

# JOA Panel Handouts - 2017 Annual Meeting

March 14, 2017

[REDACTED]  
[REDACTED]  
[REDACTED]

Re: **Production Sharing Agreement – Horizontal Wells/Wolfcamp Formation**

**CC 3946 West in Block 39, T-5-S, Upton County, Texas**

Section 39: W/2, containing 320.0 acres, more or less;  
Section 46: NW/4, containing 163.675 acres, more or less;  
comprising a total of 483.675 acres, more or less; AND

**CC 3946 East in Block 39, T-5-S, Upton County, Texas**

Section 39: E/2, containing 320.0 acres, more or less;  
Section 46: E/2, containing 327.35 acres, more or less;  
comprising a total of 647.35 acres, more or less;

Dear Sir/Madam:

On February 9, 2017 we mailed two separate Production Sharing Agreements and it has been brought to our attention that some of the acknowledgements were incorrect. So we are now sending the corrected documents. Please note that no other changes were made.

This Production Sharing Agreements only apply to horizontal wells drilled within the Wolfcamp formation in the aforementioned PSA Tracts. It will not affect your royalty from existing or future vertical wells on this acreage or in other formations.

We have enclosed for your review, a Production Sharing Agreement and Memorandum of Production Sharing Agreement, for each of the CC 3946 East and CC 3946 West PSA Tracts. If the forms are acceptable to you, please execute both Memorandum and Agreement for each PSA Tract, have them acknowledged before a notary public, and return the executed originals to my attention at Apache's offices in Midland, Texas. A postage paid addressed envelope has been included for your convenience.

Thank you for your attention to this matter and we apologize for the inconvenience. If you have any questions or concerns, please contact Michael F. Monju at (432) 818-1932 or by email at [michael.monju@apachecorp.com](mailto:michael.monju@apachecorp.com).

Regards,

**Michael F. Monju**  
Sr. Landman

MEMORANDUM OF PRODUCTION SHARING AGREEMENT

THE STATE OF TEXAS     §  
COUNTY OF UPTON       §

This Memorandum of Production Sharing Agreement (this "Memorandum") is dated as of this \_\_\_\_\_ day of \_\_\_\_\_, 2017, and is by and between the undersigned parties, hereinafter called "Interest Owner" (whether one or more), **Apache Corporation** ("Apache"), whose address is 303 Veterans Airpark Lane, Suite 1000, Midland, Texas 79705. The Interest Owner and Apache may hereinafter be referred to individually as a "Party" or collectively as the "Parties."

The Parties hereby acknowledge and give notice that a Production Sharing Agreement (the "Agreement") has been executed between them covering oil, gas, and substances produced therewith from the following described lands, insofar and only insofar as to the Wolfcamp formation therein:

**Block 39, T-5-S, Upton County, Texas**  
Section 39: E/2, containing 320.0 acres, more or less;  
Section 46: E/2, containing 327.35 acres, more or less;  
comprising a total of 647.35 acres, more or less;

The purpose of the Memorandum is to evidence of record the existence of said Agreement, and the parties have agreed to file this Memorandum in the records of Upton County, Texas, in lieu of filing the full Agreement in said county.

This Memorandum may be executed in multiple counterparts, each of which shall be deemed an original, and all of which, when taken together, shall be deemed to be one instrument. This Memorandum shall be binding upon each executing Party and shall extend to the benefit of its respective legal representatives, successors, and assigns.

This Agreement is executed as of the date first above written, but effective as of date of recording.

**Apache Corporation**

By: \_\_\_\_\_  
Amy D. Lindsey  
Attorney-in-Fact

THE STATE OF TEXAS     §  
COUNTY OF MIDLAND   §

BEFORE ME, the undersigned authority, on this day personally appeared Amy D. Lindsey, Attorney-in-Fact of Apache Corporation, a Delaware corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as the act and deed of said corporation, for the purposes therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
NOTARY PUBLIC-STATE OF TEXAS

\_\_\_\_\_  
James E Thorp

**ACKNOWLEDGMENT**

THE STATE OF TEXAS    §  
COUNTY OF HARRIS    §

BEFORE ME, the undersigned authority, on this day personally appeared James E Thorp, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
NOTARY PUBLIC-STATE OF TEXAS

**PRODUCTION SHARING AGREEMENT**

**STATE OF TEXAS**           §  
**COUNTY OF UPTON**       §

This Production Sharing Agreement (this "Agreement") is dated as of this \_\_\_\_ day of \_\_\_\_\_, 2017, and is by and between the undersigned parties, hereinafter called "Interest Owner" (whether one or more), **Apache Corporation** ("Apache"), whose address is 303 Veterans Airpark Lane, Suite 1000, Midland, Texas 79705. The Interest Owner, and Apache may hereinafter be referred to individually as a "Party" or collectively as the "Parties."

WHEREAS, reference is hereby made to the following described lands, insofar and only insofar as to the Wolfcamp formation therein, such lands and formation being hereinafter referred to herein as the "Production Sharing Lands":

**Block 39, T-5-S, Upton County, Texas**  
Section 39: E/2, containing 320.0 acres, more or less;  
Section 46: E/2, containing 327.35 acres, more or less;  
comprising a total of 647.35 acres, more or less

WHEREAS, the Interest Owner owns either a royalty interest, overriding royalty interest, or other type of interest covered by and/or pursuant to an oil and gas lease(s) covering all or a portion of the Production Sharing Lands;

WHEREAS, Apache Corporation is the current owner and holder of certain oil and gas leases, each such oil and gas lease covering all or a portion of the Production Sharing Lands;

WHEREAS, the Parties wish to encourage development of oil, gas, and substances produced therewith through the drilling, completion, and producing of a horizontal well or wells from the Production Sharing Lands;

WHEREAS, the Parties agree that a basis for allocating production and royalties attributable thereto from the horizontal well or wells contemplated herein should be established as stated hereinbelow;

NOW, THEREFORE, the Parties, in consideration of the foregoing recitals, the performances to be made by each, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, do hereby agree as follows:

- 1. As used in this Agreement, a "Horizontal Well" means a horizontal drainhole well, as such term is defined in Texas Railroad Commission Statewide Rule 86.
- 2. With respect to production of oil, gas, and substances produced therewith from any Horizontal Well within the Production Sharing Lands, such production and all royalties attributable thereto shall be allocated amongst all of the aforementioned oil and gas leases in the proportion that the

number of net mineral acres covered by each such oil and gas lease bears to the total number of surface acres in the Production Sharing Lands as of the effective date of this Agreement.

3. Drilling, completion, and recompletion operations, and/or production from any Horizontal Well anywhere within the Production Sharing Lands shall be treated as if such operations and/or production were actual operations on or production from all of the aforementioned oil and gas leases, regardless of the location of any such Horizontal Well.
4. Production from any and all Horizontal Wells within the Production Sharing Lands drilled hereunder shall not create any offset drilling and/or development obligations, whether express or implied, and shall not constitute drainage in any manner.
5. This Agreement only applies to Horizontal Wells within the Production Sharing Lands and in no way affects ownership of any other wells.
6. This Agreement shall remain in effect for a period of two (2) years from the Effective Date and for so long thereafter as there is production in paying quantities from the Production Sharing Lands.
7. Notwithstanding anything to the contrary herein, in the event any of the oil and gas leases terminate as to all or any portion of the Production Sharing Lands, this Agreement shall terminate insofar and only insofar as to any such oil and gas lease or portion thereof and the mineral interest covered thereby and no further allocation of production and royalties shall be made thereto pursuant to this agreement.
8. This Agreement shall in no way be seen as an intent to pool or otherwise function to communitize the aforementioned oil and gas leases with other lands within the Production Sharing Lands.
9. The aforementioned oil and gas leases shall not otherwise be altered or amended, by this Agreement; provided, however, that in the event of any conflict between the terms and provisions of this Agreement and those of the aforementioned oil and gas leases, the terms and provisions of this Agreement shall control and prevail.
10. Each Interest Owner hereby grants to Apache Corporation the surface and subsurface easements and rights-of-way (including all reasonable ingress and egress thereto and therefrom) on, in, and under all the lands covered by the aforementioned oil and gas leases for exploration and production activities, including, but not limited to, the drilling, completing, deepening, reworking, recompleting, maintenance, and operations in the search for and/or production of oil, gas, and substances produced therewith associated with any Horizontal Well, including, but not limited to, gathering, storing, transporting, and treating said oil, gas, and substances produced therewith, as well as laying, maintaining, and replacing pipelines, gathering systems, and roads, and constructing and maintaining production facilities to produce, store, treat, and transport said oil, gas, and substances produced therewith.

11. The Parties agree that this Agreement shall not be filed of record; rather, the Parties shall execute a Memorandum of Production Sharing Agreement in order to place of record the existence of this Agreement.
12. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which, when taken together, shall be deemed to be one instrument. This Agreement, if it becomes effective in accordance with the terms herein, shall be binding upon each executing Party and shall extend to the benefit of its respective legal representatives, successors, and assigns.

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the date first set forth hereinabove.

**Apache Corporation**

By: \_\_\_\_\_  
 Amy D. Lindsey  
 Attorney-in-Fact

THE STATE OF TEXAS     §  
 COUNTY OF MIDLAND    §

BEFORE ME, the undersigned authority, on this day personally appeared Amy D. Lindsey, Attorney-in-Fact of Apache Corporation, a Delaware corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as the act and deed of said corporation, for the purposes therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
 NOTARY PUBLIC-STATE OF TEXAS

\_\_\_\_\_  
James E Thorp

**ACKNOWLEDGMENT**

THE STATE OF TEXAS       §  
COUNTY OF HARRIS       §

BEFORE ME, the undersigned authority, on this day personally appeared James E Thorp, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this \_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
NOTARY PUBLIC-STATE OF TEXAS

**PRODUCTION SHARING  
AGREEMENT  
CODE SHEET**

READ INSTRUCTIONS ON BACK

1. FIELD NAME(S)	2. LEASE / ID NO. (if assigned)	3. RRC District No.
4. OPERATOR P-5 NAME	5. OPERATOR P-5 NO.	6. WELL NO.
7. SHARING AGREEMENT NAME	8. API NO.	9. PURPOSE OF FILING <input type="checkbox"/> Drilling Permit Application (Form W-1) <input type="checkbox"/> Completion Report
10. COUNTY	11. TOTAL ACRES	

**Description of Individual Tracts Contained Within the Production Sharing Agreement**

TRACT/PLAT IDENTIFIER	TRACT NAME	ACRES IN TRACT	ACREAGE ALLOCATED TO WELL	INDICATE UNDIVIDED INTERESTS		
				UNLEASED	NOT-PARTICIPATING	NON-POOLED

**REMARKS:**

**CERTIFICATION:** I declare under penalties prescribed pursuant to §91.143, Tex. Nat. Res. Code, that this report was prepared by me or under my supervision or direction, that I am authorized to make this report, and that the information contained in this report is true, correct, and complete to the best of my knowledge.

Signature \_\_\_\_\_ Name (type/print) \_\_\_\_\_

Title \_\_\_\_\_ Date: \_\_\_\_\_ Phone No. \_\_\_\_\_

Email Address (Optional – See instructions for important information): \_\_\_\_\_



INSTRUCTIONS — Reference: Statewide Rules 38, 40 and 86.

1. The certified plat must designate each participating lease/pooled unit with an outline and a tract identifier. The tract identifier on the plat must correspond to the tract identifier and associated information listed on the Certificate.
2. If within an individual tract, a non-pooled and/or unleased interest exists, indicate by checking the appropriate box.
3. If the Purpose of Filing is to obtain a drilling permit, in Box #1 list all applicable fields separately or enter "All Fields" if the Certificate pertains to all fields requested on Form W-1.
4. Identify the drill site tract with an \* to the left of the tract identifier.
5. The total number of acres in the pooled unit in Box #11 should equal the total of all acres in the participating lease/pooled units contributing acreage to the PSA well.
6. In remarks section provide the percentage of mineral owners who have signed a "production sharing agreement" in each participating lease/pooled unit.

EMAIL ADDRESS: YOU ARE NOT REQUIRED TO PROVIDE AN EMAIL ADDRESS when completing and filing this form. Please be aware that information provided to any governmental body may be subject to disclosure pursuant to the Texas Public Information Act or other applicable federal or state legislation. IF YOU PROVIDE AN EMAIL ADDRESS, YOU AFFIRMATIVELY CONSENT TO THE RELEASE OF THAT EMAIL ADDRESS TO THIRD PARTIES. Other departments within the Railroad Commission also may use the email address you provide to communicate with you.





**RAILROAD COMMISSION OF TEXAS**

1701 N. Congress  
 P.O. Box 12967  
 Austin, Texas 78701-2967

**P-16 Data Sheet  
 (Optional)**

**Page 2**  
 Rev. 09/2014

**Acreage Designation**

Filer is the owner or lessee of all or an undivided portion of the minerals under each tract listed below and has the legal right to drill on each tract traversed by the well that will have perforations or other take points open in the interval of the applied-for field(s). All tracts listed will actually be traversed by the wellbore or the filer has pooling authority or other contractual authority, such as a production sharing agreement, authorizing inclusion of the non-drillsite tract in the acreage assigned to the well.

SECTION V. LISTING OF ALL TRACTS CONTRIBUTING ACREAGE TO AN RRC DESIGNATED DRILLSITE DEVELOPMENTAL UNIT THAT IS NOT A SINGLE LEASE, POOLED UNIT, OR GROUP OF TRACTS UNITIZED BY CONTRACT FOR PURPOSES OF SECONDARY RECOVERY					
RRC ID No. or Lease No.	Lease Name	Beginning Lease Acreage	Allocated Lease Acreage	Ending Lease Acreage	Operator Name and Operator No. (if different from filing operator)
Total Allocated Acreage >					< Total Lease Acreage

Filer is the owner or lessee, or has been authorized by the owner or lessee, of all or an undivided portion of the mineral estate under each tract for which filer is listed as operator below. For all leases operated by other entities, the number of assigned acres shown are reflected on current Commission records or the filer has been authorized by the current operator to change the assigned acreage of that operator as shown below.

SECTION VI. LISTING OF ALL WELLS IN THE APPLIED FOR FIELD ON THE SAME ACREAGE AS THE LEASE OR POOLED UNIT DESIGNATED FOR THE TRACTS LISTED IN SECTION V BY FILER									
RRC ID No. or Lease No.	Well No.	Acres Assigned	SWR 38 Except. (Y/N)	H-Horizontal D-Directional V-Vertical	RRC ID No. or Lease No.	Well No.	Acres Assigned	SWR 38 Except. (Y/N)	H-Horizontal D-Directional V-Vertical
A. Total Wells & Acreage >					A. Total Wells & Acreage >				
B. Total Assigned Horiz. Acreage >					B. Total Assigned Horiz. Acreage >				
C. Total Assigned Vert./Dir. Acreage >					C. Total Assigned Vert./Dir. Acreage >				

**SECTION VII. REMARKS**

**REVIEW AND BECOME FAMILIAR WITH SWR 37, 38, 40 AND FIELD RULES BEFORE FILING FORM P-16.****GENERAL**

**PURPOSE OF FILING:** The Form P-16 Data Sheet, *Acreage Determination*, is to be filed for the determination of acreage credit in connection with the filing of a Form W-1, *Application for Permit to Drill, Recomplete, or Re-Enter*, or a Completion Report (Form W-2, *Oil Well Potential Test, Completion or Recompletion Report, and Log*, or Form G-1, *Gas Well Back Pressure Test, Completion or Recompletion Report, and Log*). Operators shall file for each oil or gas well in this lease and field, and shall list the number of acres that are being assigned to each well on the lease or unit.

**WHO FILES:** The Form P-16 shall be filed by an applicant filing for a Form W-1. The form shall also be filed in connection with a Form W-2/Form G-1 or independently to adjust acreage designation for existing leases/wells, by the operator of subject lease as listed on the most current Form P-4, *Producer's Transportation Authority and Certificate of Compliance*, who assumes responsibility for the physical operation, control, and proper plugging of the well listed in Section II of the Form P-16 being filed.

**WHEN TO FILE:** The Form P-16 shall be filed in conjunction with each Form W-1 and each Form W-2/Form G-1 for all horizontal wells, and for all wells in designated UFT Fields. The Form P-16 may also be filed with each Form W-1 and Form W-2/Form G-1 for any other wells. In addition, the Form P-16 may be filed independently when acreage designation updates are necessary to an existing lease.

**SECTION I. OPERATOR INFORMATION (REQUIRED)**

Operator P-5 No. and Operator Address shall be completed with the filer's information.

**SECTION II. WELL INFORMATION (REQUIRED)**

When filing Form P-16 in addition to the Form W-1 application or Form(s) W-2/G-1 report, the well information section should be completed with the data that pertains to the specific well for which the permit application or completion report is being filed.

When filing Form P-16 independently to update acreage designation to an existing lease, the well information section can be completed with the data that pertains to any well on subject lease as selected by filer.

If lease acres are being adjusted on a pooled unit, a new Form P-12 and an original certified plat delineating the pooled unit shall be required. Each tract in the certified plat shall be identified with an outline and a tract identifier that corresponds to the tract identifier listed on the Form P-12 as provided for in §3.40(a) & §3.40(a)(1)

**SECTION III. LISTING OF ALL WELLS IN THE APPLIED FOR FIELD ON THE SAME ACREAGE AS THE LEASE, POOLED UNIT, OR UNITIZED TRACT DESIGNATED BY FILER**

This section should be utilized for wells on a single lease, pooled unit, or unitized tract designated by the RRC or where multiple operators have an agreement to share lease acreage.

**Item A and B is required only if field rules have an exception to SWR 40. Item C is required for all other filings. (Submit either A & B, or C.)**

- A) Designate total acreage assigned to horizontal wells and total remaining acreage (**SWR 40 exception**)
- B) Designate total acreage assigned to vertical/directional wells and total remaining acreage (**SWR 40 exception**)
- C) Total assigned acreage and total remaining acreage

When being filed in conjunction with the **Form W-1**, list all completed and permitted wells. Completed wells should reflect the current assigned proration acreage as reflected on RRC schedule.

When being filed in conjunction with the **Form G-1/W-2** list all completed wells reflecting proposed assigned proration acreage.

**SECTION IV. REMARKS/ PURPOSE OF FILING (REQUIRED)**

When submitting with Form W-1 application or Form(s) W-2/G-1 report or if submitting Form P-16 independently, indicate any information pertaining to the purpose of filing and/or any detailed information to aid in the processing of this form. If Multiple Operators are listed in Section III due to the method of development, please explain the method of development. §3.40(d)

**SECTION V. LISTING OF ALL TRACTS CONTRIBUTING ACREAGE TO AN RRC DESIGNATED DRILLSITE DEVELOPMENTAL UNIT THAT IS NOT A SINGLE LEASE, POOLED UNIT, OR GROUP OF TRACTS UNITIZED BY CONTRACT FOR THE PURPOSE OF SECONDARY RECOVERY (IF NOT APPLICABLE SECTION V IS NOT REQUIRED)**

Complete this section when total lease acreage is being adjusted from 2 or more tracts in order to create a new RRC Oil lease number or Gas ID number. For Gas leases, use only the most current Gas ID number (a listing of all gas wells within the same lease is not required). List all affected leases, lease names, and beginning acreage as indicated on most recent Form W-1 application or Form(s) W-2/G-1 report. Acreage being removed from existing leases should be listed in Allocated Lease Acreage. The Beginning Lease Acreage minus the Allocated Lease Acreage should equal the Ending Lease Acreage for each affected lease. In addition, a plat of the lease, unit or property; containing at minimum a new lease outline and lease acres label shall be required.

**SECTION VI. LISTING OF ALL WELLS IN THE APPLIED FOR FIELD ON THE SAME ACREAGE AS THE LEASE OR POOLED UNIT DESIGNATED BY FILER**

List all wells and assigned proration acreage. This list should include all wells associated with leases in Section V and wells that traverse these tracts. RRC issued Gas ID numbers and Oil lease numbers, well numbers, acreage assignment with a total well count and a total acreage count. Should an RRC ID/Lease number not have been assigned, use the Drilling Permit number associated with the wellbore.

**Item A is required data for filings. Item B and C is required only if field rules have an exception to SWR 40. (Submit either A, or B & C.)**

- A) Total well count and total assigned acreage
- B) Designate total acreage assigned to horizontal wells (**SWR 40 exception**)
- C) Designate total acreage assigned to vertical/directional wells (**SWR 40 exception**)

When being filed in conjunction with the **Form W-1**, list all completed and permitted wells. Completed wells should reflect the current assigned proration acreage as reflected on RRC schedule.

When being filed in conjunction with the **Form G-1/W-2** list all completed wells reflecting proposed assigned proration acreage.

**IMPORTANT TERMS**

DISTRICT: Indicate the Commission district associated with the RRC identifier listed in Section II.

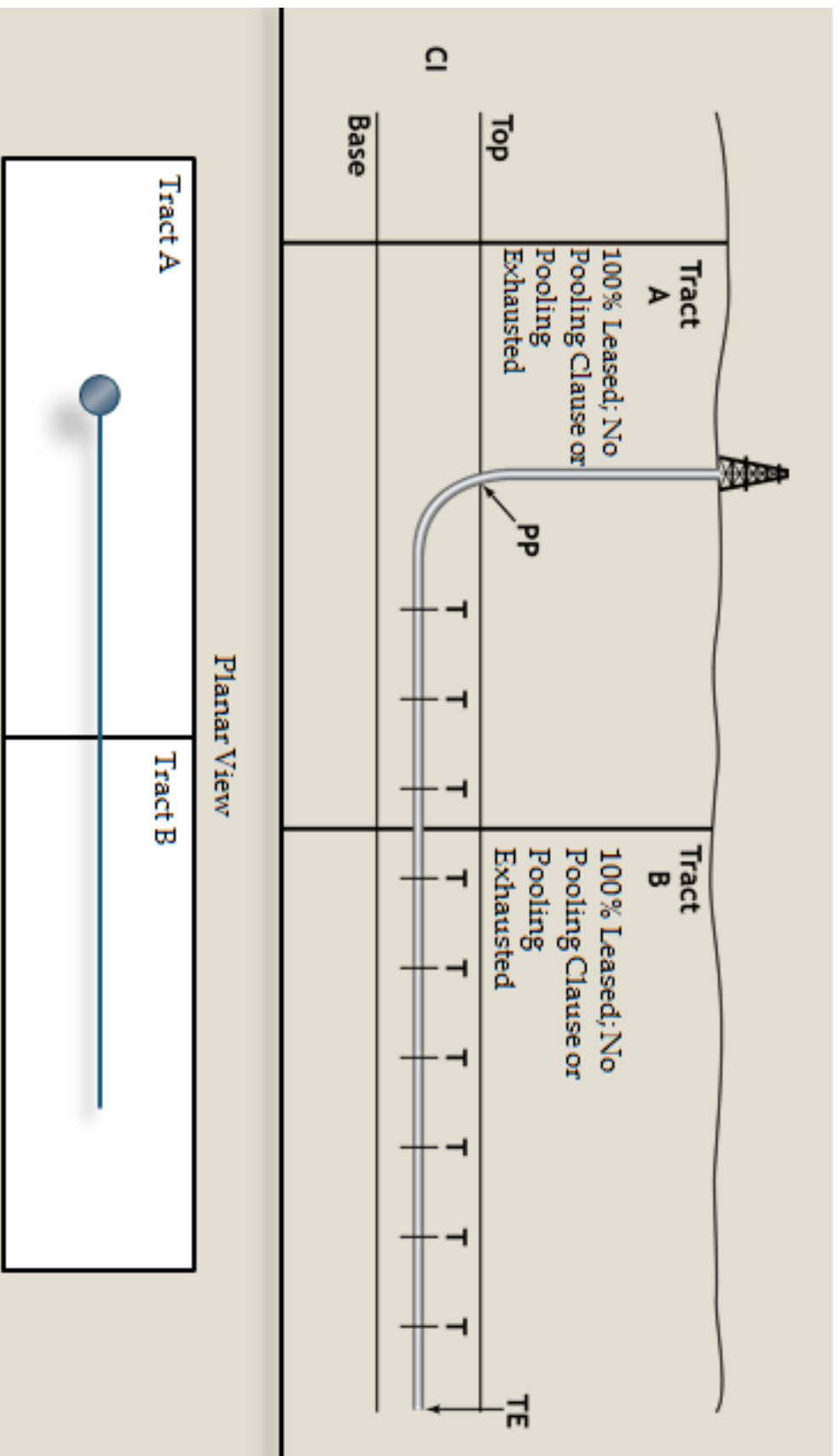
RRC ID NO OR. LEASE NO.: Indicate the Commission lease or well ID numbers associated with this filing. If no ID has been assigned, provide a drilling permit number.

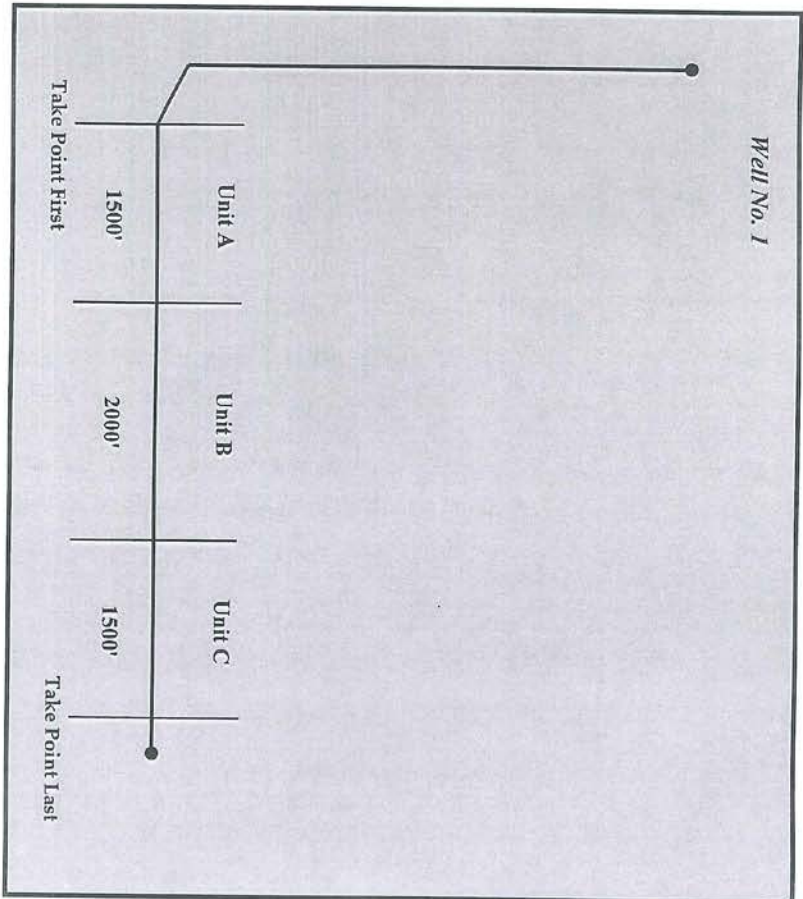
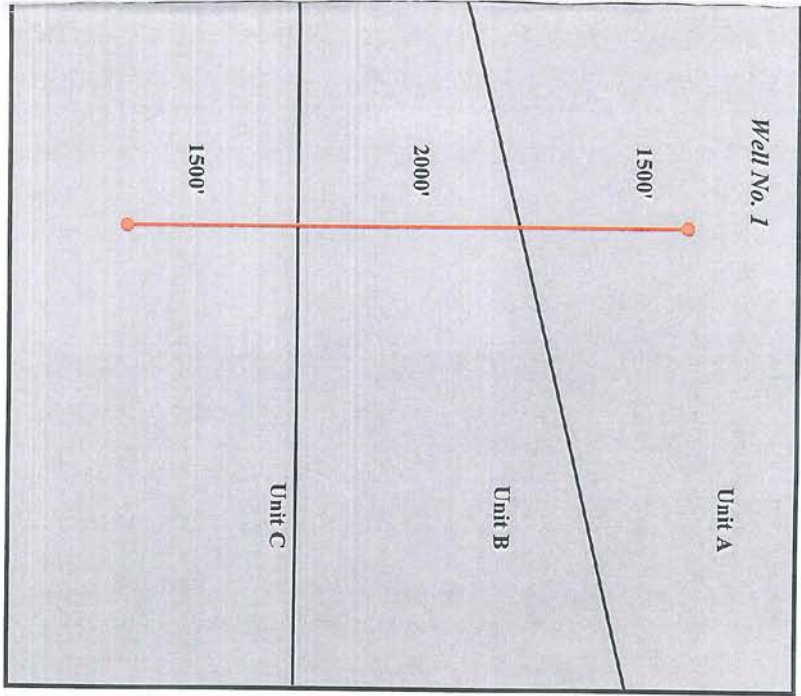
WELL NO.: Indicate the well number as listed on the Commission proration schedule or drilling permit.

ACRES ASSIGNED: Indicate the number of acres being assigned to a well for acreage designation purposes.

TRACT: Lease, pooled unit, unitized unit, or undeveloped acreage being assigned for production.

# THE ISSUE: HOW TO DRILL THIS WELL





# Who Is Drilling PSA Wells

## Map Of Operators Drilling PSA Wells

Operator	Permits
BP America Prod	1
Chesapeake	16
Devon	604
El Paso E&P	1
EOG	24
Encana	2
Enervest	4
Goodrich	2
Memorial Prod Oper	1
Navidad	1
NFR	4
Quicksilver	2
Talisman	3
Texakoma	1
Titan	1
Vantage	28
WBH	19
<b>Grand Total</b>	<b>714</b>

