)	
OF JULY 16, 1986.  EL PASO NATURAL GAS COMPANY  BY: Free ()  (Assigner's Signature)	P. 0. Bo	x 1492 Assignor's Address)		
OF JULY 16, 1986.  EL PASO NATURAL GAS COMPANY  BY: Free ()  (Assigner's Signature)	P. 0. Bo	x 1492	RTIES AS	
OF JULY 16, 1986. EL PASO NATURAL GAS COMPANY BY: P. Seu W.	P. 0. Bo	x 1492	RTIES AS	
OF JULY 16, 1986. EL PASO NATURAL GAS COMPANY			RTIES AS	
OF JULY 16, 1986.	TO BE EFFECTIVE	BETWEEN THE PAR	RTIES AS	
Executed this 06, day of February , 1987.	TO BE EFFECTIVE	BETWEEN THE PAR	RTIES AS	
CERTIFY That the statements made herein are true, complete, and con	rect to the best of my kno	wledge and belief and	are made in good f	
7 1/2 percent, shall be suspended when the average production of oil p	oer well per day averaged	on the monthly basis i	is 15 barrels or les	
t is agreed that the obligation to pay any overriding royalties or paym verriding royalties or payments out of production previously created an				
If any payments out of production have previously been created out of transfer, assignment, or sublease, attach statement giving full deta provided under 43 CFR 3106.	nils as to amount, metho	d of payment, and oth	ner pertinent term	
6. Specify overriding royalty previously reserved or conveyed, if any			N/A	
5. Specify overriding royalty interest being reserved by assignor			-0-	
. Specify interest of percent of operating rights being retained by #351	gnor		-0-	
. Specify interest or percent of operating rights being retained by assi			100%	

(Title) (Date) NOTE: This form may be reproduced provided that copies are exact reproductions on one sheet of both sides of this official form in accordance with provisions of 43 CFR 3106:

1st Dolores L Vigil

CHIEF, LANDS AND OIL AND GAS UNIT

(Authorized Officer)

MAY 2 1 1987

MAY

Assignment approved effective

1 1987

# ASSIGNEE'S APPLICATION FOR APPROVAL OF TRANSFER OF OPERATING RIGHTS AND/OR OPERATING AGREEMENT (SUBLEASE)

- A. ASSIGNEE CERTIFIES THAT the assignee and all other parties in interest (as defined in 43 CFR 3100.0-5(b)) in this assignment are:
- 1. Citizens of the United States or qualified alien stockholders in a domestic corporation; association of the United States: or any State or Territory thereof; or municipalities.
- 2. Of the age of majority in the State where the lands to be assigned are located.
- 3. In compliance with the acreage limitation set forth in 43 CFR 3101.1-5 and 3101.2-4.
- B. ASSIGNEE AGREES That, upon approval of this transfer of operating rights and/or operating agreement (sublease) by the authorized officer of the Bureau of Land Management, he will be bound by the terms and conditions of the lease described herein as to the interests covered by this assignment, including, but not limited to, the obligation to conduct all operations on the leasehold in accordance with the terms and conditions of the lease, to condition all wells for proper abandonment to restore the leased lands upon completion of any drilling operations as prescribed in the lease, and to furnish and maintain such bond as may be required by the lessor pursuant to the regulations (43 CFR 3104.2).
- C. IT IS HEREBY CERTIFIED That the statements made herein are true, complete, and correct to the best of undersigned's knowledge and belief and are made in good faith.

February Executed this 11th day of FEL PASO PRODUCTION COMPANY 11th

, 19 87

ssignee's Signature)

801 CHERRY STREET

(Assignee's Address)

VICE-PRESIDENT

BY:

FORT WORTH

**TEXAS** 

76102

(City)

(State)

(Zip Code)

tite 18 U.S.C., Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United tates any false, fictitious, or fraudulent statements or representations as to any matter within its jurisdiction.

#### INSTRUCTIONS

- 1. USE OF FORM Use only for assignment of operating rights (including working interests) in oil and gas leases. If transfer of operating rights is accompanied by an operating agreement, a single copy of such agreement must be submitted with the assignment. If more than one transfer of operating rights is made out of a lease, a separate instrument of transfer is required for each assignment. A separate instrument of assignment shall be used for each lease out of which an assignment
- 2. FILING AND NUMBER OF COPIES File three (3) completed
- and manually signed copies in the appropriate BLM office.  $\ \Lambda$ \$25.00 nonrefundable filing fee must accompany this assignment. File assignment within ninety (90) days after date of final execution.
- 3. EFFECTIVE DATE OF ASSIGNMENT The assignment, if approved, takes effect on the first day of the month following the date of filing of all required papers. If an operator's bond is required, it must be furnished prior to approval of the assignment.

#### NOTICE

The Privacy Act of 1974 and the regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this assignment and quest for approval.

AUTHORITY: 30 U.S.C. et. seq.

PRINCIPAL PURPOSE - The information is to be used to process the assignment and request for approval.

ROUTINE USES

- (1) The adjudication of the assignee's rights to the land or
- resources.
  (2) Documentation for public information in support of nota-
- disposal, and use of public lands and resources.

  Transfer to appropriate Federal agencies when concurrence is required prior to granting a right in public leads or secured.
- lands or resources.

  (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions.

EFFECT OF NOT PROVIDING INFORMATION - If all the information is not provided, the assignment may be rejected.

The Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.) requires us to inform you that:

This information is being collected pursuant to the law (43 CFR 3106-3(c)). This information will be used to create a record of lease assignment. Response to this request is required to obtain a benefit.

# ELECTIVE OF CONTRACTOR

THIS ACREMENT, made and mentered into this 50th day of Movember,
A.D., 1944, by and between STANGLING OCC. AND BAS COMPANY, a Delaware corporation, hereins flow restangling and R. CLECK CIL COMPANY, a
Delaware corporation, hereins flow restangling black?

# With HERSELFE

That, Whereas, by assignments bearing even date herewith Olsen essigned to Stanolind all of its undivided one-half (1/2) interest in and to the collowing described eil and gas lesses issued under the Act of Congress approved February 25, 1920, to the extent, and only to the extent, that they cover the following described land, viz:

LEASE NUMBER LAS CRUCES	DATE !!	ORIGINAL LESSEE	LAND DESCRIPTION
1.			
054667	January 13,1920	L. W. Gregory	In T25S,R37E
2.			360. 551 WZ, 3E/4
032510(b)	mly 29, 1957	R. Olson Oll Company,	<u>In T258, R37E</u> Sec. 34: SE/4
			Sec. 35: S/2, NE/4
17			In T268, R37E
1.00			Sec. 10: SE/LSE/L. SW/LSW/L.
	7		8W/45W/4, Sec. 15: NE/4NE/4,
			Sec. 23: SW/4 NW/4,
			MW/4 NW/4, S/2 M/2   Sec. 23: SW/4 NW/4,   E/2 SW/4   Sec. 24: NE/4, M/2NW/4
<b>3.</b>			
0 <b>3</b> 2510(c)	July 29, 19371	R. Olson Oll Company	Log 7268, R572
	4 ,		1 Sec. 23: SE/LSE/L 1 Sec. 24: SE/L 5/25W/L
			24, 52/4 5/25//4
L.			
( 054668	April 12, 1954	Stanolind Oil and Gas Company	
			Sec. 4: All

All in Les County, New Mexico

And, Whereas, said assignments, four in number, were made expressly subject to the applicable terms and conditions of the \$\text{2}\] llowing described leases, assignments, and contracts: vis:

A. The said leases and terms and sanditions thereof:

B. The operating agreements made by the original prospecting permittees to the extent that said agreements apply to said land;

- C. The applicable terms and provisions of the operating contract of July 16, 1936 between Stanolind, Usean Cil Company and Anderson-Prichard Cil Corporation:
- D. The applicable terms and provisions of the contracts dated November 16, 1938, and May 1, 1939, by and between Olsen and others and Stanolind:
- E. The operating contract dated June 25, 1952 between Olsen and. The Atlantic Refining Company, which applies to N/2 NE/4, N/2 SE/4 Sec. 35; N/2 SE/4 Sec. 34, T.258, R37E:
- F. The Gas Operating Contract and Casinghead Gas Sales Contract; both dated November 6, 1939, between Olsen et al and El Paso Natural Gas. Company, which applies to the S/2, E/2NW/4, NW/4 NW/4, Sec. 33; SE/4 Sec. 34; S/2, NE/4; Sec. 35, T258, R37E:
- G. That certain unrecorded operating agreement dated July 12, 1937 by and between Anderson-Prinhard Oil Corporation as operator, and R. Olsen Oil Company and the N-K Hoyalty Company as non-operators, which applies to the NW/4 Sec. 53, T253, R572;

E. An overriding repulsy edital, held by A. E. Hernes under contracts of record covering the Annal Specified in Lease. Les Graces 052510(b) and 052510(c).

And, Thereas, the making of the proving Agreement is part.
Of the consideration for said decisions.

NOW, THEREFORE, for and in consideration of the sum of Ten and no/100 Bollars (\$10.00) in hand paid by Olsen to Stanolind, receipt and sufficiency of which is hereby acknowledged and in consideration of the covenants and agreements herein contained, to be kept and performed by the parties hereto, such parties do hereby covenant and agree as follows:

Unless otherwise herein stated, all references hereinafter made to the above mentioned oil and gas lesses shall be limited to the extant that such references shall be applicable only to the undivided one-half (1/2) interest acquired by Stanolind under and by virtue of said assignments in and to such lesses insofar as same cover the tracts of land hereinsove specifically described.

II a

Stanolind hereby gives and grants to Olsen, its successors and assigns, the exclusive oil and gas rights, limited however to formations encountered at and above the depth of 3500 feet from the surface of the ground, in and to SW/4 MW/s, E/2 SW/4, SE/4 Sec. 23; E/2, E/2 NW/4, S/2 SW/4 Sec. 24, T265, R37E, together with the oil rights and all rights and privileges of the oil operator under the above described contracts of November 16, 1938, May 1, 1939, and Movember 6, 1939, whichever may be applicable, in and to the following described limits vist.

# The Property of the Control of the C

Bee. 331 W/2, BE/4 Bee. 351 S/2, ME/4

# In Township 26 South Bence 37 Bast

Sec. 47 All Sec.10: 8E/4 SE/4, 87/4 SW/4 Sec.15: EE/4 EE/4, WE/4 EE/4, S/2 E/2

limited, however, likewise to formations ensemblered at and above the depth of 3500 feet from the surface of the grants. The rights hereby granted dull include the right to explore, drill, develop, and operate on said land for the discovery, production, saving, storing, and marketing thereforem of the substances the subject matter of this grant. This grant is made expressly subject to the terms, conditions, and provisions of all the above described.

leases, assignments and contracts to the extent that they apply to the above described lands, substances and formations the subject matter of this grant, except that the obligation centained in Section 1 of the contract of July 16, 1936, as modified, is hereby suspended as to the rights acquired by Stanolind under the essignments from Dison dated concurrently herewith, unless, until, or to the extent that said rights are hereby, or may be hereafter for any reason reacquired by Olsen, but otherwise to remain in full force and effect except as previously modified; and during the period of suspension no credit shall accrue to Olsen by reason of any oil or gas produced from the above described land by Stanolind from formations encountered at a depth below 3500 feet. All such rights as to such formations lying below a depth of 3500 feet from the surface of the ground are expressly reserved by Stanolind, for itself, its successors and assigns.

If, as authorized and provided under the rules and regulations of the Secretary of the Interior, an election is made to pay compensatory royalties to the lessor in any lease in lieu of drilling any offset well or wells, such compensatory royalties shall be wholly borne by Olsen in the event the payment thereof is occasioned by offset wells producing at depths less than 3500 feet below the surface of the ground, and shall be borne wholly by Stanolind in the event the payment thereof is occasioned by offset wells producing at depths greather than 3500 feet below the sufface of the ground.

a. As between the parties here's and other persons, associations, or corporations holding oil or gas working interests or operating rights in any of the above described land, the parameters and recovery of advance rentals shall be governed by the previsions at existing lesses and contracts.

b. As between Stanolind and Olean, it is agreed that Stanolind shall pay or advance any rentals required to be paid or advanced under existing leases or contracts by the owner of the weaking interest rights

in the above described land. Stanelind may be reinbursed for the payment or advancement of said rentals as follows:

o. In the event that the lands or interests therein affected by this dontract and consurrent assignment are assessmentive of the substances affected by said contract and assignment at the date when the respective rentals became the, Claen shall reductives attending for one thalf (1/2) of the rentals so paid and advanced by the described shall be made within fifteen days (15) days after billing therefor.

d. Likewise if the lands and interests therein which are the subject matter of this contract and concurrent assignment assignment, both from one or more horizons above the depth of 5500 feet and from one or more horizons below the depth of 5500 feet, Olsen shall likewise within fifteen (15) days after demand repay Stanolind for one-half (1/2) of the rentals so advanced; or at the option of Stanolind, Stanolind may carry said rentals for the current year for which paid and secure such reimburse ent out of such production as it is permitted to secure out of the federal royalty according from production both above and below the depth of 5500 feet, and at the end of the year bill Olsen for one-half (1/2) of the deficit on the rental account at the end of the year.

- e. In the event that the lands and interests therein the subject matter of this contract and concurrent assignment are productive of the substances the subject of said contract and assignment from horizons solely above the depth of 3500 feet, Olsen shall within fifteen (15) days after demand reimburse Stanolind for the entire remail.
- f. Likewise in the swint that the lands and interests therein the subject matter of said communical academics are productly of the substances which are the subject of said contains and some the subject of said contains in any in formation below a depth of 3500 feet, Standillad thalk neglect bear the entire restal.
- g. The provisions of this matrix shall be applied separately by to the land in each government lease submodel in this contract.

the date out of the government royalty for the year for which the rental to the extent permitted by the terms of the government lease, the laws and regulations, and also to the extent otherwise permitted by applicable contracts, and such rental when paid by either party hereto may be recovered to the extent so allowed from the production of both parties hereto from the lands and interests therein the subject matter of this contract and concurrent assignment. In success where each party hereto has advanced one-half (1/2) of said rentals royalty income creditable against said lands shall be paid one-half (1/2) to each party hereto.

Subject to all other terms and provisions of this agreement, Olsen and Stanolind mutually covenant and agree with the other that they will respect-ively comply with the terms, conditions and covenants and provisions of the above mentioned wil and gas leases, assignments, agreements and contracts, insofar as the same shall apply to their respective interests and will fully comply with all rules and regulations as may now or hereafter be prescribed by any quate or federal authority applicable to their respective interests, and neither Stanolind nor Olsen shall to anything or fail or neglect to do anything in respect to their respective interests which will place may much lease or may part thereof in default ete, shall promptly furnish the and subject to forfeiture. Each party her other party a copy of any notice of default as demand for the performance of the obligations of any applicable lease, easignings, agreement or contract affecting the above described lands and interests, and likewise keep the other party fully posted respecting all melacquent es gotistions in relation thereto by peopleting the of any litigation in relation to about party bereto may in due time take combifor the protection of its interests under the emblect is ments, contracts and agreements. Olsen other shall-wake attempts in good faith to easyly with the forestoing pro-

The long of this person with the control of the con

og bewele shall release its rights here ader or in clease nor abandon any operations performed by it thereon without Three giving written notice thereof to the other party thirty (30) days in sevence of the date upon which release or abandonment is contemplated, and with such notice offering to assign to the other party the releasing or abandoning party's rights in and e immofer as same covers the land or lands intended to be relessed or absorbed on the condition that the party receiving such asalgreent drail assmer all fature obligations under the existing lease md all szisfikky skonyska sz laking and applicable to the land desired and on the condition; that the party electing to been such suctioned shall numbers to the prospective essignor for the salvage salver of sistemor's interest in all casing and vell equipment which the prospective assisses whell desire to take over: the Acometary of the Lorentz and any approved by There shall be no chilgariants elgoment conduced or deliberated purement he still processed.

Taxos on or mensored electronical in so far as same apply to all formations underlying the show lands but above the depth of 3500

feet below the surface of the road, transference and and, fixtures, structures, equipment, and takes on a substitute of the said and, shall be borne by Olsen, and takes on a substitute that the said and in so far as same apply to all formations under the case where the bord and to any depth greater than the depth of \$500 below to the said and the ground, including Stanolind's wells, rise to the said and asset party and facilities on said land, and land asset the said and each party shall attend to the resulting and said asset to the resulting and asset to the prepare of the party of the said attend to the resulting and said asset to the resulting and asset to the prepare of the party of the said attend to the resulting and asset to the prepare of the party.

3110

Each party shall at all times have and enjoy the right of ingress, and egress to and from said parallels, ambient to the rights of the United States and any amplies, processary and sproper in the condust of these sequentials and the said party shall so condust its operations and the said fact limit its improvements, squipment, atmostures, facilities and completes as to interfere little as is reasonably possible with the proventions and the other.

3 1 0 0

This agreement shall remain in force as to each subdivision of lands nerein as to each absent the months of lands nerein as to each absent the months of land gas lease involved with the descriptions for the removal thereof. Each party agrees to assist the same increases to any applications for extensions or renewals of make applications with Samelind agrees at the request of Olsen to make applications to make applications to make applications of said leases or to permit Olsen to make applications.

Addition to the common process of the common of the common

inure to the benefit of, and be binding mom, the sussessors or assigns of the parties hereto.

all notices which may be given tasker the terms of this agreement shall be in writing and shall be deemed to be properly given if given by telegrams or registered letters addressed to the party being notified at the address given below, and the date of giving such notices shall be the date on which such letters are deposited in the United States Post Office at the place of mailing, addressed as aforesaid, with postage prepaid and duly registered, or the date on which telegrams containing such notice and addressed as aforesaid are filed for transmission in the telegraph office:

Stanolind Oil and Gas Company Stanolind Building, Tulsa, Oklahoma

R. Olsen Oil Company 2811 Apro lower Oklahoma City, Oklahoma

. 66

This contract is subject to the consent and approval of the Secretary of the Interior of the United States.

IN WITHERS MERICOF, the parties bereto have executed this in-

ATTEST:

MATRICO EAS OUR AND OAS COMPANY

/sgd/ L. A. Marker Secretary (CORPORATE SEAL)

ATTEST: /sgd/ A. J. Montgomery Asst. Secretary (CORPORATE SEAL)

STATE OF OKLAHOMA

COUNTY OF TULSA

E.F. BULLARD, to me personally at that he is the vice resident of seal array and the seal array and the seal array and the seal array array array array and the seal array array array array array array array. A STATE OF THE STA That it is a second of the sec

Motarial Seal this day and year fire County And alegated any

My comingion capital

(SRAL)

/and/ K. MacCarty Notary Public

STATE OF OMICAHOMA

COUNTY OF Oklahoma

ther A.D., 1944, before me appeared the being by se duly sworn, did say that the seal of ixed to R. OFREN, to see persons at the he is the Prosident of E. Offer id comparation and that said of maid corporation by authority metrocorporation in trumpent said instrument is the corporate seed instrument was signed and seeded for b of its poord of Directors and seid a to be the free set and deed of seid of

ny kondanda Ciled by STALL OF BLUERS WHERE TO A SECOND

#### CERTIFICATE

STATE OF NEW MEXICO ) S COUNTY OF SANTA FE')

The FEDERAL ABSTRACT COMPANY (No Stockholders! Liability), a corporation duly organized and existing under and by virtue of the laws of the State of New Mexico; and duly bonded, and insured, does hereby certify:

In WITNESS WHEREOF, the FEDERAL ABSTRACT COMPANY (No Stock-holders' Liability) has caused this Certificate to be signed by its Secretary, and its Corporate Seal to be hereunto affixed at Santa Fe, New Mexico, on this the 11th day of October, 1957, at 10:00 A.M.

No. 1011571

FEDERAL ABSTRACT COMPANY

Wight, Secretar

NM 159

## AMENDMENT TO CONTRACT

THIS CONTRACT, Made this 31st day of May, 1939, by and between ANDERSON-PRICHARD OIL CORPORATION, a corporation, R. OLSEN OIL COMPANY, corporation, and the W-K ROYALTY COMPANY, a corporation, Parties of the First Part, hereinafter called "Oil Operators", and STANOLIND OIL AND GAS COMPANY, a corporation, Party of the Second Part, hereinafter called "Gas Operator":

WITNESSETH THAT:

WHEREAS, on November 16, 1938, the parties hereto entered into a contract for the acquisition by Gas Operator of certain gas operating and producing rights on the following described lands of the United States:

Government Lease Serial No. Las Cruces 032510(b) to the extent that it covers SWASWA, SEASE Sec. 10; NUANTA, NEARE, SANA Sec. 15, T26S, R37E;

Government Lease Serial No. Las Cruces 054668, to the extent that it covers all Sec. 4, T26S, R37E;

Government Lease Serial No. Las Cruces 054667 to the extent that it covers NE NI Sec. 33, T253, R37E; and

sequent thereto, the Oil Operators have assigned to the Gas Operator the legal title to the gas rights in and to said above described land; and

AHEREAS, the parties now desire that the Gas Operator shall retain all the rights granted to it in and by said contract, but that Oil Operators shall retain legal title to said Government leases subject to said contract, and the parties desire to amend said contract accordingly.

NOW, THEREFORE, in consideration of the premises and of the mutual promises and agreements herein contained, it is agreed as follows:

- l. It is agreed that the above described assignments of legal title are cancelled and terminated and shall be by the Gas Operator withdrawn from the General Land Office of the United States where they are now on file awaiting approval.
- 2. It is agreed that the legal title to said leases shall be held, retained and owned by the Oil Operators, subject, however, to each and all of the terms and conditions of said contract of November 16, 1938.

- 3. Par. 16 of said contract is hereby amended so that 0il Operators, as Government leases, shall pay the annual rentals due on the respective Government leases which embrace the land the subject matter of this contract and shall be entitled to prompt reimbrusement from the Gas Operator for the rental on each lease as to the lands therein the subject matter of this contract whenever and to the extent that the Gas Operator is required by Par. 16 of said contract to pay and bear said rentals, and whenever and to the extent that it is provided by said Far. 16 that the 0il Operators shall reimburse the Gas Operator in whole or in part for such rentals, the 0il Operators shall bear the same. The party or parties hereto bearing said rentals shall have all rights in respect thereto as defined in said Par. 16.
- 4. It is agreed that the first sentence of Per. 18 of the contract may be stricken out and in its place the following language substituted:

"No assignment by Gas Operator, in whole or in part, without the consent in writing of Oil Operators, nor any assignment in whole or in part by any Oil Operator, without the consent of Gas Operator, of any of its right, title and interest in and to the land the subject matter of this contract, shall be valid. Subject to this restriction, the covenants hereof shall be deemed to be covenants running with the land and shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto."

5. The Oil Operators do hereby grant and confirm unto his Corator all of the rights granted to it in and by said contract of hovember 16. 1938, and the parties hereto agree that said contract, except as herein ex ressly amended shall be and remain in full force and effect as to all of its terms and provisions.

IN TIMES THEREOF, the parties hereto have caused these presents to be executed by their officers thereunto duly authorized, and their corporate seeds to be hereunto offixed, the day and year first above written.

	ANDER ON- RICHED OIL CORPORATION
secretary	Ву
	President
ATTEST:	R. OLDEN OIL COMPANY
Secretary	resident
APPLOT:	W-K ROYLLTY COMPANY
Asst Secretary	By Fresident
Leccarbei	TWOMIND OIL POSS CONTAIN
· Secretary	Vice Fresident of

# L

STATE OF OKLAHOMA COUNTY OF OKLAHOMA SS.

On thisday of, 1939, before me appeared, to me personally known, who, being by me duly sworn did say that he is the President of ANDERSON-PRICHARD OIL
to me personally known, who, being
by me duly sworn did say that he is the President of ANDERSON-PRICHARD OIL
CORPORATION, and that the seal affixed to said instrument is the corporate
seal of said corporation, and that said instrument was signed and sealed
in behalf of said corporation by authority of its board of directors, and
said acknowledged said instrument
to be the free act and deed of said corporation.
IN WITNESS WEREOF, I have hereunto set my hand and affixed my
Notarial seal the day and year first above written.
My commission expires ///
Notary Public
OT WIE OF OKLAHOMA )
COUNTY OF OKLAHOMA) 55.
On this 14th, day of func, 1939, before me appeared, to me personally known, who, being by me duly sworn did say that he is the President of R. OLSEN OIL COMPANY,
by me duly sworn did say that he is the President of R. OLSEN OIL COMPANY,
and that the seal affixed to said instrument is the corporate seal of said
corporation, and that said instrument was signed and sealed in behalf of
said corporation by authority of its board of directors, and said
R Claumen acknowledged said instrument
to be the free act and deed of said corporation.
IN WITHESS WHEREOF, I have hereunto set my hand and affixed my
Notarial seal the day and year first above written.
My commission expires Thurs 13.1941
aluenta T. Janes
Rotary Public
ST. TE OF KANSAS
COUNTY OF SEDGUICK SS.
On this 10th day of June , 1939, before me appeared
Fred C. Noch , to me personally known, who, being
by me duly sworn did say that he is the President of N-K ROYALTY COMPANY.
and that the seal affixed to said instrument is the corporate seal of said
corporation, and that said instrument was signed and sealed in behalf of
said corporation by authority of its board of directors, and said
Fred C. Yoch acknowledged said instrument
to be the free act and deed of said corporation.
IN NITNESS NERECF, I have hereunto set my hand and affixed my
Notarial seal the day and year first above written.
My commission expires Sept. 12, 1942
Notary Public
and the second s
STATE OF OKLAHOMA
COUNTY OF TUIDA SS.
On this 22 day of, 1939, before me appeared
E. F. BULLARD, to me personally known, who, being by me duly sworn.
did say that he is the Vice President of STENOLIND OIL AND GES COMPANY, and
that the seal affixed to said instrument is the corporate seal of said cor-
poration, and that said instrument was signed and sealed in behalf of said
corporation by authority of its board of directors, and said E. F. BUILED
acknowledged said instrument to be the free act and deed of said corporation
IN ATTERES AMEREUF, I have hereunto set my hand and affixed my
Notarial seal the day and year first above written.
My commission expires Desember 9, 1940
Theme buldy
Notary Fublic

Oil Operator Oil CONSERVATION DIVISION

500 N. MAIN

REC: VED

P.O. BOX 10426 03 19N 7 19 9 45

(915) 684-4011

January 7, 1993

Leslyn Swierc Meridian Oil Company 3300 North "A" Street, Building Six P.O. Box 51810 Midland, TX 79705-5406

Re: 3,700' Oil Test

S/2NE/4 Section 15, T-26-S, R-37-E

Dear Ms. Swierc:

Reference is made to your first well proposal to us of December 30, 1992 (received by us on December 31, 1992), corresponding to the drilling of a Rhodes Pool (Yates-Seven Rivers) well as to the presently undedicated 160 acres consisting of the NE/4 Section 15, T-26-S, R-37-E.

In your letter to us of December 30, 1992, you stated that Meridian was the owner of 100% of the leasehold interest as to the S/2NE/4 Section 15, T-26-S, R-37-E. A check of the leasehold estate corresponding to the S/2NE/4 Section 15, T-26-S, R-37-E, shows the S/2NE/4 Section 15, T-26-S, R-37-E, from the surface to 3,500' subsurface, to be owned, as to oil and casinghead gas rights, by Doyle Hartman and James A. Davidson, et al (Hartman Group). As to the S/2NE/4 Section 15, from the surface to a depth of 3,500' subsurface, the operating rights that are owned by the Hartman Group (and as depicted in Book 487, Page 688 of the Lea County records) were created

"under and by virtue of that certain Operating Agreement dated November 30, 1944, between Stanolind Oil and Gas Company and R. Olsen Oil Company, and that certain Sub-Lease of Oil and Gas Lease and Operating Agreement dated June 1, 1955, between Anderson-Prichard Oil Corporation and R. Olsen Oil Company, insofar as said Sub-Lease of Oil and Gas Lease and Operating Agreement relates to the following described oil and gas lease:

Oil and Gas Lease, dated July 29, 1937, being a "b" lease, issued by the Secretary of the Interior of the United States to R. Olsen Oil Company and Anderson-Prichard Oil Corporation, recorded in Book 33, Page 587,

Leslyn M. Swierc, Petroleum Landman Meridian Oil Company January 7, 1993 Page 2

> of the Oil and Gas Records of the Office of the County Clerk of Lea County, New Mexico, said lease bearing Serial No. Las Cruces 032510(b),

subject [in part] to the following:

Contract dated May 31, 1939, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and the W-K Royalty Company, as oil operator and Stanolind Oil and Gas Company, as gas operator, which provides, among other things, that gas operator shall have the right to purchase and thereafter own and operate wells capable of producing gas only".

The Hartman Group's ownership from the surface to a depth of 3,500' subsurface, as to the S/2NE/4 Section 15, was acquired through that certain Stipulation of Interest by and between Doyle Hartman and wife, Margaret M. Hartman, et al, dated January 2, 1986. The Gregory lease, in that certain stipulation, is described as Tract 59 with the ownership, as to oil and casinghead gas rights, belonging 100% to the Hartman Group. The stipulation further defines the Hartman Group as:

Doyle Hartman	71.093750%
James A. Davidson	25.000000%
Larry A. Nermyr	1.562500%
James E. Burr	0.781250%
Jack Fletcher	0.781250%
Ruth Sutton	0.781250%

100.000000%

Since the Hartman Group is the owner of the "dominant" oil and casinghead gas leasehold estate with Meridian's ownership (in the event of wells capable of producing gas only) being subservient to the ownership of the Hartman Group, this is our notification that we are not in agreement at this time with the proposed development of the presently undedicated NE/4 Section 15, as outlined in Meridian's letter of December 30, 1992 (i.e., the drilling of 3,200' test in the NE/4NE/4 Section 15).

Based on our geological studies, we believe that the presently undedicated Rhodes interval in the S/2NE/4 Section 15 is oil and casinghead gas productive to an approximate depth of 3,475' subsurface. Therefore, Doyle Hartman hereby proposes to initially develop our leasehold rights in the S/2NE/4 Section 15 by drilling a 3,700' oil test in the S/2SE/4 Section 15, T-26-S, R-37-E. In recognition of Meridian's ownership, the Hartman Group will promptly acknowledge Meridian's

Leslyn M. Swierc, Petroleum Landman Meridian Oil Company January 7, 1993 Page 3

right (but not an obligation) to purchase any newly drilled Hartman well, for an amount equal to the actual drilling and completion cost incurred by Hartman, if the newly drilled Hartman well "is capable of producing gas only".

Also, in the event of a well "capable of producing gas only", we are agreeable to working out an arrangement whereby the entire 160 acres consisting of the NE/4 Section 15 can be dedicated to the newly drilled dry gas well. However, until we have had the opportunity to fully evaluate the oil and casinghead gas potential of the leasehold estate owned by Hartman and Davidson, et al, in the S/2NE/4 Section 15, we are not agreeable to contributing our ownership in the S/2NE/4 Section 15 nor in the NW/4NE/4 Section 15 to a 3,200' test to be drilled in the NE/4NE/4 Section 15.

So as to keep you fully informed as to our plans corresponding to the S/2NE/4 Section 15, we are enclosing for your review a copy of an AFE corresponding to our newly proposed well and we will also keep you informed as work corresponding to our proposed 3,700-foot oil test progresses. If you have any other questions at this time, please do not hesitate to promptly contact us.

Very truly yours,

Doyle Hartman

enclosures (3)

rcp

wp51\corresp.dh\rhodes.mer

cc: State of New Mexico

Energy, Mineral and Natural Resources Department New Mexico Oil Conservation Division

State Land Office Building Old Santa Fe Trail (87504)

P.O. Box 2088

Santa Fe, NM 87501

Attn: Jerry Sexton, Supervisor of District 1

State of New Mexico

Energy, Mineral and Natural Resources Department

New Mexico Oil Conservation Division

State Land Office Building

Old Santa Fe Trail (87504)

P.O. Box 2088

Santa Fe, NM 87501

Attn: Michael Stogner, Engineer

Leslyn M. Swierc, Petroleum Landman Meridian Oil Company January 7, 1993 Page 4

> James A. Davidson P.O. Box 494 Midland, TX 79702

First Notice to Participate Gregory "B" No. 2 Well NE/4 NE/4 Sec. 15 T-26-S. R-37-E

My a dalah te

# MERIDIAN OIL

December 30, 1992

Ms. Carolyn Sebastian Doyle Hartman Oil Operator 500 N. Main St. Midland, Texas 79701

Bitis Rease

Re: Well Proposal/Farmout Request

Gregory B #2

990' FNL & 660' FEL Section 15

T26S, R37E

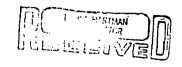
Lea County, New Mexico

# Dear Carolyn:

Meridian Oil Inc. is proposing the drilling of the captioned well to be located in the NE/4 NE/4 Section 15 which will require a 160 acre proration unit. El Paso Production Company (Meridian) owns 100% of the leasehold in the NE/4 NE/4 and S/2 NE/4 Section 15. A cursory examination of the county records indicate that Doyle Hartman owns 100% of the leasehold in the NW/4 NE/4 Section 15 from the surface to 4200 feet.

In order to comply with the standard 160 acre proration as prescribed by the NMOCD, Meridian requests that Doyle Hartman join in the drilling of this 3200' Yates & Seven Rivers development well by committing his 40 acres to a 160 acre drilling unit. An AFE is enclosed for your review and execution. Upon receipt of an approved AFE, a Joint Operating Agreement will be prepared to govern operations of said well.

In the alternative to participating in the Gregory B #2, Meridian requests that Doyle Hartman farmout his 100% working interest in the NW/4 NE/4 Section 15, delivering an 80% net revenue interest.



Letter to Ms. Carolyn Sebastian Page 2

Meridian is anxious to drill this well and would appreciate a response within fifteen (15) days of your receipt of this letter. Please notify directly at 688-6928 of your decision. Thank you for every consideration.

Very truly yours,

MERIDIAN OIL INC.

Leslyn M. Swierc, CPL Petroleum Landman

LMS/lg

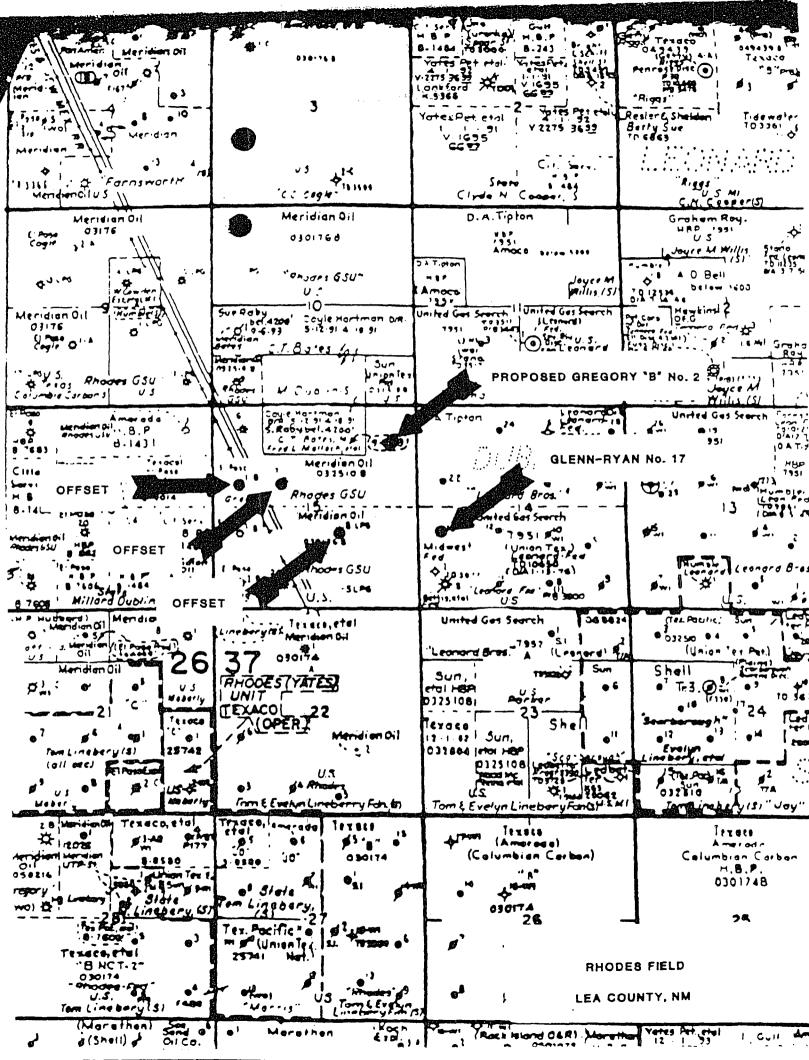
cc: Dennis Sledge

Midland Region P.O. Box 51810 Midland, Texas 79710-1810 (915) 688-6800

Date:	
AFE No.:	

# MERIDIAN OIL INC. AUTHORITY FOR EXPENDITURE

				DP	No.:	28	813A
Lease/Well Name:	Gregory "B" No. 2			Lease No.:		012851400	
Field/Prospect:	Rhodes (Gas)			Region:		Midland	
Location: 990' FNL &	660' FEL, Sec. 15, T	26S-R37E	County:	Lea	\$	tate:	New Mexico
AFE Type: De	evelopment (01)	Original_	X Supp	lement			Cost Center
API Well Type:	Development (0	06)	Operator:		Meri	dian Oil In	ıc
Objective Formation:	Yates & Seven F	3200					
Project Description:	Drill and complete new gas well						
Est. Start Date:	07/15/92	Prepared By: Tom O'Donnell					
Est. Completion Date:	07/29/92						
	•	GROSS WE	LL COST	DATA			
	DRIL	LING	W	ORKOVER	CONST	RUCTION	
	DRY HOLE	SUSPENDE	D CC	MPLETION	OR FA	CILITY	TOTAL
DAYS:	6	6		6		2	14
THIS AFE:	95,200	122,800		114,000	47	,000	283,800
PRIOR AFE's:							
TOTAL COSTS:	\$95,200	\$122,800		\$114,000	\$41	,000	\$283,800
		JOINT INTE	REST OV	VNERS			
	Wo	ORKING INTERE	EST		NET \$	EXPENDIT	TURES
COMPANY		PERCENT %		DRYI	HOLE \$		COMPLETED \$
Doyle Hartman		25.00000		23,800		-	70,950
Doylo i latanan		20.0000	<del></del>		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		10,000
					·	- -	
				<del></del>	<del> </del>		
MERIDIAN OIL INC.:		75.00000		71	,400		212,850
ACE TOTAL.							
AFE TOTAL:		100.0000%		\$9	5,200		\$283,800
	1	MERIDIAN C	OIL APPE	ROVAL			
Recommended:	Da	te:	Recomm	ended:			Date:
Recommended:		te:	Approved	Approved: Date:			
Recommended:	Da	te:	Title:				
		PARTNER	R APPRO	VAL			
Company Name:	Authorized By:						
Data	Title:						



## Hartman Group Ownership S/2 NE/4 Sec. 15, T-26-S, R-37-E (Excerpt from that certain stipulation dated 1-2-86)

900K 467 JACE 608

#### mich 59 - grecoty livise

A-2

All operating rights under the

South Half of the Northeast Quarter (S/2 NE/4) and the Northwest Quarter of the Northwest Quarter (NM/4 NM/4) of Section 15, Township 26 South, Range 37 East, Les County, New Mexico, to a depth of 3500 feet below the surface of the soil.

said operating rights being created under and by virtue of that certain Operating Agreement dated November 30, 1944, between Stanolind Oil and Gas Company and R. Olsen Oil Company, and that certain Sub-Lease of Oil and Gas Lease and Operating Agreement dated June 1, 1955, between Anderson-Prichard Oil Corporation and R. Olsen Oil Company, insofar as said Sub-Lease of Oil and Gas Lease and Operating Agreement relates to the following described oil and gas lease:

Oil and Cas Lease, dated July 29, 1937, being a "b" lease, issued by the Secretary of the Interior of the United States to R. Olsen Oil Company and Anderson-Prichard Oil Corporation, recorded in Book 33, Page 587, of the Oil and Cas Records of the Office of the County Clerk of Lea County, New Nexico, said lease bearing Serial No. Las Cruces '032510(b).

### subject to the following:

- (1) Contract dated July 16, 1936, between Stanolind Oil and Gas Company, grantor, and Uscan Oil Company and Anderson-Prichard Oil Corporation, grantees, providing, among other things, for the payment to Stanolind Oil and Gas Company of \$500,000.00 psyable from gross proceeds of the sale, disposal or utilization of 1/16th of the oil, casinghead gas and other hydrocarbon substances produced from the above described and other lands, as amended by Contract dated November 16, 1938, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, parties of the first part, and Stanolind Oil and Gas Company, party of the second part.
- (2) An overriding royalty interest of 1/64th of the total production of oil, tasinghead gas and similar hydrocarbons except dry gas and residue gas in favor of A. K. Barnes and assigns.
- (3) Contract dated May 31, 1939, between Anderson-Prichard Oil Corporation, R. Olsen Oil Company and The W-K Royalty Company, as oil operator and Stanolind Oil and Gas Company, as gas operator, which provides, among other things, that gas operator shall have the right to purchase and thereafter own and operate wells capable of producing gas only.

The fractional share of the oil, casinghesd gas and other liquid hydrocarbons produced from the above described land above 3500 feet owned by Assignor is .796875.

OWNERSHIP:

Hartman Group

# DOYLE HARTMAN OIL OPERATOR 500 N. MAIN STREET MIDLAND, TEXAS

### AUTHORIZATION FOR EXPENDITURE AND DETAIL WELL ESTIMATE

ASE NAME 3700 Oil Test  UNTY Lea	STATE New Mexico		100%
CATION: S/2 NE/4 Section			
ILLING INTANGIBLES:		PRODUCER	DRY HOLE
Drilling Cost 3700	Feet @ \$10.00 Per Foot	37000	37000
Drilling Cost 3700 Day Work 2 days @ \$3700/	day		
		7400	7400
Coring Service	Well Surveys OH Logs	10200	10200
Bits and Reamers			
Testing			
B			
Directional Drilling	Make	8000	5500
Fuel Mud 4700 Mit	water	6500	6500
FuelMud4700Mu Cementing Service	Cement Floats 1200	12000_	3200
Company Labor	Contract Labor	1500	1500
Surface Damages and Right-of-Way		2500	2500
Digging Pits	Filling Pits	500	500
Pit Lining		800	800_
Pit LiningRoads & Bridges1500	Dredging & Grading 7500	9000	9000
Acidizing 6500 Fracturing 1	50000 Perforating 2000	158500	
Plugging		2000	4500
Trucking Cost	/7 days @ \$ 500 /day	3000 6000	1500
	77 days @ \$_300/day	5300	3500 1300
		6500	1300
Swabbing and Testing Legal and Professional Expenses:		0000	
Product Price Determination			
	File Other Location	1200	1200
		7500	7500
	pport	2200	2200
Other Costs			
	<u> </u>		
Contingency @%		28560	10580
II FOUIDMENT.	Total Intangibles	314160	116380
LL EQUIPMENT: .    Casing <u>450                                 </u>	5/8" @ 13.50 Per Ft.		
3700 Ft of 7"	@ 8.50 Per Ft.		
Ft. of	@ Per Ft.	37525	6075
Tubing 3650 Ft. of 2	3/8" @ 2.30 Per Ft.	8395	
Casing Head		1350	1350
Xmas Tree or Pumping Connections		5600	
Pumping Unit		15000	
Engine/Motor Controller and Power S	System	<u> 7800 </u>	
		4500	
	<del></del>	1300	
Tank Battery		10000	
Separator or Dehydration Equip		5000	
Metering Equipment Flow Lines		2100	<del></del>
Guards and Fences		800	
Other Costs			
Contingency @10%		9937	743
	Total Tangibles	109307	8168
	TOTAL COST OF WELL	423467	124548
	Share at%		
	Ollaro at		
		······································	
ginated by	Title	Date	·
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#### STATE OF NEW MEXICO



## ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING GOVERNOR

ANITA LOCKWOOD CABINET SECRETARY

February 15, 1993

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE. NEW MEXICO 87504 (505) 827-5800

Meridian Oil Inc. P. O. Box 51810 Midland, Texas 79710-1810

Attn: Leslyn M. Swierc, CPL

Doyle Hartman - Oil Operator P. O. Box 10426 Midland, Texas 79702

Attn: Patrick K. Worrell, Engineer

RE: Rhodes Yates-Seven Rivers Gas Pool Development in Sections 10 and 15, Township 26 South, Range 37 East, NMPM, Lea County, New Mexico.

Dear Ms. Swierc and Mr. Worrell:

Meridian's recent application for a non-standard 120-acre gas spacing and proration unit comprising the NE/4 NE/4 and S/2 NE/4 of said Section 15 to be dedicated to the proposed Gregory "B" Well No. 2 to be drilled in Unit A and all related correspondence to same has forced the Division to review past, current, and future development of the Rhodes Yates-Seven Rivers Gas Pool ("Rhodes Gas Pool") in both said Sections 10 and 15 quite extensively. Development in both sections are as follows:

- The 40-acre non-standard gas spacing unit comprising the SW/4 SW/4 (Unit M) of Section 10, approved by Division Administrative Order NSP-1292, is dedicated to Meridian's Rhodes GSU Well No. 9 in Unit M;
- the standard 160-acre unit comprising the NW/4 of Section 10 is dedicated to Meridian's Rhodes GSU Well No. 16 in Unit E:

- the N/2 S/2 of Section 10, being a non-standard 160-acre unit approved by Division Administrative Orders NSP-1292 and NSP-1292-A has been developed by Meridian's Bates Well No. 1 (well P&A'd February, 1988) in Unit L and Hartman attempted to develop the same acreage with its C. T. Bates Well No. 2 (well was P&A'd in January, 1991 after encountering a severe waterflow during drilling) also in Unit L;
- the standard 160-acre unit comprising the SW/4 of Section 15 is simultaneously dedicated to Meridian's Cagle "B" Well No. 1 in Unit L and Rhodes GSU Well No. 24 in Unit N (simultaneous dedication occurred prior to the Division's July 27, 1988 Memorandum);
- the standard 160-acre unit comprising the SE/4 of Section 15 is simultaneously dedicated (pre-1988 authorization) to Meridian's Rhodes GSU Well Nos. 8 and 25 in Units J and O, respectively; and,
- the 120-acre non-standard gas spacing unit comprising the NW/4 NW/4 and S/2 NW/4 of Section 15, approved by Division Administrative Order NSP-1292, is simultaneously dedicated (pre-1988 authorization) to Meridian's Gregory "B" Well No. 1 in Unit F and Rhodes GSU Well No. 7 in Unit F.

The Rhodes Yates-Seven Rivers Gas Pool is an unprorated gas pool spaced on standard statewide 160-acre units and is subject to the two Division Memorandums dated July 27, 1988 and August 3, 1990 (see attached), which disallows the simultaneous dedication in gas spacing units of more than one well in unprorated gas pools. It is the Division's opinion that said Memorandums reference to "proration units" equate to mean "standard gas proration units of standard size for the particular pool". The practice of operators forming non-standard spacing units in order to avoid the Division's simultaneous dedication policy is therefore prohibited. It should also be noted that forming non-standard spacing and proration units to avoid the compulsory pooling of acreage to form a standard sized unit, in most instances, is not considered just cause.

In this particular two section area, the undeveloped portions of the Rhodes Gas Pool consist of the NE/4 and NE/4 NW/4 of Section 15 and the NE/4, SE/4 SW/4, and S/2 SE/4 of Section 10. The NE/4 of Section 10 is a standard 160-acre unit and can therefore be developed without exception to the spacing rules, the remaining 320 acres comprising the SE/4 SW/4 and S/2 SE/4 of Section 10 and the NE/4 and NE/4 NW/4 of Section 15, however, will require a little ingenuity and jockeying of acreage to re-establish proper and prudent development of the Rhodes Gas Pool. The Division at this time will only consider authorization of the following:

the formation of a 160-acre non-standard gas spacing unit comprising the SE/4 SE/4 of Section 10 and the NE/4 NE/4 and S/2 NE/4 of Section 15 to be dedicated to Meridian's proposed Gregory "B" Well No. 2 to be drilled at a standard gas well location 990 feet from the South line and 660 feet from the East line (Unit A) of said Section 15; and,

g Alberta Harabita

the remaining 160 acres, comprising the SE/4 SW/4 and SW/4 SE/4 of Section 10 and the NW/4 NE/4 and NE/4 NW/4 of Section 15, can be developed in the future by a single well to be drilled at a standard gas well location thereon.

Meridian's application for a non-standard 120-acre gas spacing and proration unit in the Rhodes Gas Pool comprising the NE/4 NE/4 and S/2 NE/4 of said Section 15 is therefore <u>denied</u>. Should Meridian choose to pursue this matter, an application for hearing must be filed with the Division requesting approval for the aforementioned 160-acre non-standard gas spacing and proration unit. Any such order from the Division will necessarily include a procedure of notification for the ensuing 160 acres to be authorized administratively.

Meridian will still be required to provide adequate notice pursuant to the provisions of General Rule 1207.A.(6).

Should you have any question or comments concerning this matter, please contact either Larry Van Ryan, Chief Engineer or Michael E. Stogner, Chief Hearing Officer in Santa Fe at (505) 827-5800.

Sincerely,

William J. LeMay

Director

Oil Conservation Division - Hobbs

Larry Van Ryan - Santa Fe Robert Stovall - Santa Fe Michael Stogner - Santa Fe

U. S. Bureau of Land Management - Carlsbad

W. Thomas Kellahin - Santa Fe

File: NSP-1292

cc:

#### STATE OF NEW MEXICO



# ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

GARREY CARRUTHERS GOVERNOR

POST OFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE. NEW MEXICO 87504 (505) 827-5800

#### **MEMORANDUM**

TO:

ALL OPERATORS

FROM:

WILLIAM J. LEMAY, DIRECTOR ,

SUBJECT:

RULE 104 C II OF THE GENERAL RULES AND REGULATIONS

DATE:

JULY 27, 1988

There has been some confusion about interpretation of the subject rule. In each paragraph of sections (a), (b) and (c) the rule states:

"Unless otherwise provided in special pool rules, each development well for a defined gas pool shall be located on a tract..."

My interpretation of this sentence is that each well is to be located on its own individual specified unit and an additional well is not authorized simply by meeting the set back requirements of the rule.

This interpretation is necessary to prevent waste from the drilling of unnecessary wells and to protect correlative rights of all parties in the pool. Since the prorated pools have special pool rules the subject rules have greater impact on unprorated gas. Unprorated does not mean unrequiated. Allowables are not issued in unprorated pools and the only method available to protect correlative rights is the control of well density and locations. Added well density required because of special geological situations can be addressed by special pool rules after notice and hearing.

Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

#### STATE OF NEW MEXICO



#### ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS GOVERNOR

POST-CFFICE BOX 2088 STATE LAND OFFICE BUILDING SANTA FE NEW MEXICO 87504 (505) 827-5800

#### **MEMORANDUM**

TO:

ALL OPERATORS

FROM:

WILLIAM J. LEMAY, DIRECTOR

SUBJECT: RULE 104 C II OF THE GENERAL RULES AND

REGULATIONS

DATE:

**AUGUST 3, 1990** 

On July 27, 1988, we sent a memorandum to all operators to explain the Division's procedures for ensuring compliance with the above rule in handling applications for additional wells on existing proration units. The procedures are primarily applicable in unprorated gas pools.

The final paragraph of the July 27 memo reads as follows:

"Applications for additional wells on existing proration units will be approved only on the understanding that upon completion of the well the operator shall elect which well will be produced and which will be abandoned. Application to produce both wells will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced."

Additional explanation of the intent of the above paragraph is set out below:

Application to produce both wells continuously and concurrently will be approved only after notice and hearing and upon compelling evidence that the applicant's correlative rights will be impaired unless both wells are produced.

Requests to produce the wells alternately (one well shut-in while the other produces) may be submitted for administrative handling. The request should set out the length of the producing and shut-in cycles for each well (a one month minimum is suggested), the proposed method for ensuring compliance with the proposed producing and shut-in schedules. and the reasons for the request. Notice should be provided to offset operators in the usual manner, allowing a 20-day waiting period. The application should be sent to Santa Fe with a copy to the appropriate District office.