

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

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Santa Fe, New Mexico 87504-2265

Fax: 505/982-2047

October 26, 1989

Mr. Michael E. Stogner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Oryx Energy Company Application
for Compulsory Pooling for the
Scoggin Draw State "C" Well No. 1,
OCD Case 9781

Dear Mr. Stogner:

Enclosed is a proposed order for entry in the referenced case. I have suggested modifications in the typical pooling order to address the fact that the Schneider Heir's interest will not be subject to the order. In doing so, I have taken the opportunity to suggest that the Ordering Paragraph (1) might be modified in this case and all other pooling cases to specifically reflect the party or parties pooled. I have inserted suggested findings beginning with Finding (3) through (7). Use of the suggested language will help avoid any future uncertainty about what working interests are pooled.

Very truly yours,



W. Thomas Kellahin

WTK/tic
Encl.

cc: Charles Gray
Oryx Energy Company
P. O. Box 2880
Dallas, Texas 75231

OIL CONSERVATION DIVISION
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STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

OIL CONSERVATION DIVISION
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OCT 27 9 19 AM '89

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:

CASE NO. 9781
ORDER NO.

APPLICATION OF ORYX ENERGY COMPANY,
FOR COMPULSORY POOLING
SAN JUAN COUNTY, NEW MEXICO

ORYX PROPOSAL
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 18, 1989, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this day of October, 1989, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises.

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The Applicant, Oryx Energy Company, seeks an order pooling all mineral interest from the top of the Wolfcamp formation to the base of the Morrow formation underlying the E/2 of Section 16, T18S, R27E, forming a standard 320 acre gas spacing and proration unit for any and all formations and/or pools within said vertical extent for a well to be drilled at a standard well location therein.

(3) As of the hearing, Applicant proposed to pool the following working interest owners:

(a) Exxon Company USA
P. O. Box 1600
Midland, Texas 79702

25%

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(b)	Chevron USA Inc.	37.5%
	P. O. Box 1150	
	Midland, Texas 79702	
(c)	Heirs of Reese Schneider Estate	12.5%
	Joseph F. Schneider	
	3959 West Sixth Street	
	Los Angeles, California 90802	
	Ms. Veronica Schneider	
	1300 Hardway Street	
	El Paso, Texas 79903	
	Esther Schneider	
	2406 Duxbury Place	
	Los Angeles, California 90034	

(4) With the exception of the Heirs of Reese Schneider Estate. Applicant demonstrated at the hearing that it had located and attempted to negotiate in good faith with the working interest owners in the subject spacing unit.

(5) As to the Heirs of Reese Schneider Estate, Applicant has failed to provide evidence that these parties were given adequate notice and opportunity to participate on a voluntary basis.

(6) That the Heirs of Reese Schneider should be deleted from the force and effect of this pooling order.

(7) The Applicant has approximately 25% working interest in the spacing unit and all working interest is common within the spacing unit.

(8) Applicant has the right to drill and develop the spacing unit and proposes a well to be drilled in the spacing unit at a standard well location.

(9) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the production in any pool completion resulting from this order, the subject application as amended should be approved by pooling all mineral interests whatever they may be, within said amended unit.

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(10) The applicant should be designated the operator of the subject well and unit.

(11) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(12) The applicant has proposed a 200 percent risk penalty to be assessed against those interest owners subject to the force-pooling provisions of this order, and in support thereof presented evidence and testimony at the hearing.

(13) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(14) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs, but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(15) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(16) \$5800.00 per month while drilling and \$580.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well not in excess of what are reasonable, attributable to each non-consenting working interest.

(17) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

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(18) Upon the failure of the operator of said pooled unit to commence the drilling of the well to which said unit is dedicated on or before February 15, 1990, the order pooling said unit should become null and void and of no effect whatsoever.

(19) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(20) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) That the following identified working interest owners, or their successor, assigns, including their corresponding royalty and overriding royalty owners, whose interests underly the E/2 of Section 16, T18S, R27E, N.M.P.W., Eddy County, New Mexico, from the top of the Wolfcamp formation to the base of the Morrow formation are hereby pooled to form a standard 320 acre spacing and proration unit for the subject well, to-wit:

(a) Exxon Company USA

(b) Chevron USA Inc.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of February 1990, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 1st day of January 1990, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

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(2) Oryx Energy Company is hereby designated the operator of the subject well and unit.

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

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

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him, and

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(B) As a charge for the risk involved in the drilling of the well, 200 percent of the prorata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$5800.00 per month while drilling and \$580.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

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(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
CIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

SEAL

State of New Mexico



W.R. HUMPHRIES
COMMISSIONER



Commissioner of Public Lands

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

June 29, 1990

Case No
9781

Oryx Energy Company
P.O. Box 2880
Dallas, Texas 75221

Re: Force Pooling Order R-9071
Scoggin Draw State C #1
E/2, Sec. 16-T18S-R27E
Eddy County, New Mexico

Gentlemen:

The Commissioner of Public Lands has this date approved the Scoggin Draw State C Well #1 forced pooling. This order dedicates the East half of Section 16, Township 18 South, Range 27 East in Eddy County, New Mexico to all formations from the top of the Wolfcamp to the base of the Morrow formation. The effective date of this approval is March 24, 1990, the completion date of the well. The term of this approval is for one year and so long as hydrocarbons are produced in paying quantities from the designated formations developed on 320 acre spacing.

Enclosed are five (5) Certificates of Approval and a Producing Properties form. This form should be returned to the New Mexico Department of Taxation & Revenue, P.O. Box 2308, Santa Fe, New Mexico 87504-2308.

If we may be of further service, please contact Jami Bailey at (505) 827-5783.

Sincerely,

W.R. HUMPHRIES
COMMISSIONER OF PUBLIC LANDS

BY: *Floyd O. Prando*
FLOYD O. PRANDO, Director
Oil & Gas Division
(505) 827-5744

WRH/FOP/JB
enc.
cc: OCD

OIL CONSERVATION VISION



'89 DEC 21 10 27

Oryx Energy Company
Four NorthPark East
5656 Blackwell
PO Box 2880
Dallas TX 75221-2880
214 890 6000

December 18, 1989

New Mexico Oil Conservation Commission
310 Old Santa Fe Trail - Room 206
Santa Fe, New Mexico 87503

Attention: Victor T. Lyon/ Michael E. Stogner

Re: Case No. 9781, Application of Oryx Energy Company
for Compulsory Pooling, Scoggin Draw State "C"
Well No. 1, Eddy County, New Mexico

Gentlemen:

Please find attached a Farmout Agreement between Joseph F. Schneider (representing the Schneider interest) and Oryx Energy Company concerning the NE/4 NE/4 of Sec. 16-18S-27E, Eddy County, New Mexico.

During the course of the hearing conducted on October 18, 1989, Mr. Stogner was concerned about the time of notification for election given the Schneider interest prior to the date of the pooling hearing. As evidenced by the attached agreement, this consideration has been satisfied.

Therefore, in the interest of drilling rig commitments and availability, Oryx would respectfully request the Commission execute the pooling order as soon as possible.

Thank you for your consideration.

Respectfully submitted,

Charles A. Gray
scg

Charles A. Gray
Conservation Representative

CAG:pcg
Enclosure

FARMOUT AGREEMENT

DATE: November 1, 1989

TO: SUN OPERATING LIMITED PARTNERSHIP
BY ORYX ENERGY COMPANY ITS MANAGING
GENERAL PARTNER
P.O. BOX 2880
DALLAS, TX 75221-2880

RE: FARMOUT AGREEMENT
Scoggin Draw Area
NE/4 NE/4 Sec 16-18S-27E
Eddy County, New Mexico

In consideration of the benefits to accrue to the parties hereto and the covenants and obligations to be kept by you, it is hereby mutually agreed as follows:

I ACREAGE:

We represent without Warranty of Title of any kind or character that we hold * Oil and Gas Leases or Mineral Interests described as follows:

State of New Mexico lease B-7298 dated November 5, 1937
INSOFAR only as said lease covers NE/4 NE/4 Sec 16-18S-27E
Eddy County, New Mexico

(said lands and the leases thereon being hereinafter sometimes referred to as "Farmout Acreage")

* a 1/3 interest in the

We agree to deliver to you such abstracts and other title papers as we have in our files at this time, and at your sole cost, risk and expense you agree to conduct such Title Examinations and secure such curative matter as is necessary to satisfy yourselves that Title is acceptable to you.

II OBLIGATIONS:

(A) TEST WELL: On or before the 1st day of November, 1990, you agree to commence, or cause to be commenced the actual drilling of a well for oil and/or gas at the following location:

at a legal location in the E/2 Section 16-18S-27E, Eddy County, New Mexico

and you further agree to drill said Test Well with due diligence in a workmanlike manner to a depth sufficient to thoroughly test the following:

to a depth of 9900' or to a depth sufficient to adequately test the Atoka/Morrow formation, whichever is the lesser depth.

(B) COMPLETION OR ABANDONMENT: When the Test Well has reached its total depth, you agree:

- (1) That if the Well can be completed as a producer of oil and/or gas to diligently prosecute the completion of said Well without unreasonable delays; or,
- ~~(2) If you determine to abandon the Well you will promptly furnish us with an appropriate electrical log acceptable to us and you further agree that you will not abandon the Well as a dry hole until you have furnished said electrical log to us and thereafter given us at least 48 hours notice of your intention to abandon, unless we consent to an earlier abandonment thereof. After consent has been given, you agree to promptly plug and abandon the Test Well in accordance with all the requirements of any governmental body having jurisdiction.~~

III FAILURE TO DRILL:

The only consequence of your failure to drill the proposed Test Well hereinabove provided for shall be the ipso facto cancellation of this Agreement in its entirety.

IV COMMITMENT:

~~UPON WRITTEN REQUEST, and~~ after completion of the Test Well provided for hereinabove in accordance with all the terms and provisions of this Agreement to our satisfaction, we agree:

RIGHTS EARNED BY PRODUCTION

In the event the Test Well is completed as a well capable of producing oil and/or gas in paying quantities (hereinafter referred to as the "Earning Well") then you shall earn thereby an assignment from us to all our rights in and to the farmout acreage described in Section I above, subject to the limitations, reservations, conditions, and provisions hereinafter set forth:

- 1) Be limited to the farmout acreage included in the proration unit established for the Earning Well. Said proration unit to be located within the E/2 Sec 16-18S-27E and not to exceed 40 acres for a oil well and 320 acres for a gas well, with a tolerance of 10%.
- 2) Be limited to the depths and formations from the base of the Abo Formation to 100' below total depth drilled in such Earning Well.
- 3) Be subject to the royalties, overriding royalties and similar burdens on productions with which the farmout acreage is presently burdened.
- 4) Reserve to us an overriding royalty interest equal to 1/8 of 8/8. The overriding royalty reserved by us shall be subject to a proportionate reduction if the farmout acreage covers less than a full leasehold working interest in the farmout acreage being assigned.

V INFORMATION AND REPORTS:

As a further express Consideration for this Agreement, and not as a covenant only, you agree to furnish to:

Joseph F. Schneider

the following: 1014 Rodeo Drive
Pebble Beach, CA 93953

1. (a) DAILY DRILLING REPORTS on the progress of the well which shall include drilling depth, information on all tests including character, thickness, name of any formation penetrated, shows of oil, gas or water, and detailed reports on all drillstem tests.
 - (b) 1 Certified Copies of all forms furnished to any governmental authority.
 - (c) 1 Copies of all electrical logging surveys.
 - (d) 1 Certified Copies of the well log upon completion.
 - (e) 1 Certified Copies of the plugging record, if any.
 - (f) Samples of all cores and cuttings, if so requested.
2. Other Information Required:

VI PRODUCTION TESTS:

You agree to properly drillstem test any and all formations in which shows of oil and/or gas are encountered after notifying us of the proposed test and if we desire to be present during testing, you will delay such testing a reasonable amount of time in order to allow our representative to reach the well and witness the test, and you also agree to notify us immediately by telephone or telegraph as to the results of any such test. Notification shall be given to:

Name: Joseph F. Schneider
Address: 1014 Rodeo Drive, Pebble Beach, CA 93953
Telephone No.:
Night Telephone No.:

It is understood that our representatives shall have access to the rig floor at all times and to any and all information concerning the Test Well.

VII DELAY RENTALS:

~~It is agreed that from and after the date of this Agreement we will pay any delay rentals which may become due on the Oil and Gas Leases subject to this Agreement until such time as the Assignment provided for in Section IV above has been executed, and thereafter bill you for _____ of the delay rental paid by us.~~

VIII CONSENT REQUIREMENT:

This Agreement is personal in nature and may not be assigned without our written consent being first obtained. When requesting consent to make an assignment of all or a portion of this Agreement you will advise the parties to whom the assignment will be made.

IX STATUS OF PARTIES:

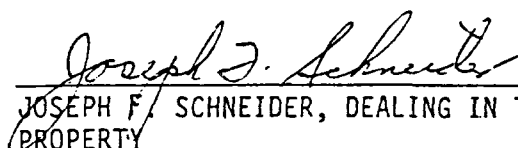
In the drilling of the Test Well and otherwise complying with the terms and provisions of this Agreement, you are acting independently of us and not as a partner in any capacity, mining or otherwise. We shall have no responsibility whatsoever in connection with the drilling of said well and it shall be drilled at your sole cost, risk and expense. You further agree to hold us harmless from any and all debts, claims or damages incurred in connection with the performance of this Agreement.

In regard to all provisions of this Agreement, it is understood and agreed that Time is of the Essence.

X OTHER PROVISIONS:

Substitute Well - If, in the drilling of any well provided for herein, mechanical difficulties arise or practically impenetrable substances are encountered which render further drilling impossible or impracticable, you may abandon the well and within thirty (30) days commence a substitute well therefore at a mutually agreeable location. Any substitute well so commenced shall be drilled to the same depth and in the same manner as is required for such well provided for hereinabove, and the drilling and completion thereof shall have the same effect hereunder as would the drilling and completing of such well.

If the terms and provisions of this Agreement in its entirety are acceptable to you, will you kindly indicate your approval by signing below in the space provided and returning 3 executed copies of this Agreement to us within 30 days. Failure to do so will result in the cancellation of this Agreement at our option.


JOSEPH F. SCHNEIDER, DEALING IN THEIR SOLE AND SEPARATE
PROPERTY
1014 RODEO DRIVE
PEBBLE BEACH, CA 93953

This Agreement is APPROVED

and ACCEPTED this _____ day

of _____, 19____.

SUN OPERATING LIMITED PARTNERSHIP

By Oryx Energy Company

Its Managing General Partner

Attorney-in-Fact



CONSERVATION DIVISION
RECEIVED

DEC 21 AM 9 34

Oryx Energy Company
Campbell Centre II
8150 North Central Expy
PO Box 2880
Dallas TX 75221-2880
214 891 1500

Exploration
Northern Region

December 15, 1989

Vic Lyon
New Mexico Conservation Commission
310 Oil Santa Fe Trail
Santa Fe, NM 87503

RE: Oryx Energy Application
for Compulsory Pooling
for the Scoggin Draw
State "C" Well #1
OCD Case 9781

Pursuant to the request of Michael Stogner, examiner is case no. 9781 heard on Oct. 18, 1989, please find enclosed a "Farmout Agreement" between The Schneider Family and Oryx.

The Schneider Family has been dismissed from the above cause and the enclosed agreement signifies his election pertaining to Oryx's proposal.

In light of the above please issue an pooling order in case no. 9781.

Respectfully,

Keith Nelson

cc: Charles Gray
Conservation NPV

FARMOUT AGREEMENT

DATE: November 1, 1989

TO: SUN OPERATING LIMITED PARTNERSHIP
BY ORYX ENERGY COMPANY ITS MANAGING
GENERAL PARTNER
P.O. BOX 2880
DALLAS, TX 75221-2880

RE: FARMOUT AGREEMENT
Scoggin Draw Area
NE/4 NE/4 Sec 16-18S-27E
Eddy County, New Mexico

In consideration of the benefits to accrue to the parties hereto and the covenants and obligations to be kept by you, it is hereby mutually agreed as follows:

I ACREAGE:

We represent without Warranty of Title of any kind or character that we hold * Oil and Gas Leases or Mineral Interests described as follows:

State of New Mexico lease B-7298 dated November 5, 1937
INSOFAR only as said lease covers NE/4 NE/4 Sec 16-18S-27E
Eddy County, New Mexico

(said lands and the leases thereon being hereinafter sometimes referred to as "Farmout Acreage")

* a 1/3 interest in the

We agree to deliver to you such abstracts and other title papers as we have in our files at this time, and at your sole cost, risk and expense you agree to conduct such Title Examinations and secure such curative matter as is necessary to satisfy yourselves that Title is acceptable to you.

II OBLIGATIONS:

(A) TEST WELL: On or before the 1st day of November, 1990, you agree to commence, or cause to be commenced the actual drilling of a well for oil and/or gas at the following location:

at a legal location in the E/2 Section 16-18S-27E, Eddy County, New Mexico

and you further agree to drill said Test Well with due diligence in a workmanlike manner to a depth sufficient to thoroughly test the following:

to a depth of 9900' or to a depth sufficient to adequately test the Atoka/Morrow formation, whichever is the lesser depth.

(B) COMPLETION OR ABANDONMENT: When the Test Well has reached its total depth, you agree:

(1) That if the Well can be completed as a producer of oil and/or gas to diligently prosecute the completion of said Well without unreasonable delays; or,

~~(2) If you determine to abandon the Well you will promptly furnish us with an appropriate electrical log acceptable to us and you further agree that you will not abandon the Well as a dry hole until you have furnished said electrical log to us and thereafter given us at least 48 hours notice of your intention to abandon, unless we consent to an earlier abandonment thereof. After consent has been given, you agree to promptly plug and abandon the Test Well in accordance with all the requirements of any governmental body having jurisdiction.~~

III FAILURE TO DRILL:

The only consequence of your failure to drill the proposed Test Well hereinabove provided for shall be the ipso facto cancellation of this Agreement in its entirety.

IV COMMITMENT:

~~UPON WRITTEN REQUEST,~~ and after completion of the Test Well provided for hereinabove in accordance with all the terms and provisions of this Agreement to our satisfaction, we agree:

RIGHTS EARNED BY PRODUCTION

In the event the Test Well is completed as a well capable of producing oil and/or gas in paying quantities (hereinafter referred to as the "Earning Well") then you shall earn thereby an assignment from us to all our rights in and to the farmout acreage described in Section I above, subject to the limitations, reservations, conditions, and provisions hereinafter set forth:

- 1) Be limited to the farmout acreage included in the proration unit established for the Earning Well. Said proration unit to be located within the E/2 Sec 16-18S-27E and not to exceed 40 acres for a oil well and 320 acres for a gas well, with a tolerance of 10%.
- 2) Be limited to the depths and formations from the base of the Abo Formation to 100' below total depth drilled in such Earning Well.
- 3) Be subject to the royalties, overriding royalties and similar burdens on productions with which the farmout acreage is presently burdened.
- 4) Reserve to us an overriding royalty interest equal to 1/8 of 8/8. The overriding royalty reserved by us shall be subject to a proportionate reduction if the farmout acreage covers less than a full leasehold working interest in the farmout acreage being assigned.

V INFORMATION AND REPORTS:

As a further express Consideration for this Agreement, and not as a covenant only, you agree to furnish to:

Joseph F. Schneider

the following: 1014 Rodeo Drive
Pebble Beach, CA 93953

1. (a) DAILY DRILLING REPORTS on the progress of the well which shall include drilling depth, information on all tests including character, thickness, name of any formation penetrated, shows of oil, gas or water, and detailed reports on all drillstem tests.
 - (b) 1 Certified Copies of all forms furnished to any governmental authority.
 - (c) 1 Copies of all electrical logging surveys.
 - (d) 1 Certified Copies of the well log upon completion.
 - (e) 1 Certified Copies of the plugging record, if any.
 - (f) Samples of all cores and cuttings, if so requested.
2. Other Information Required:

VI PRODUCTION TESTS:

You agree to properly drillstem test any and all formations in which shows of oil and/or gas are encountered after notifying us of the proposed test and if we desire to be present during testing, you will delay such testing a reasonable amount of time in order to allow our representative to reach the well and witness the test, and you also agree to notify us immediately by telephone or telegraph as to the results of any such test. Notification shall be given to:

Name: Joseph F. Schneider
Address: 1014 Rodeo Drive, Pebble Beach, CA 93953
Telephone No.:
Night Telephone No.:

It is understood that our representatives shall have access to the rig floor at all times and to any and all information concerning the Test Well.

VII DELAY RENTALS:

~~It is agreed that from and after the date of this Agreement we will pay any delay rentals which may become due on the Oil and Gas Leases subject to this Agreement until such time as the Assignment provided for in Section IV above has been executed, and thereafter bill you for _____ of the delay rental paid by us.~~

VIII CONSENT REQUIREMENT:

This Agreement is personal in nature and may not be assigned without our written consent being first obtained. When requesting consent to make an assignment of all or a portion of this Agreement you will advise the parties to whom the assignment will be made.

IX STATUS OF PARTIES:


In the drilling of the Test Well and otherwise complying with the terms and provisions of this Agreement, you are acting independently of us and not as a partner in any capacity, mining or otherwise. We shall have no responsibility whatsoever in connection with the drilling of said well and it shall be drilled at your sole cost, risk and expense. You further agree to hold us harmless from any and all debts, claims or damages incurred in connection with the performance of this Agreement.

In regard to all provisions of this Agreement, it is understood and agreed that Time is of the Essence.

X OTHER PROVISIONS:

Substitute Well - If, in the drilling of any well provided for herein, mechanical difficulties arise or practically impenetrable substances are encountered which render further drilling impossible or impracticable, you may abandon the well and within thirty (30) days commence a substitute well therefore at a mutually agreeable location. Any substitute well so commenced shall be drilled to the same depth and in the same manner as is required for such well provided for hereinabove, and the drilling and completion thereof shall have the same effect hereunder as would the drilling and completing of such well.

If the terms and provisions of this Agreement in its entirety are acceptable to you, will you kindly indicate your approval by signing below in the space provided and returning 3 executed copies of this Agreement to us within 30 days. Failure to do so will result in the cancellation of this Agreement at our option.


JOSEPH F. SCHNEIDER, DEALING IN THEIR SOLE AND SEPARATE
PROPERTY
1014 RODEO DRIVE
PEBBLE BEACH, CA 93953

This Agreement is APPROVED

and ACCEPTED this _____ day

of _____, 19__.

SUN OPERATING LIMITED PARTNERSHIP
By Oryx Energy Company
Its Managing General Partner

Attorney-in-Fact

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VIII CONSENT REQUIREMENT:

This Agreement is personal in nature and may not be assigned without our written consent being first obtained. When requesting consent to make an assignment of all or a portion of this Agreement you will advise the parties to whom the assignment will be made.

IX STATUS OF PARTIES:

In the drilling of the Test Well and otherwise complying with the terms and provisions of this Agreement, you are acting independently of us and not as a partner in any capacity, mining or otherwise. We shall have no responsibility whatsoever in connection with the drilling of said well and it shall be drilled at your sole cost, risk and expense. You further agree to hold us harmless from any and all debts, claims or damages incurred in connection with the performance of this Agreement.

In regard to all provisions of this Agreement, it is understood and agreed that Time is of the Essence.

X OTHER PROVISIONS:

Substitute Well - If, in the drilling of any well provided for herein, mechanical difficulties arise or practically impenetrable substances are encountered which render further drilling impossible or impracticable, you may abandon the well and within thirty (30) days commence a substitute well therefore at a mutually agreeable location. Any substitute well so commenced shall be drilled to the same depth and in the same manner as is required for such well provided for hereinabove, and the drilling and completion thereof shall have the same effect hereunder as would the drilling and completing of such well.

If the terms and provisions of this Agreement in its entirety are acceptable to you, will you kindly indicate your approval by signing below in the space provided and returning 3 executed copies of this Agreement to us within 30 days. Failure to do so will result in the cancellation of this Agreement at our option.

Veronica Schneider

VERONICA SCHNEIDER, A SINGLE WOMAN
1300 HARDAWAY
EL PASO, TX 79903

This Agreement is APPROVED

and ACCEPTED this _____ day

of _____, 19____.

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ESTHER SCHNEIDER DETTINGER, DEALING IN THEIR SOLE AND
SEPARATE PROPERTY
4115 W 182 ST APT 28
TORRANCE, CA 90504

This Agreement is APPROVED

and ACCEPTED this _____ day

of _____, 19__.

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By Oryx Energy Company
Its Managing General Partner

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ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

Oil Conservation Division

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

NOT AT THIS
ADDRESS
SINCE 1974

TURNED
TO
SENDER
UNDELIVERABLE AS ADDRESSED
FOR RETURN ORDERED EXPIRED

RETURN TO SENDER

Case 9

Joseph F. Schneider, et al.

~~2406 Duxbury Place~~

~~Los Angeles, California 90034~~

