

**IN THE UNITED STATES DISTRICT COURT FOR  
THE EASTERN DISTRICT OF OKLAHOMA**

(1) Sagacity, Inc. and  
(2) Bollenbach Enterprises Limited Partnership, on behalf of themselves and all others similarly situated,

Plaintiffs,

v.

(1) BCE-Mach III LLC,

Defendant.

Case No. CIV 23-39-KEW

**JURY TRIAL DEMANDED**

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**PLAINTIFFS' ORIGINAL CLASS ACTION COMPLAINT**

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Plaintiffs Bollenbach Enterprises Limited Partnership ("Bollenbach") and Sagacity, Inc. ("Sagacity") (collectively, "Plaintiffs"), on behalf of themselves and all others similarly situated, bring this Class Action Complaint against BCE-Mach III LLC ("Mach" or "Defendant"), and allege and state the following.

**SUMMARY OF ACTION**

1. Plaintiffs bring these claims against Mach concerning Mach's actual, knowing, and willful underpayment or non-payment of royalties on natural gas and constituent products, including natural gas liquids, through improper accounting methods and by failing to account for and pay royalties as required by the applicable agreements and Oklahoma law, as more fully described below.

## **PARTIES**

2. Sagacity is an Oklahoma corporation that owns royalty interests in Mach-operated oil-and-gas wells located in numerous Oklahoma counties, including in Pittsburg and Marshall Counties, Oklahoma.

3. Bollenbach is an Oklahoma limited partnership that owns royalty interests in Mach-operated oil-and-gas wells located in Kingfisher County, Oklahoma.

4. BCE-Mach III LLC is a limited liability company organized under Delaware law with its principal place of business in Oklahoma City, Oklahoma. Mach may be served with process by serving its registered agent, C T Corporation System, 1833 South Morgan Road, Oklahoma City, Oklahoma 73128.

5. Mach is, *inter alia*, in the business of producing and marketing natural gas and constituent products, including natural gas liquids, from Mach's operated oil-and-gas wells in Oklahoma in which Class and Subclass members hold royalty interests.

## **JURISDICTION & VENUE**

6. The preceding allegations are incorporated by reference.

7. This Court has original jurisdiction over the claims asserted in this complaint pursuant to 28 U.S.C. § 1332(d) because this is a class action in which the amount in controversy exceeds the sum of \$5,000,000, and because members of the class and Mach are citizens of different states.

8. This Court has personal jurisdiction over Mach because it operates thousands of oil-and-gas wells in Oklahoma and because it distributes royalties to Class and Subclass members across Oklahoma.

9. Venue is proper in this District pursuant to 28 U.S.C. § 1391 because a substantial part of the events or omissions giving rise to this claim occurred in, or a substantial part of property that is the subject of this action is situated in, this District.

### **FACTUAL ALLEGATIONS**

10. The preceding allegations are incorporated by reference.

11. Sagacity owns royalty interests in numerous Mach-operated oil-and-gas wells located in Oklahoma, including in Pittsburg and Marshall Counties, Oklahoma.

12. For example, Sagacity owns a royalty interest in Mach-operated oil-and-gas wells located in Marshall County, Oklahoma, under an oil-and-gas lease dated August 5, 1954, and covering portions of Section 9, Township 5 North, Range 5 East. **Ex. 1**, Marshall County Lease.

13. Sagacity's Marshall County Lease requires that Mach, as lessee and operator, remit the following for gas royalties:

To pay lessor for gas produced from each well where gas only is found, the equal 3/16ths of the gross proceeds at the prevailing market rate, for all gas used off the premises, said payment to be made quarterly and lessor to have gas free of cost from any such well for all stoves and all inside lights in the principal dwelling on said land during the same time by making his own connection with the well at his own risk and expense.

To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of gasoline or dry commercial gas, 3/16ths of the proceeds, at the mouth of the well, at the prevailing market rate for the gas during which time such gas shall be used, said payments to be made quarterly.

*Id.* at 1.

14. As an additional example, Sagacity owns a royalty interest in a Mach-operated oil-and-gas well located in Pittsburg County, Oklahoma, under an oil-and-gas lease dated January 22, 1962, and covering portions of Section 29, Township 3 North, Range 12 East. **Ex. 2**, Pittsburg County Lease.

15. Sagacity's Pittsburg County Lease requires that Mach, as lessee and operator, remit the following for gas royalties:

To pay lessor for gas of whatsoever nature or kind produced and sold or used off the leased premises, or used in the manufacture of the products therefrom, one-eighth (1/8th) at the of the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly.

To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of casinghead gasoline or dry commercial gas, one-eighth (1/8th) of the proceeds, at the mouth of the well, at the prevailing market rate for the gas during which such gas shall be used, said payments to be made monthly.

*Id.* at 1.

16. Bollenbach owns royalty interests in numerous Mach-operated oil-and-gas wells located in Kingfisher County, Oklahoma.

17. For example, Bollenbach owns a royalty interest in a Mach-operated oil-and-gas well located in Kingfisher County, Oklahoma, under an oil-and-gas lease dated June 29, 1959, and covering portions of Section 31, Township 17 North, Range 5 West. **Ex. 3**, Kingfisher County Lease.<sup>1</sup>

18. Bollenbach's Kingfisher County Lease requires that Mach, as lessee and operator, remit the following for gas royalties:

To pay lessor for gas of whatsoever nature or kind produced and sold or used off the premises, or used in the manufacture of any products therefrom, one-eighth, (1/8) at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly.

*Id.* at 1.

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<sup>1</sup> The Marshall County Lease, Pittsburg County Lease, and Kingfisher County Lease are collectively referred to as "Plaintiffs' Exemplar Leases."

19. Under Oklahoma law, Plaintiffs' Exemplar Leases impose Oklahoma's implied duty to market (the "IDM") upon Mach.

20. Oklahoma's IDM requires Mach to provide a marketable product available to market, including for natural gas and its constituents.

21. This means that Mach is precluded from passing along to royalty owners, like Plaintiffs, any costs incurred in making a product marketable, including natural gas and its constituents.

22. Because raw or unprocessed gas must typically undergo certain field processes—such as gathering, compressing, dehydrating, transporting, and processing ("GCDTP Services")—to make the gas marketable, lessees and operators, like Mach, bear the costs associated with performing such services. GCDTP Services also includes the costs of transportation and fractionation of natural gas liquids to create marketable purity products.

23. Royalty owners whose leases contain the IDM, like Plaintiffs' Exemplar Leases, bear no responsibility for the cost of GCDTP Services required to place natural gas and its constituents in marketable form.

24. The IDM applies unless an oil-and-gas lease expressly says otherwise.

25. If a lessee, like Mach, wants royalty owners to share in GCDTP Services, that can be spelled-out in the oil-and-gas lease.

26. Some leases *do* expressly spell out by name certain GCDTP Services that are allowed to be deducted from royalty—Plaintiffs refer to these leases as express-deduction ("ED") leases. Other leases expressly state that a lessee *cannot* take deductions. Plaintiffs refer to these leases as express-no-deduction ("END") leases. Plaintiffs' proposed class includes IDM and END leases and excludes ED leases.

27. Despite the IDM's requirements and the terms of Plaintiffs' Exemplar Leases, Mach has, nevertheless, deducted GCDTP Services from Plaintiffs' royalty payments.

28. Upon information and belief, Mach has explicitly deducted GCDTP Services on Plaintiffs' check stubs and has also embedded GCDTP Services into Plaintiffs' royalty payments by adjusting the volume, price, or value of Plaintiffs' royalty payments.

29. In addition, and upon information and belief, some of the GCDTP Services which have resulted in royalty underpayments to Bollenbach have included affiliated costs for which Oklahoma applies a strict standard.

30. Plaintiffs' Exemplar Leases also require that Mach pay Plaintiffs' royalty on fuel gas consumed off the lease, which includes gas consumed in a midstream service company's gathering systems, gas plants, and on the transmission pipelines.

31. Despite the requirement to pay royalty on fuel gas consumed off the lease, Mach has, nevertheless, failed to completely compensate Plaintiffs on those volumes of gas used off the lease for fuel.

32. In addition to the terms of the oil-and-gas leases, OKLA. STAT. tit. 52, § 570.10(C)(4) imposes upon Mach a duty to properly pay royalty and if Mach causes royalty to be paid incorrectly to royalty owners (like Plaintiffs) as operator, Mach is responsible for the underpaid royalty. ("Where royalty proceeds are paid incorrectly as a result of an error or omission, the party whose error or omission caused the incorrect royalty payments shall be liable for the additional royalty proceeds on such production and all resulting costs or damages incurred by the party making the incorrect payment.").

33. Mach's improper royalty payment practices have been applied to Plaintiffs and all other members of the Class and Subclass.

### CLASS ACTION ALLEGATIONS

34. The preceding allegations are incorporated by reference.

35. Plaintiffs bring this action on behalf of themselves and as a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the following class (the “Class” and “Subclass”):

**Class:** All persons or entities who are royalty owners, except those whose leases expressly authorize deductions under Oklahoma law, in Oklahoma wells where Mach (including its affiliated predecessors and affiliated successors) are or were the operator from January 11, 2018, to the date Class Notice is given. The Class claims relate to royalty payments for gas and its constituents (such as residue gas, natural gas liquids, helium, nitrogen, or drip condensate).

**Subclass:** All persons or entities entitled to share in royalty proceeds payable under any lease that contains an express provision stating that royalty will be paid on gas used off the lease premises.

Excluded from the Class and Subclass are: (1) Mach, its affiliates, predecessors, and employees, officers, and directors; (2) agencies, departments, or instrumentalities of the United States of America or the State of Oklahoma; and (3) any Indian tribe as defined at 30 U.S.C. § 1702(4) or Indian allottee as defined at 30 U.S.C. § 1702(2).

36. Upon information and belief, absent Class and Subclass members who have been underpaid royalty on gas and its constituents number in the thousands. Mach operates thousands of oil-and-gas wells in Oklahoma. Thus, the Class is so numerous that joinder of all members is impracticable.

37. The questions of fact and law common to the Class and Subclass include:

- a. Whether Plaintiffs and the Class and Subclass own royalty interests in the Oklahoma properties upon which Mach has an obligation to pay royalty correctly under the terms of the applicable oil-and-gas leases;
- b. Whether, under Oklahoma law, the Class oil-and-gas leases impose the IDM;

- c. Whether Mach failed to properly remit royalty to the Class on gas and its constituents by deducting GCDTP Services or by underpaying royalty as a result of GCDTP Services;
- d. Whether, under Oklahoma law, the Subclass oil-and-gas leases require Mach to pay royalty on gas consumed off the leases;
- e. Whether Mach failed to properly remit royalty to the Subclass on gas consumed off the leases;
- f. Whether Mach's failure to properly pay royalty to the Class and Subclass imposes liability on Mach under OKLA. STAT. tit. 52, § 570.10(C)(4);
- g. Whether Mach is obligated to pay interest on the underpaid royalty under Oklahoma statute.

38. Plaintiffs' claims are typical of the Class and Subclass because each Class and Subclass member's claims are identical.

39. Mach treated Plaintiffs and the Class and Subclass in the same way by failing to pay the required royalty on gas and its constituents.

40. Plaintiffs will fairly and adequately protect the interests of the Class and Subclass. Plaintiffs' interests do not conflict with the interests of the Class and Subclass. Plaintiffs are represented by counsel who are skilled and experienced in oil-and-gas matters, accounting, and complex civil litigation, including oil-and-gas royalty class actions.

41. The averments of fact and questions of law in this Complaint are common to the members of the Class and Subclass and predominate over any questions affecting only individual members.

42. A class action is superior to other available methods for the fair and efficient adjudication of this controversy for the following reasons:

- a. The questions of law and fact are so numerous across the Class and Subclass that there is no reason why individual members of the Class and Subclass would want to control the prosecution of their own claims at their own expense;



- b. To Plaintiffs' knowledge, there is not a certified class with the same scope of Class and Subclass membership sought in this Complaint against Mach relating to its failure to properly pay royalty on gas and its constituents as required by law;
- c. All parties and the judiciary have a strong interest in resolving these matters in one forum;
- d. The difficulties in managing this case as a class action will be slight in relation to the personal benefits to be achieved on behalf of each and every Class and Subclass member—not only those who can afford to bring their own actions; and
- e. Absent a class action, Plaintiffs and the Class and Subclass members may never fully discover the wrongful acts of Mach, the extent of their respective financial losses, or the financial benefit they are unwittingly providing to Mach.

## **CAUSES OF ACTION**

### **I. Breach of Contract**

43. The preceding allegations are incorporated by reference.

44. Plaintiffs bring this cause of action on behalf of themselves and the Class and Subclass.

45. Plaintiffs and the other Class and Subclass Members entered into written, fully executed, oil-and-gas leases.

46. The Class leases impose the IDM on Mach with regard to payment of royalty on gas and its constituents.

47. The Subclass leases impose a duty to pay royalty on gas used as fuel off the lease premises.

48. Mach breached the terms of the Class and Subclass leases by its actions in underpaying royalty or not paying royalty on all products sold from the gas stream, including as a result of GCDTP Services and the failure to completely compensate Subclass members for gas used as fuel off the lease premises.

49. As a result of Mach's breaches, Plaintiffs and the Class and Subclass members have been damaged through underpayment of the actual amounts due.

50. Plaintiffs and the Class and Subclass members are entitled to the actual damages caused by Mach's breaches and are further entitled to statutory interest and other allowable damages imposed by Oklahoma law, including punitive damages. *See* OKLA. STAT. tit. 52, § 570.1 et seq.

## **II. Violation of the Production Revenue Standards Act**

51. The preceding allegations are incorporated by reference.

52. Under OKLA. STAT. tit. 52, § 570.10(C)(4), Mach, as operator remitting royalty, is liable for royalties that are paid incorrectly to the Class and Subclass.

53. Mach, as operator, has failed to properly remit royalties to the Class and Subclass.

54. Plaintiffs and the Class and Subclass members are entitled to the actual damages caused by Mach's incorrect royalty payments and are further entitled to statutory interest and other allowable damages imposed by Oklahoma law, including punitive damages. *See* OKLA. STAT. tit. 52, § 570.1 et seq.

## **JURY DEMAND**

55. Under Fed. R. Civ. P. 28, Plaintiffs demand a jury trial on all issues so triable.

## **PRAYER FOR RELIEF**

Wherefore, premises considered, Plaintiffs seek:

1. An order certifying and allowing this case to proceed as a class action with Plaintiffs as class representatives and the undersigned counsel as class counsel;

2. An order requiring Mach to pay Plaintiffs and the Class and Subclass members actual damages to fully compensate them for losses sustained as a direct, proximate, and producing cause of Mach's breaches and unlawful conduct, including, without limitation, compound interest under Oklahoma law;
3. An order requiring Mach to properly pay royalty to the Class and Subclass in the future, as required by law;
4. An order awarding punitive damages as determined by the jury, which is demanded herein, and in accordance with Oklahoma law on each of Mach's wrongful acts, as alleged in this Complaint;
5. An order requiring Mach to pay the Class and Subclass's attorney fees and litigation costs as provided by statute; and
6. Such costs and other relief as this Court deems appropriate.

Respectfully Submitted,

/s/Reagan E. Bradford

Reagan E. Bradford, OBA #22072

Ryan K. Wilson, OBA #33306

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**COUNSEL FOR PLAINTIFFS**

# OIL AND GAS LEASE

271839

AGREEMENT, Made and entered into this 5th day of August, 1954  
by and between L. W. Biddick

Party of the first part, hereinafter called lessor (whether one or more)  
and Samedan Oil Corporation part Y of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of Ten and More DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let unto the said lessee, for the sole and only purpose of mining and operating for oil and gas and laying pipe lines, and building tanks, powers, stations and structures thereon, to produce, save and take care of said products, all that certain tract of land situate in the County of Marshall, State of Oklahoma, described as follows, to-wit:

The Southwest Quarter of the Southwest Quarter  
(SW/4 SW/4) and the West Half of the Southeast  
Quarter of the Southwest Quarter (W/2 SE/4 SW/4)

(NO REVENUE STAMP REQUIRED UNDER REGULATION 71, SEC. 113.84)

of Section 9, Township 5 South, Range 5 East, and containing 60 acres, more or less.

It is agreed that this lease shall remain in force for a term of Five (5) years from date, and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor, free of cost, in the pipe line to which he may connect his wells, the equal 3/16ths part of all oil produced and saved from the leased premises.

2nd. To pay lessor for gas from each well where gas only is found, the equal 3/16ths of the gross proceeds at the prevailing market rate, for all gas used off the premises, said payment to be made quarterly and lessor to have gas free of cost from any such well for all stores and all inside lights in the principal dwelling house on said land during the same time by making his own connections with the well at his own risk and expense.

3rd. To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, 3/16ths of the proceeds, at the mouth of the well, at the prevailing market rate for the gas during which time such gas shall be used, said payments to be made quarterly.

If no well be commenced on said land on or before the 5th day of August, 1954, this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender to the lessor or to the lessor's credit in the Bank at Marshall, Oklahoma or its successors, which shall continue as the depository regardless of changes in the ownership of said land, the sum of \_\_\_\_\_ DOLLARS,

which shall operate as rental and cover the privilege of deferring the commencement of a well for \_\_\_\_\_ months from said date. The payment herein referred to may be made in currency, draft, or lessee's check at the option of the lessee, and tender thereof may be made either to lessor in person or by mailing the same to lessor at his last known address, or to said depository bank on or before the date on which said rental is due hereunder. In like manner and upon like payments or tenders the commencement of a well may be further deferred for periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable, as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred.

Should the first well drilled on the above described land be a dry hole, then and in that event, if a second well is not commenced on said land within twelve months from the expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payment of rentals in the same amount and in the same manner as hereinafter provided. And it is agreed that upon the resumption of the payment of rentals, as above provided, that the last preceding paragraph hereof, governing the payment of rentals and the effect thereof, shall continue in force just as though there had been no interruption in the rental payments.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid to the lessor only in proportion which his interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operation thereon, except water from wells of lessor.

When requested by the lessor, lessee shall bury his pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall pay for all damages caused by its operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the lessee shall commence to drill a well within the term of this lease or any extension thereof, the lessee shall have the right to drill such well in completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years herein first mentioned.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of interest royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof, and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above described land, the lessee shall not be bound to pay or tender to the lessor or to the lessor's credit in the Bank at Marshall, Oklahoma or its successors, which shall continue as the depository regardless of changes in the ownership of said land, the sum of \_\_\_\_\_ DOLLARS, which shall operate as rental and cover the privilege of deferring the commencement of a well for \_\_\_\_\_ months from said date. The payment herein referred to may be made in currency, draft, or lessee's check at the option of the lessee, and tender thereof may be made either to lessor in person or by mailing the same to lessor at his last known address, or to said depository bank on or before the date on which said rental is due hereunder. In like manner and upon like payments or tenders the commencement of a well may be further deferred for periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable, as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred.

If the leased premises are now or shall hereafter be, owned in severally or in separate tracts, the premises nevertheless shall be developed and operated as one lease, and all royalties accruing hereunder shall be treated as an entirety and shall be divided among, and paid to, such separate owners in proportion that the acreage owned by each such separate owner bears to the entire leased acreage: Provided, however, if the leased premises consist of two or more non-adjacent tracts, this paragraph shall apply separately to each such non-adjacent tract, and further provided that if a portion of the leased premises is hereafter consolidated with other lands for the purpose of operating the consolidated tract as one lease, this paragraph shall be inoperative as to such portion so consolidated.

Lessee is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in lessee's judgment it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with the spacing rules of any lawful authority, or when to do so would, in the judgment of lessee, promote the conservation of the oil and gas in and under and that may be produced from said premises, such pooling to be into a unit or units not exceeding 40 acres each, except that in cases where it may be necessary or convenient to conform a unit to survey subdivisions such units may contain not to exceed 43 acres. Lessee shall execute in writing an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. Provided, lessee shall be under no obligation whatsoever, express or implied, to drill more than one well to each unitized tract, regardless of when, where or by whom offset wells may be drilled.

The undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all rights of dower and homestead in the premises herein described, insofar as said right of dower and homestead may in any way affect the purpose for which this lease is made as recited herein.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or such failure is the result of, any such Law, Order, Rule or Regulation.

This lease shall be effective as to each lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the lessors above named may not join in the execution hereof.

Lessor \_\_\_\_\_ and \_\_\_\_\_ agrees that the lessee shall have the right at any time to redeem for lessor by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof.

Lessor agrees this lease is paid up for a full primary term of five (5) years from date.

IN TESTIMONY WHEREOF, we sign this the 5th day of August, 1954

L. W. Biddick

(Seal)

(Seal)

(Seal)

EXHIBIT 1

STATE OF OKLAHOMA,  
County of Carter

ss. 27/1839

(ACKNOWLEDGMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this 9th day of August, 1954,  
personally appeared L. W. Biddick  
personally known to me to be the identical person who executed the within and foregoing instrument, and acknowledged to me that he  
executed the same as his free and voluntary act and deed, for the uses and purposes therein set forth.  
IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my official seal the day and year first above written.  
My commission expires December 27, 1955 Alvin H. Stulen Notary Public

STATE OF OKLAHOMA,  
County of \_\_\_\_\_

ss.

(ACKNOWLEDGMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_,  
personally appeared \_\_\_\_\_  
personally known to me to be the identical person who executed the within and foregoing instrument, and acknowledged to me that \_\_\_\_\_  
executed the same as \_\_\_\_\_ free and voluntary act and deed, for the uses and purposes therein set forth.  
IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my official seal the day and year first above written.  
My commission expires \_\_\_\_\_ Notary Public

STATE OF OKLAHOMA,  
County of \_\_\_\_\_

ss.

(ACKNOWLEDGMENT FOR CORPORATION)

On this \_\_\_\_\_ day \_\_\_\_\_ A. D., 19\_\_\_\_, before me, the undersigned, a Notary Public, in and for the County and  
State aforesaid, personally appeared \_\_\_\_\_  
to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its \_\_\_\_\_  
and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free and voluntary act and deed, and as the free and voluntary  
act and deed of such corporation, for the uses and purposes therein set forth.  
Given under my hand and seal the day and year last above written.  
My commission expires \_\_\_\_\_ Notary Public

27N-1839

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

**OIL AND GAS LEASE**

FROM \_\_\_\_\_

INDEXED  
& COMPARED

TO \_\_\_\_\_

Date \_\_\_\_\_, 19\_\_\_\_

Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_, County, Oklahoma

No. of Acres \_\_\_\_\_

Term \_\_\_\_\_

STATE OF OKLAHOMA,  
County of Marshall

This instrument was first recorded on the 13th day of September, 1954, at \_\_\_\_\_ o'clock \_\_\_\_\_ M., and duly recorded in book 1213 page 418 of the records of this office.

By Alvin H. Stulen County Clerk

Deputy Joe # 1235

Record and Mail by SAMEDAN OIL CORPORATION

ADD MORE, OKLAHOMA

Berkhart Printing & Stationery Co., Tulsa, Okla.

STATE OF OKLAHOMA,  
County of \_\_\_\_\_

ss.

(ACKNOWLEDGMENT WHERE THE LESSOR SIGNS BY MARK)

On this \_\_\_\_\_ day \_\_\_\_\_ A. D., 19\_\_\_\_, before me, the undersigned, a Notary Public, in and for the County and  
State aforesaid, personally appeared \_\_\_\_\_  
and \_\_\_\_\_  
to me known to be the identical person who executed the within and foregoing instrument by \_\_\_\_\_ mark \_\_\_\_\_  
in my presence and in the presence of \_\_\_\_\_ and \_\_\_\_\_  
as witnesses, and acknowledged to me that \_\_\_\_\_  
executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.  
Given under my hand and seal of office the day and year last above written.

My commission expires \_\_\_\_\_ Notary Public

NOTE—The signature by mark of a lessor who cannot write his name must be witnessed by two witnesses, one of whom must write lessor's name near such mark.



**EXHIBIT 2**

STATE OF OKLAHOMA  
County of Oklahoma

(ACKNOWLEDGMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this 24 day of January, 1962,  
personally appeared Minnie H. Phillips, a widowpersonally known to me to be the identical person who executed the within and foregoing instrument, and acknowledged to me that she  
executed the same as her free and voluntary act and deed, for the uses and purposes therein set forth.

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

My commission expires October 26, 1965

Notary Public

STATE OF OKLAHOMA

County of Oklahoma

(ACKNOWLEDGMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this 24 day of January, 1962,  
personally appeared Ward Phillips and Grace Phillips, husband and wifepersonally known to me to be the identical person who executed the within and foregoing instrument, and acknowledged to me that they  
executed the same as their free and voluntary act and deed, for the uses and purposes therein set forth.

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

My commission expires October 26, 1965

Notary Public

STATE OF OKLAHOMA

County of

(ACKNOWLEDGMENT FOR CORPORATION)

On this day of A. D., 19 before me, the undersigned, a Notary Public, in and for the County and  
State aforesaid, personally appearedto me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its  
and acknowledged to me that executed the same free and voluntary act and deed and as the free and voluntary  
act and deed of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My commission expires

Notary Public

No. 34357

Oil and Gas Lease

FROM

OKLAHOMA, PITTSBURG CO.

I hereby certify that this instrument was filed  
for record in my office on 10 October 1962

FEB 14 1962

JOHN A. PARK, County Clerk

and is duly recorded in book 101 page 122

JOHN A. PARK, Deputy

Date

Section

Range

County, Oklahoma

No. of Acres

Term

STATE OF OKLAHOMA,

County of

This instrument was filed for record on day

of 19

at O'clock M., and duly recorded

in book page of the

records of this office.

County Clerk

Deputy

Record and Mail to

R. W. Shade, 401 Fitz Building,

Tulsa, Oklahoma

Berkhart Printing &amp; Stationery Co., Tulsa, Okla.

STATE OF OKLAHOMA,

County of

(ACKNOWLEDGMENT WHERE THE LESSOR SIGNS BY MARK)

On this day of A. D., 19 before me, the undersigned, a Notary Public, in and for the County and  
State aforesaid, personally appearedand to me known to be the identical person who executed the within and foregoing instrument by mark  
in my presence and in the presence of as witnesses, and acknowledged to me that

executed the same as free and voluntary act and deed for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My commission expires

Notary Public

NOTE—The signature by mark of a lessor who cannot write his name must be witnessed by two witnesses, one of whom must write lessor's name near such mark.

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Form 98—(Prod. Pooling) (Oklahoma) (64U-Shut In)—Burkhart Printing & Stationery Co., Tulsa, Okla.

Oil and Gas Lease 1845

AGREEMENT, Made and entered into this 29th day of June, 1959.

by and between Phillip M. Churchfield and Daisy D. Churchfield, his wife,  
of Kingfisher, Oklahoma

Party of the first part, hereinafter called lessor (whether one or more)  
and W. G. Mouser part Y of the second part, hereinafter called lessee.

WITNESSETH, That the said lessor, for and in consideration of One and more DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of lessee to be paid, kept and performed, has granted, demised, leased and let unto the said lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil and gas and laying pipe lines, and building tanks, powers, stations and structures thereon, to produce, save and take care of said products, all that certain tract of land situate in the County of Kingfisher, State of Oklahoma, described as follows, to-wit:

The East Half (E½) of the Northwest Quarter (NW¼)

of Section 31, Township 17-North, Range 5-West, and containing 80 acres, more or less.

It is agreed that this lease shall remain in force for a term of Five years from date, and as long thereafter as oil or gas, or either of them, is produced from said land by the lessee.

In consideration of the premises the said lessee covenants and agrees:

1st. To deliver to the credit of lessor free of cost, in the pipe line to which he may connect his wells, the equal one-eighth (1/8) part of all oil produced and saved from the leased premises.

2nd. To pay lessor for gas of whatsoever nature or kind produced and sold or used off the premises, or used in the manufacture of any products therefrom, one-eighth (1/8) at the market price at the well for the gas sold, used off the premises, or in the manufacture of products therefrom, said payments to be made monthly. Where gas from a well producing gas only is not sold or used, lessee may pay or tender a royalty One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on the anniversary date of this lease during the period such well is shut in, to the royalty owners or to the royalty owners' credit in the rental depository bank hereinafter designated. If such payment or tender is made it will be considered that gas is being produced within the meaning of the preceding paragraph.

3rd. To pay lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, one-eighth (1/8) of the proceeds, at the mouth of the well, at the prevailing market rate for the gas during which time such gas shall be used, said payments to be made monthly.

If no well be commenced on said land on or before the 29th day of June, 1960, this lease shall terminate as to both parties, unless the lessee on or before that date shall pay or tender to the lessor or to the lessor's credit in the Peoples National Bank at Kingfisher, Oklahoma of its successors, which shall continue as the depository regardless of changes in the ownership of said

land, the sum of Eighty & No/100 DOLLARS,

which shall operate as rental and cover the privilege of deferring the commencement of a well for twelve months from said date. The payment herein referred to may be made in currency, draft, or lessee's check at the option of the lessor, and tender thereof may be made either to lessor in person or by mailing the same to lessor at his last known address, or to said depository bank on or before the date on which said rental is due hereunder. In like manner and upon like payments or tenders the commencement of a well may be further deferred for periods of the same number of months successively. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privilege granted to the date when said first rental is payable, as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred.

Should the first well drilled on the above described land, or on acreage pooled therewith, be a dry hole, then, and in that event, if a second well is not commenced on said land, or on acreage pooled therewith, within twelve months from the expiration of the last rental period for which rental has been paid, this lease shall terminate as to both parties, unless the lessee on or before the expiration of said twelve months shall resume the payment of rentals, in the same amount and in the same manner as heretofore provided. And it is agreed that upon the resumption of the payment of rentals as above provided, that the provisions hereof governing the payment of rentals and the effect thereof, shall continue in force just as though there had been no interruption in the rental payments. If the lessee shall commence to drill a well within the term of this lease or any extension thereof, or on acreage pooled therewith, the lessee shall have the right to drill such well to completion with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed within the term of years first mentioned.

Lessor, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof with other land, lease or leases in the immediate vicinity thereof, when in lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said lease premises so as to promote the conservation of oil and gas in and under and that may be produced from said premises, such pooling to be of tracts contiguous to one another and to be into a unit or units not exceeding 40 acres each in the event of an oil well, or into a unit or units not exceeding 640 acres each in the event of a gas well. Lessee shall execute in writing and record in the conveyance records of the county in which the land herein leased is situated an instrument identifying and describing the pooled acreage. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not. In lieu of the royalties elsewhere herein specified, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit: or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved.

If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided shall be paid to the lessor only in proportion which his interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells of lessor.

When requested by the lessor, lessee shall bury his pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.

Lessee shall pay for all damages caused by its operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns, but no change in the ownership of the land or assignment of rentals or royalties shall be binding on the lessee until after the lessee has been furnished with a written transfer or assignment or a true copy thereof, and it is hereby agreed in the event this lease shall be assigned as to a part or parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the rentals due from him or them, such demand shall not operate to defect or affect this lease in so far as it covers a part or parts of the lands on which the said lessee or any assignee thereof shall make due payment of said rentals. In case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or such failure is the result of any such Law, Order, Rule or Regulation.

This lease shall be effective as to each lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the lessors above named may not join in the execution hereof.

The undersigned lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all rights of dower and homestead in the premises herein described, insofar as said right of dower and homestead may in any way affect the purpose for which this lease is made as recited herein.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the lessee shall have the right at any time to redeem for lessor by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof.

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STATE OF OKLAHOMA,

County of Kingfisher

(ACKNOWLEDGMENT FOR INDIVIDUAL)

Ex 184 pg 501

Before me, the undersigned, a Notary Public, in and for said County and State, on this 29th day of June, 1959,  
personally appeared Phillip M. Churchfield and Daisy D. Churchfield, his wife,

known to me to be the identical person who executed the within and foregoing instrument, and acknowledged to me that they  
executed the same as their free and voluntary act and deed, for the uses and purposes therein set forth.

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

John H. [Signature] Notary Public

STATE OF OKLAHOMA,

County of \_\_\_\_\_

(ACKNOWLEDGMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_,  
personally appeared \_\_\_\_\_

personally known to me to be the identical person who executed the within and foregoing instrument, and acknowledged to me that  
executed the same as their free and voluntary act and deed, for the uses and purposes therein set forth.

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

My commission expires \_\_\_\_\_ Notary Public

STATE OF OKLAHOMA,

County of \_\_\_\_\_

(ACKNOWLEDGMENT FOR CORPORATION)

On this \_\_\_\_\_ day of \_\_\_\_\_, A. D., 19\_\_\_\_, before me, the undersigned, a Notary Public, in and for the County and  
State aforesaid, personally appeared \_\_\_\_\_

known to me to be the identical person who subscribed the name of the maker thereof to the foregoing instrument, and  
acknowledged to me that \_\_\_\_\_ executed the same as their free and voluntary act and deed and as the free and voluntary  
act and deed of such corporation, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My commission expires \_\_\_\_\_ Notary Public

No. \_\_\_\_\_  
**Oil and Gas Lease**  
FROM Phillip M. Churchfield  
et ux  
TO W. G. [Signature]  
Date \_\_\_\_\_ Range \_\_\_\_\_  
Section \_\_\_\_\_ Township \_\_\_\_\_ County, Oklahoma \_\_\_\_\_  
No. of Acres \_\_\_\_\_  
STATE OF OKLAHOMA,  
County of KINGFISHER  
This instrument was filed for record on the 18 day  
of July, 1959  
at \_\_\_\_\_ o'clock A. M., and duly recorded  
in book 184 page 500 of the  
records of this office.  
By Grace - [Signature] County Clerk  
Deputy  
Record and Mail to :  
HEXACO INC.  
LAND DEPARTMENT  
BOX 2420  
Burlington, Oklahoma

STATE OF OKLAHOMA,

County of \_\_\_\_\_

(ACKNOWLEDGMENT WHERE THE LESSOR SIGNS BY MARK)

On this \_\_\_\_\_ day of \_\_\_\_\_, A. D., 19\_\_\_\_, before me, the undersigned, a Notary Public, in and for the County and  
State aforesaid, personally appeared \_\_\_\_\_

known to me to be the identical person who executed the within and foregoing instrument by

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WITNESSES:

STATE OF

County of

Notary Public

My commission expires

Notary Public

My commission expires

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My commission expires

Notary Public

My commission expires

Notary Public