

Approved: Carl Dean Holmes
Date 3-9-99

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Carl Holmes at 9:00 a.m. on February 11, 1999 in Room 522-S of the Capitol.

All members were present except:

Committee staff present: Lynne Holt, Legislative Research Department
Mary Torrence, Revisor of Statutes
Jo Cook-Whitmore, Committee Secretary

Conferees appearing before the committee: Senator Stephen Morris
Gene Schwein
Jerry Stuckey
Melvin Webb
Keith Rome
Erick Nordling SWKROA

Others attending: See Attached List

Hearing on Hugoton Field Rural Domestic Gas Availability

Chairman Holmes welcomed Senator Stephen Morris (39th Dist-Hugoton), who shared remarks about the concerns of the constituents presenting testimony on the availability of gas in the Hugoton Gas Field. Sen. Morris thanked the committee for the opportunity to present the information about this issue.

Chairman Holmes then welcomed Mr. Gene Schwein, Grant County Commissioner and farmer, who presented testimony on the topic (Attachment 1).

Mr. Jerry Stuckey of Moscow then presented testimony on the topic (Attachment 2).

The committee then heard from Melvin Webb, Stevens County Commissioner (Attachment 3).

Providing testimony on the subject next was Mr. Keith Rome (Attachment 4).

Erick Nordling, Executive Secretary of Southwest Kansas Royalty Owners Association, provided testimony on the topic (Attachment 5). Mr. Nordling also distributed written testimony from Mr. & Mrs. John Crump (Attachment 6), a copy of a letter from Vastar Resources (Attachment 7), a letter from Mobil Exploration & Producing U.S. Inc. (Attachment 8), a letter to Thomas & Patricia Lahey from Mobil Exploration (Attachment 9), a letter to George Burrows from Anadarko Petroleum Corporation (Attachment 10), and correspondence from Vastar Resources to Erick Nordling (Attachment 11).

Also distributed to the committee were copies of written testimony from Maynard & Faith Ullon (Attachment 12), Floyd O. Coen (Attachment 13), and Lucille Schartz (Attachment 14).

At the conclusion of the presentations, conferees responded to questions from the committee.

Chairman Holmes then opened the floor for debate on **HB 2076 -Cable television subscriber fees on delinquent balances** for final action. Rep. Sloan presented a substitute bill which sets the delinquent fee at 1.5% of the amount of the delinquent balance per month. Rep. Sloan moved that the committee accept substitute for HB 2076 as indicated in the balloon. Motion was seconded by Rep. Long. Chairman Holmes stated there were two other proposals, Option 1 and Option 2, which were suggested by the cable industry for committee consideration. The Chair stated the committee would debate this original motion

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES, Room 522-S Statehouse, at 9:11 a.m. on February 11, 1999.

and not allow substitute motions. Discussion continued on the motion. Rep. Myers requested that the committee be able to discuss not only Rep. Sloan's balloon, but also Option 1 and Option 2. The Chair agreed to allow open discussion on all options before the committee. Discussion then continued on all options and on the motion. Upon the Chair's call for the question, the motion passed by a vote of 9 to 5.

Rep. Vining moved to change the 1.5% permissible late fee to 25 %. Rep. Myers seconded the motion. Discussion ensued and the motion failed.

Rep. McClure then made a motion to change the 1.5% to 5%. Rep. Sloan seconded the motion. After a brief discussion, the motion passed

Rep. Sloan moved to recommend Sub. For HB 2076 favorable for passage. Rep. Loyd seconded the motion. The motion passed.

The Chairman noted that Rep. Alldritt will carry the bill during floor debate.

Meeting adjourned at 10:59 a.m.

Next meeting is Friday, February 12.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: February 11, 1999

NAME	REPRESENTING
EARL R. SIMS	VASTAR RESOURCES, INC
Bill Bryan	OXY USA Inc.
Jack Graves	City,
Ken Peterson	KS Petroleum Council
Tom Lahey	Stevens Co Farmer
Greg Post	Stevens County Road Supervisor
Melvin H. Hebb	Stevens Co. Comm.
Jerry E. Stuckey	Stevens County Farmer
Keith Rome	Stevens Co. Farmer
Diana Edmiston	KCC
Sandy Braden	McBill, Gaches & Assoc.
Jeff Hubbell	Aradarko
Ken Sch	Grant Co Comm
JC Long	uen
Bob Hebbel	KS Ind Oil & Gas Assoc

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: _____

NAME	REPRESENTING
Dick & Prohaska	Western Resources
Carol Cruppen	Harris News
Doug Smith	SWKROA
ERICK NORDLING	SWKROA
Cory Zec	Intera-DorDahl
John Reid	Hein and Weir, Chd.
WALKER HENDRIX	CURB
Leslie Kaufman	KFB
TOM DAY	KCC
Whitney Dammor	KCS / Anadarko
Paul Gaches	McGill, Gaches & Asso.
Chris Wilson	KS Governmental Consulting
DREW FLEMING	Multimedia Cablevision
John Frederic	

TESTIMONY
PRESENTED TO THE
HOUSE UTILITIES
COMMITTEE
BY
GENE SCHWEIN

HUGOTON FIELD
RURAL DOMESTIC
GAS AVAILABILITY

FEBRUARY 11, 1999

HOUSE UTILITIES

DATE: 2-11-99

ATTACHMENT 1

Chairman Holmes and Members of the House Utilities Committee

My name is Gene Schwein. I am a life long resident of Grant County, in fact my Grandfather signed the original oil and gas lease on Section 19-29-36 dated October 29, 1938, which I have provided you in the packet (attachment #1). I am a farmer and at present serve as County Commissioner of Grant County. My wife and I built our home on this property in 1966.

For a number of years we had no problems regarding the free house gas while the lease was under the Atlantic Richfield. When the lease was purchased by Vastar Resources things started to change. Years ago, I remember going to a meeting in Liberal about contracting our irrigation gas on a yearly basis. At that time, natural gas prices were starting to fluctuate on a month to month basis. At that meeting a representative from Vastar, I'm unable to recall his name, stated that he wished the farmers had never been allowed to get a tap for gas because it was such a hassle. At the time I attributed his comments to him being a company man and disregarded it. A short time later, I received a call from another Vastar representative stating that after tracking the usage of several homes under their lease, the company had determined that 25 mcf/per month per home was all that Vastar would allow. They also wanted to meter all gas coming from this well. I was quite upset upon hearing this but after talking to several individuals, I conceded this point because I was told I could litigate Vastar on this issue, but would probably run out of financial resources. Since then I have had additional problems with Vastar, however, they are unrelated to this hearing.

In December of 1997, I received a letter from Vastar (attachment #2) which was their first attempt at getting me to sever by tap for free gas for my home. It is my opinion this also put my irrigation gas in jeopardy. The letter I received provided me two options: (1) make a new connection to a Local Distribution Company (LDC) which is located within a reasonable distance and to be determined on a case by case basis by the LDC and Vastar. In my case none was available; (2) convert to propane as described in the letter. If I chose either one of the options, the letter stated that Vastar will sever, cap and permanently abandon the existing yard line.

The letter went on to define KAR 82-11-8, which defines a "yard line" in the KCC regulations as a "buried customer owned piping between the

meter and the building wall." The letter from Vastar goes on to state that this includes my yard line. KAR 82-11-8 paragraph (c) and (d) states:

(c) For each residential and commercial customer placed in service after May 1, 1989, the operator (Vastar) shall ensure that all yard lines installed comply with the design, installation, testing, maintenance and replacement requirements as specified in this Article.

(d) For each residential and commercial installation placed in service before May 1, 1989, the operator (Vastar) shall ensure that all yard lines installed comply with the testing, maintenance and replacement requirements as specified in this Article.

The letter from Vastar goes on to state that this testing and routine maintenance will be done by Vastar and that I would be directly billed by a third party contractor. It goes on to state that any maintenance, repair, and/or replacement of the yard line shall be done by a third party contractor. The third party contractor of Vastar's choice will need access to the yard line connection near my dwelling wall on a periodic basis. The contractor will then bill you directly for all of the listed services.

Vastar's letter then describes each of the required activities and estimated costs that would be implemented should I elect to continue with my yard line connection.

I would now like to read my letter dated January 26, 1999 which is in response to Vastar's letter dated November 30, 1998. (attachment #3)

I do not know the intent of KAR 82-11-8, however, it will have a significant impact on the people residing in areas of Kansas, especially Southwest Kansas, where the free gas clause is in effect.

In closing, I would like to state that I do not believe I am the only one that has been treated this way. I have been told that the original oil and gas lease is the only thing known to man that cannot be broken. The free gas clause is part of the unbreakable lease.

At this time, I would be happy to respond to any questions you may have.

Form F. L. B. 88—Revised

WELL OIL AND GAS LEASE 88188

FROM

Glenn Jarvis et ux

TO

Sinclair Prairie Oil Company

STATE OF KANSAS, COUNTY OF GRANT, ss.

This instrument was filed for record on the 29th day of October, 1938, at 1:30 o'clock P.M. and duly recorded in Book ... Page ... of the records of this office.

Della M. Leahy Register of Deeds

By ... Deputy.

This Agreement, Entered into this the 18th day of October, 1938

between Glenn Jarvis and Ruth May Jarvis, his wife, Ulysses, Kansas,

hereinafter called Lessor;

and Sinclair Prairie Oil Company, a Maine Corporation, hereinafter called Lessee, does witness:

1. That lessor, for and in consideration of the sum of One and no/100 DOLLARS (\$ 1.00), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas, and casinghead gasoline, laying pipe lines, building tanks, storing oil, building povers, stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in Grant County, Kansas, to-wit:

East Half (E½)

in Section 19 Township 29 South Range 36 West and containing 320 acres, more or less.

2. This lease shall remain in force for a term ending February 21, 1950, and as long thereafter as oil, gas, casinghead gas, casinghead gasoline, or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in pipe line to which lessee may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option may pay to the lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall monthly pay lessor as royalty on gas marketed from each well where gas only is found, one-eighth (1/8) of the proceeds if sold at the well, or if marketed by lessee off the leased premises, then one-eighth (1/8) of its market value at the well. The lessee shall pay the lessor: (a) one-eighth (1/8) of the proceeds received by the lessee from the sale of casinghead gas, produced from any oil well; (b) one-eighth (1/8) of the value, at the month of the well, computed at the prevailing market price, of the casinghead gas, produced from any oil well and used by lessee off the leased premises for any purpose or used on the leased premises by the lessee for purposes other than the development and operation thereof. Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling located on the leased premises by making his own connections thereto.

Where gas from a well or wells, capable of producing gas only, is not sold or used for a period of one year, lessee shall pay or tender as royalty, an amount equal to the delay rental as provided in paragraph (5) hereof, payable annually at the end of each year during which such gas is not sold or used, and while said royalty is so paid or tendered this lease shall be held as a producing property under paragraph numbered two hereof.

5. If operations for the drilling of a well for oil or gas on said land or for gas, on a consolidated leasehold estate of which this land is a part thereof, as contemplated in paragraph 9, are not commenced on or before February 21, 1940, this lease shall terminate as to both parties unless the lessee shall on or before one year from that date, pay or tender to the lessor, or to the lessor's credit in the The Federal Land Bank of Wichita Bank at Wichita, Kansas ...

and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of One Hundred Sixty and no/100 Dollars (\$ 160.00) which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced by the next ensuing rental paying date, or provided the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

7. In case 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 for shall be paid the said lessor only in the proportion which his interest bears to the whole and undivided fee.

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

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9. As to the gas leasehold estate hereby granted (excluding casinghead gas produced from oil wells), lessee is expressly granted the right and privilege to consolidate said gas leasehold with any other adjacent or contiguous gas leasehold estates to form a consolidated gas leasehold estate which shall not exceed a total area of 640 acres; and in the event lessee exercises the right and privilege of consolidation, as herein granted, the consolidated gas leasehold estate shall be deemed, treated and operated in the same manner as though the entire consolidated leasehold estate were originally covered by and included in this lease, and all royalties which shall accrue on gas (excluding casinghead gas produced from oil wells), produced and marketed from the consolidated estate, including all royalties payable hereunder, shall be prorated and paid to the lessors of the various tracts included in the consolidated estate in the same proportion that the acreage of each said lessor bears to the total acreage of the consolidated estate, and a producing gas well on any portion of the consolidated estate shall operate to continue the oil and gas leasehold estate hereby granted so long as gas is produced therefrom.

10. 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 the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer or assignment or a certified copy thereof.

11. If the leased premises 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 the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

12. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other liens, any royalties or rentals accruing hereunder.

13. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its terms shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

14. If, within the primary term of this lease, the well or wells on the leased premises, or on the consolidated gas leasehold estate, shall cease to be productive, this lease shall not terminate, provided operations for the drilling of a well on the leased premises, or on the consolidated gas leasehold estate, shall be commenced before or on the next ensuing rental paying date; or, provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. It is agreed, however, that the completion of a well producing or capable of producing gas, upon the property hereinabove described, or the inclusion of such property in a consolidation unit producing or capable of producing gas as provided by paragraph number 9 hereof, shall constitute full and complete development with respect to the gas leasehold estate hereby granted. If, upon, or after the expiration of the primary term of this lease, lessee resumes operations for drilling a well on the leased premises or on the consolidated gas leasehold estate within one hundred twenty (120) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

15. It is contemplated and agreed by both lessor and lessee that this lease shall at all times and in all respects be subject to valid orders, rules and regulations of any duly constituted authority having jurisdiction of the subject matter hereof.

16. This lease and all its terms, conditions and stipulations shall extend to and be binding on all the heirs, grantees, administrators or assigns of said lessor or lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Witness: Glenn Jarvis
Geo. E. Johnson Ruth May Jarvis

ACKNOWLEDGMENT FOR INDIVIDUAL (Oklahoma and Kansas)

STATE OF Kansas, COUNTY OF Grant, ss.
Before me, the undersigned, a Notary Public within and for said County and State, on this 18th day of October 1938, personally appeared Glenn Jarvis and Ruth May Jarvis, his wife,

to me personally known to be the identical persons 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 hand and official seal the day and year last above written.

My commission expires July 31st 1939 (SEAL) H. F. McCall Notary Public.

ACKNOWLEDGMENT FOR INDIVIDUAL (Oklahoma and Kansas)

STATE OF _____, COUNTY OF _____, ss.
Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____ 19____, personally appeared _____ and _____

to me personally known to be the identical persons 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 hand and official seal the day and year last above written.

My commission expires _____ Notary Public.



Vastar Resources, Inc.

15375 Memorial Drive
Houston Texas 77079
281 584-6000

**CERTIFIED MAIL -
RETURN RECEIPT REQUESTED
P420 663 636**

December 17, 1997

Mr. and Mrs. Gene J. Schwein
3492 E. Road
Ulysses, KS 67880

Re: Yard Lines

Dear Mr. and Mrs. Schwein:

Because you are an end-user receiving unprocessed natural gas for use in the principal dwelling from Vastar Resources, Inc. ("Vastar") pursuant to that certain Oil and Gas Lease dated October 18, 1938, Vastar is making an offer to you for an alternative gas supply arrangement. Vastar is contacting you to offer to disconnect the existing "yard line", i.e., the customer-owned piping connected to Vastar's gathering system through which you currently receive gas, and to either (1) make a new connection to a local distribution company (LDC) (provided an LDC connection point is located within a reasonable distance to be determined on a case-by-case basis at the LDC and Vastar's discretion), or (2) subject to the attached agreement, convert from unprocessed natural gas to propane by the installation of a propane tank on your property near the principal dwelling, along with the required piping to connect propane to the principle dwelling. Should you accept one of the two alternatives described above, Vastar will sever, cap and permanently abandon the existing yard line and will provide a supply of gas or propane (depending upon whether number 1 or 2 above, is chosen) to be used for the purposes described in the Oil and Gas Lease.

Except for the charges described in the attached agreement, Vastar will pay all of the costs associated with the conversion, including the cost to make a connection to a LDC or the cost to install the propane tank, the cost for the supply of fuel for purposes as described in the Oil and Gas Lease, and the cost to disconnect the existing yard line.

Vastar is making this offer for two reasons. First, Vastar believes that either of the two options described above will result in a more reliable supply of fuel. The fuel supply would be more reliable than a yard line connection because the interruption of the supply is less likely to be affected by conditions such as well work-overs or freeze-ups.

Second, the Kansas Corporation Commission ("KCC") has regulations governing the distribution of natural gas to end users through "yard lines" which regulate the conditions under which you currently receive natural gas. The subject regulations are found at Kansas Administrative Regulations (K.A.R.) 82-11-8. The definition of a "yard line" in the KCC regulations is "buried customer-owned piping between the outlet of the meter and the building wall." This definition includes your yard line. Paragraphs (c) and (d) from this KCC regulation appear below:

- (c) For each residential and commercial customer installation placed in service *after* May 1, 1989, the operator [Vastar] shall ensure that all yard lines installed comply with the design, installation, testing, maintenance and replacement requirements as specified in this code.
- (d) For each residential and commercial customer installation placed in service *before* May 1, 1989, the operator [Vastar] shall ensure that all yard lines installed comply with the testing, maintenance and replacement requirements as specified in this code.

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As you can ascertain, although you are the owner of the yard line, Vastar is to ensure that the yard line is designed, installed, tested, maintained and replaced in accordance with the KCC requirements. Therefore, should you choose not to accept the conversion/alternative supply offer explained above, Vastar will conduct routine maintenance and inspection activities on your yard line as required by the regulations. You will be responsible for the cost of these activities, and will be billed directly by the third party contractor who performs the services.

Due to K.A.R. 82-11-8, Vastar cannot provide gas to you through a line that does not meet the minimum safety standards prescribed. The gas will continue to be provided to you under the current arrangement provided the yard line is maintained in a safe condition according to the KCC pipeline safety regulations.

All work done on a yard line must be performed by an individual who is in a Drug and Alcohol Testing Program meeting the requirements of the Department of Transportation requirements as specified in 49 CFR Parts 199 and 40. KCC has adopted these requirements into the state's pipeline safety program. Vastar must ensure that only qualified contractors are used. Accordingly, the testing, maintenance, repair and/or replacement of your yard line, if necessary, shall be done by a third party contractor who meets these standards. Additionally, the third-party contractor who will be performing the required maintenance and inspection activities will need access to your yard line connection near the dwelling wall on a periodic basis. The initial phase of implementing these requirements will involve the installation of a sampling valve near the dwelling wall and, if one is not currently installed, the installation of a service regulator near the dwelling wall. The contractor will bill you directly for all of the listed services.

The following is a description of each required activity and its associated estimated 1997 cost that will be implemented should you elect to continue with your yard line connection:

Requirement	Estimated Cost
1. Odorization (The gas provided to the dwelling must be odorized according to the KCC regulations such that it is readily detectable by a person with a normal sense of smell at a concentration in air of 1/5 of the lower explosive limit (LEL).)	
<ul style="list-style-type: none"> • Installation of sampling valves at/near residence 	\$147.50 (one-time cost)
<ul style="list-style-type: none"> • Odorization supplies/chemicals 	\$80.00 per year
<ul style="list-style-type: none"> • 3% of all yard lines will be monitored each month with a differing 3% each month. 	\$/year ¹
2. Leakage Surveys (KCC requires that leakage surveys be performed with a flame ionization detector (FID).)	
<ul style="list-style-type: none"> • Leakage survey of each yard line within 220 yards of a habitable residence with a flame ionization detector once every three years 	\$35.00 per survey
3. Overpressure Protection (KCC requires that the yard line be protected from overpressurization.)	
<ul style="list-style-type: none"> • Check for adequate service regulator at dwelling 	Included in the \$147.50 of #1, above (one-time cost)

1-7
1-6

Requirement	Estimated Cost
<ul style="list-style-type: none"> Installation of adequate service regulator if necessary 	\$85.00 (one-time cost)
4. Repairs/Replacement	
<ul style="list-style-type: none"> Repair of the yard line (e.g., due to leaks when discovered) 	At cost of repair
<ul style="list-style-type: none"> Replacement of yard line (If necessary due to pattern of leaks indicating it is unsafe to continue operating the yard line.) 	At cost of replacement

¹ Will depend on the number of remaining yard lines for which Vastar is responsible (i.e., those not accepting the conversion offer). The estimate for each monitoring event is approximately \$80.00.

There may be other costs associated with the operation and maintenance of the yard lines in addition to those listed above. There are many variables and factors that may contribute to additional costs. For example, meter calibration, regulator repairs, and resolution of freeze-ups on the yard lines may be additional cost items. Such services will be charged directly to you, the end user, at a price to reflect current market conditions in the southwest Kansas area.

As an alternative to the current yard line system and the costs previously described herein, Vastar requests that you accept one of the two alternatives described on page 1, as applicable, and complete and return the enclosed Propane Agreement in the enclosed self-addressed, postage-paid envelope to:

Vastar Resources, Inc.
15375 Memorial Drive
Houston, Texas 77079
Attn: Stone Benson

If you have any questions concerning this letter, contact Stone Benson at (281) 584-3460. If you wish to obtain additional information concerning the Kansas pipeline safety regulations as they pertain to yard lines in general and the associated responsibilities of operators, contact the Kansas Corporation Commission, Office of Pipeline Safety at (913) 271-3223.

Sincerely,

Stone Benson for Ed Sierra

Edmund M. Sierra
District Landman -
Mid-Continent & Rockies

BK

Enclosures

cc: R. Flummerfelt ULY
M. R. Scoggins HMB 3224
S. C. Hill HMB 3634

*1-8
1-7*

January 26, 1999

Patrick Miller
15375 Memorial Drive
Houston, Tx. 77079

Re: Yard Lines

Dear Sir:

I am writing in response to your letter dated Nov. 30, 1998. I contacted David J. Heinemann, Kansas Corporation Commission, regarding KAR 82-11-8 and you are right. The operator (Vastar) shall insure that all yard lines be inspected, however the regulation was intentionally silent as to who pays. It is my opinion that the operator (Vastar) pay.

It has been my contention all along that we are entitled to Free Gas as described in the original lease dated Oct. 18, 1938 and recorded Oct.29, 1938, Book 4, Page 333. "Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling located on the leased premises by making his own connections thereto." No where in the lease does it state a limit on the amount of gas we consume, however you charge us on any amount over 25mcf every month.

We have fulfilled our part of the lease. If you (Vastar) need to inspect our yard lines, you may do so at your own expense.

I am annoyed at your continual harassment in regard to my tap on my gas well. This is to inform you that if, for any reason, I am denied Free Gas for my dwelling I will consider the lease broken and will take action accordingly.

I can be contacted at 316-356-2579 should you need to discuss this matter further.

Yours truly,

Gene Schwein

cc: Roger Flummerfelt Vastar-Ulysses
Steve Dieker S&S Meter

1-9
1-8



Vastar Resources, Inc.

15375 Memorial Drive
Houston Texas 77079
281 584-6000

Certified Mail
Return Receipt Requested
Z 424 669 667

November 30, 1998

Mr. and Mrs. Gene J. Schwein
3492 E. Road
Ulysses, KS 67880

Re: Yard Lines

Dear Mr. and Mrs. Schwein:

S&S Meter Shop ("S&S") notified Vastar that you refused S&S access to monitor your yard line to ensure compliance with the Kansas Corporation Commission ("KCC") regulations governing the distribution of natural gas to end users through yard lines. The KCC regulations found at Kansas Administrative Regulations (K.A.R.) 82-11-8, Paragraph (d) state the following:

"For each residential and commercial customer installation placed in-service before May 1, 1989, the operator [Vastar] shall ensure that all yard lines installed comply with the testing, maintenance and replacement requirements as specified in this code."

*Reg is intentionally silent as to who pays
it is the operator's responsibility*

S&S will again contact you to arrange access to monitor your yard line. If you have additional questions concerning the KCC's pipeline safety rules, their applicability and the associated responsibilities of operators, then please contact Mr. Glen D. Smith, Chief of Natural Gas Operations and Rates, Kansas Corporation Commission at (913) 273-3220. I can be contacted at (281) 584-3707 should you need to discuss this matter further.

Yours very truly,

Patrick S. Miller
Senior Landman

David Hancock

785

785 271 3162

cc: Mr. Glen D. Smith – KCC
Roger Flummerfelt – Vastar-Ulysses
Steve Dieker – S&S Meter Shop

Propane Agreement

This Propane Agreement ("Agreement") is made and entered into as of this ____ day of _____, 1997, by and between Gene J. Schwein and Jolynn Schwein, husband and wife, ("Schwein"), and Vastar Resources, Inc. ("Vastar").

WHEREAS, Foresman and Vastar claim to be the successors-in-interest to the original parties under that certain Oil and Gas Lease ("Lease") dated October 18, 1938, by and between Glenn Jarvis and Ruth May Jarvis, husband and wife, and Sinclair Prairie Oil Company, which Lease was recorded on October 29, 1938, at Book No. 4, Page 333 of the Deed Records of Grant County, Kansas, covering certain lands (the "Property") being described as follows:

The East Half in Section 19, Township 29 South, Range 36 West, Grant County, Kansas, containing 320 acres, more or less

WHEREAS, the Lease provides in part, "Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling located on the leased premises by making his own connections thereto." (the "Free Gas Clause"); and

WHEREAS, Vastar and Schwein are agreeable to substitute performance for the Free Gas Clause under the terms set forth herein;

NOW THEREFORE, in consideration of the mutual benefit of the parties hereto and other good and valuable consideration set forth below, Schwein and Vastar agree:

1. **Waiver of Free Gas Clause.** During the term of this Agreement, Schwein shall waive their right to receive gas under the Free Gas Clause or other similar provision or agreement.
2. **Substitute Performance.** In lieu of any and all rights, duties and obligations under the Free Gas Clause or other similar provision or agreement, Vastar, at its sole cost, risk and expense, agrees to do, or have qualified contractors do, the following:
 - a) purchase, install, and/or connect to Schwein's principal dwelling on the Property described above, a propane tank ("Tank") with a capacity of Two hundred Fifty (250) gallons. The Tank shall be installed and/or connected at a mutually acceptable location near such principal dwelling, if such a location is not already established;
 - b) at the time of the installation of the Tank, pressure test all existing gas lines to such principal dwelling and repair any leaks or integrity flaws detected;
 - c) at the time of the installation of the Tank, purchase and install appropriate burner tips, if required, to convert existing natural gas appliances to use propane gas; and
 - d) purchase and deliver propane to the Tank during the term of this Agreement to be used for the purposes described in the applicable oil and gas lease.

Vastar will not install new gas lines in the principal dwelling. The purchase, proper installation, maintenance and repair of such gas lines is the responsibility of Schwein.

3. **Limitation on Use.** Schwein may use the propane supplied by Vastar solely for domestic purposes in the principal dwelling on the Property. In the event that the propane is used for any unauthorized purpose and Schwein fails to discontinue and prevent such unauthorized use within thirty (30) days following notice from Vastar, Vastar shall have the right to discontinue providing propane until such unauthorized use is discontinued and prevented. If Vastar discontinues providing propane due to an unauthorized use, as described herein, Schwein waives the right to require, demand or otherwise claim the right to a gas connection or gas service under the Free Gas clause.
4. **Term and Termination.** This Agreement shall be effective upon the date of the completion of the installation of the propane system and shall continue in full force and effect for the life of the currently existing and producing leases and any gas well(s) capable of producing gas in paying quantities located on a currently existing and producing oil and gas lease included within a unit that includes the Property.
5. **Warranty.** Schwein (and each of them, if more than one) warrants its title to the interest of lessor under the Lease, and its exclusive right to enjoy the benefits under the Free Gas Clause. If it is determined that Schwein is not the owner of the lessor's interest, or for any other reason is not entitled to enjoy the benefits under the Free Gas Clause, then Vastar's duties herein and under the Free Gas Clause shall terminate and Vastar shall have no further duty to furnish propane under this Agreement.
6. **Propane Equipment.** Title to the Tank and other equipment which utilizes or is used in connection with the propane provided by Vastar shall vest in Schwein immediately upon installation. All future replacements, additions, repairs, and alterations to the Tank and other equipment (whether provided by Vastar or otherwise), and the abandonment of the same, shall be at Schwein's sole cost and risk. Schwein shall assume and bear all costs and risks for the continuing maintenance and repair of the Tank and other equipment. Vastar shall never be required to deliver propane to a system which, in its sole opinion, is unsafe.
7. **Indemnity.** Schwein shall acknowledge any exercise of rights under the Free Gas Clause is at Schwein's own risk and expense. It is not the intention of this Agreement to shift the allocation of risk and expense. Accordingly, Schwein will agree to release, indemnify, defend, and hold harmless Vastar and its shareholders, directors, officers, employees, representatives, and agents from and against any and all claims, losses, liabilities and damages of every kind and nature and for injury to, or death of, any person, and for damage to property arising out of or relating to the performance of this Agreement.
8. **Assignment.** Schwein shall not assign this Agreement or the rights provided for herein in whole or in part without the prior written consent of Vastar. Vastar shall have the right to discontinue supplying propane under this Agreement at any time after Schwein vacates the principal dwelling.
9. **Integrated Agreement.** This Agreement sets forth the entire agreement of the parties with respect to the subject matter hereof, and supersedes and replaces all prior terms and agreements relating to use of free gas.

10. Laws. This Agreement shall be construed under the laws of the State of Kansas.

In witness whereof the parties have executed this Agreement effective as of the date first set forth above.

VASTAR RESOURCES, INC.

Gene J. Schwein

By: Stone Benson for Ed Sierra _____

Name: Edmund M. Sierra *BMW* Date: _____

District Landman

Mid-Continent & Rockies

Date: December 17, 1997

Jolynn Schwein

Date: _____

1-13
T-12

Dear Mr. Chairman and Member of the Committee:

My name is Jerry Stuckey. My address is RR # 1 Box 115, Moscow, Ks. 67952. I appreciate the opportunity to testify in front of this committee as to the pressures being lowered in the Hugoton field and the affects it is having on domestic gas use. I am here today to give you an account of what I have experienced in the last year. What has been happening in my area is being carried out by several oil & gas company's. Mobil is actually easier to work with than some of the other gas company's. I can only relate what has personally happened to me which only involves the gas company that has the lease on my land. I know of several friends and neighbors that have lost their domestic gas in the last year involving other gas company's. In 1977 I leased the south ½ of Section 16-31-35 from Glen and Zora Davis. In my lease I had the right to have a House trailer in the sw ¼ for as long as I farmed the ground. In 1978 I bought a new American mobile home and had it set there. I applied to Mobil Oil for a house tap for free gas and got it. My son and his wife and children live at that location now in a House trailer. A copy of the Original Oil and Gas lease dated Oct 9 1942 is attached as **EXHIBIT A** if you would like to turn to it. It states that the " Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling located on the leased premises by making his own connections thereto." Of the 320 acres covered under this lease, Zora owns 120 acres and her Sister-in-law Geraldine Baker owns 200 Acres.

On Feb 13 1998 I received a certified letter from Mobil, address to Zora Davis. My letter was a copy. The Original along with the check was sent to Zora. A copy of the letter is attached as **EXHIBIT B** if you would like to turn to it. The letter said the well had hydrogen sulfide and that the gas to the residence would be disconnected on February 27, 1998. Hydrogen Sulfide is caused by bacteria that is created when they work on the wells. It is also in the gas formations. As the well pressure is lowered by compression, more Hydrogen Sulfide will be pulled out of the formation and cause more problems. The bacteria in the wells can be treated by using bleach. There are also scrubbers that are put at the well to remove the Hydrogen Sulfide before the gas leaves the well site and enters the gathering line. I went to Zora's house to see if she had got the letter and she had received it that morning. Zora is 88 years old and hard of hearing. She already had her social security number on the check and had it in her purse to take to the bank. She thought it was a royalty check. After I explained to her that by cashing the check she was giving up all rights to house gas on that land . She said she did not want to give up any rights of the original lease. I called Gary Baker from Zora's. He is Zora's nephew and is her conservator. He said to take the check and put it in my safe so it would not be left there. He was afraid she would forget in a few days and cash the check. I also called Geraldine Baker, Zora's sister-in-law to let them know what Mobil was doing. I called Mark Haralson,

HOUSE UTILITIES

DATE: 2-11-99

ATTACHMENT 2

Senior Staff Landman for Mobil Oil twice asking him what the level of hydrogen sulfide was in the well. He said he would look it up and send me the information. I still had not received anything from Mobil by the 24th so I hired Precision wireline and Testing out of Liberal to come and test the well for hydrogen sulfide. They came out the morning of the 25th and tested the well. It tested 4 PPM. A copy of the test is attached as **EXHIBIT C** if you would like to turn to it. Mobil was cutting off gas on wells that were above 10 PPM. I called Bultman's LPG Delivery Service Thursday morning to find out why they had not delivered the propane tank and regulators yet because they were going to disconnect the gas tomorrow. They said they had been swamped in the last month for tanks and regulators because several gas company's had sent letters out terminating domestic house gas service. They had used all their existing tanks and their shipment of tanks they ordered had not come in yet so they were out picking up tanks that were not being used anymore from other locations and bringing them in and they would have me a tank up there by Friday afternoon.

Thursday afternoon Feb. 26 I called Mark Haralson, Senior Staff Landman for Mobil and ask him what the hydrogen sulfide level was on the Shuler unit #2 since I had never received the information. He told me it tested 16 PPM. I told him I had the well tested and it was only 4 PPM. He told me I had no right to have it tested or tamper with any of their equipment. He then wanted to know what firm I had test the well. I told him and he said they did not use them so he did not know how accurate their test was. He wanted me to fax him a copy of the test and he would look at it and they might have somebody else test it. I also told him that Bultman's LPG Delivery Service would not have a propane tank there until Friday afternoon. I then faxed him a copy of the test.

Also on Feb. 26 Zora's attorney, Eric Nordling sent a letter to Mark Haralson at Mobil stating "In the event Mobil chooses to disconnect service from Mrs. Davis' property then we feel Mobil should not only pay for the cost of conversion, but also continue to provide fuel to her thourghout the life of the lease." A copy of the letter is attached as **EXHIBIT D** if you would like to turn to it.

Friday morning the 27th at about 9:30 A.M., my Son called me on the cell phone and said they didn't have any gas. I got out of the tractor and jumped into the pickup and drove to the well. Mobil had taken everything. The only thing left was about a foot of my pipe sticking out of the ground. I called Mobil and left several messages for Mark to call me. He finally called me at around 1:00 P.M. I told him that they had cut the gas off on my Son, his wife, and 2 children ages 9 and 6 Months, and they didn't have any heat. He said that I had plenty of time to convert. I told him that since the Hydrogen sulfide was below 10 PPM that it should not have been disconnected to begin with. He said they were not going to use my test and were going on their own test. He said they might have it retested but he had not got with his people yet to make that decision. I then ask him to at least hook it up for one more

day in case we run into problems converting the furnace from Natural Gas to Propane and could not get the right orifice. He said no they would not do that. He said hooking the gas back up was not even an option. I then told him that if we didn't get it hooked up by dark that I would hook the gas line back up to the well myself. He said if I did that they would void all my Irrigation Gas contracts using the "tampering with their equipment" clause. It was after dark when we finally got plumbed in and they had heat.

About two weeks later, Mobil hired Thurmond - McGlothlin Inc. to check for hydrogen sulfide. I was disking about a quarter mile from the well when they came to test so I went up to the well. Their test showed 8.679 PPM. That was still under the 10 PPM cutoff. I call Mobil again and ask to be hooked back up and they told me no. I did get a letter in March stating that if hydrogen sulfide levels stayed below 10 PPM for 9 to 12 months they would consider reconnecting the house tap. A copy of the letter is attached as **EXHIBIT E** if you would like to turn to it.

Because Mobil said they would void my irrigation gas contracts if I hooked back up myself I couldn't afford to lose my gas on 9 irrigation wells to hook back up even though the lease says "to make your own connection". In a case that went before the Kansas Supreme Court in 1979 Richard Farmer ask for a house tap from the gas company (Jackson) and was denied. In March 1976 the Farmers laid a pipeline from their home to the well, welded a connection to the wellhead casing and commenced using gas from the well to heat their home. The gas company (Jackson) filed suit against Farmer and lost in Seward County District court. The gas company appealed to the Supreme Court and lost there also. A copy of the Supreme Court ruling is attached as **EXHIBIT F** if you would like to turn to it. I have highlighted the main parts. On June 23, 1998 I received another Certified letter from Mobil on my house tap offering me the \$3500.00 plus 1000 gallons of propane a year if I would switch. I refused the offer. A copy is attached as **EXHIBIT G** if you would like to turn to it. My son has been on propane since Feb 27, 1998 on his 14 x 76 mobile home. As of Jan 15, 1999 he has purchased 1046 gallons of propane with 6 weeks left to complete the year. Copies of the propane tickets are attached as **EXHIBIT H** if you would like to turn to it. His trailer has a electric dryer and a electric hot water heater. His only use of propane is for heating and cooking. He will use over 1000 gallons heating 1008 sq foot plus cooking. Last Spring was mild and overall this winter has been mild. At current prices the 1000 gallons of propane is worth about \$550.00. There are several house taps that come off of Irrigation meters. Mobil allows 40 mcf per month for house gas off of these meters. The value of 40 mcf per month is worth a lot more than \$45.83 per month for propane. I don't know how many of you here use Natural Gas for your source of fuel for your house, but would \$550.00 cover your gas bill for a year. I don't think so. Also the lease does not specify any maximum amount of fuel that can be used. If I have a 1000 sq foot house or a 6000 sq foot house they have to supply the fuel to heat it.

My house is located on NE $\frac{1}{4}$ of Sec. 17-31-35 approximately $\frac{1}{2}$ mile from my son's trailer. As of yet I do not have a hydrogen sulfide problem but the pressure at the wellhead is only 3 to 4 lb. Mobil has some big compressors two miles west that is pulling the pressure down. When the well is shut off line we have over 30 lb. of pressure. I have not had any problems yet but my neighbor who lives in the SW $\frac{1}{4}$ of Sec 17-31-35 and he gets his gas off of the same well, has had trouble keeping his furnace going. He had Webber Heating and Air Conditioning Co. come out and they told him that at times his pressure was getting low enough that it would not hold the gas valve on the furnace open.

There are several gas company's beside Mobil that are terminating the house gas from the wellhead because of hydrogen sulfide or low pressure. Most of them are offering at least the 1000 gallons of propane a year.

I feel that the lessee (oil company's) should honor their lease which states that as rent they will pay $\frac{1}{8}$ royalty on gas and oil produced and provide free gas for principal dwelling which is also considered part of the rent for leasing the mineral rights to them. To fulfill their obligation if they terminate the house gas, the gas company's should pay for the conversion or hookup fee to a high pressure gas line and the cost of the fuel for the life of the lease.

Thank You.

OIL AND GAS LEASE

Form L. B. 88 Revised
THIS AGREEMENT, Entered into this the 9 day of October, 1942,
between H. E. Shuler and Crystal Shuler, his wife,
Moscow, Kansas

and A. C. Moorhead hereinafter called lessor
hereinafter called lessee, does witness:
1. That lessor, for and in consideration of the sum of One hundred sixty and no/100 Dollars (\$160.00),
in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased
and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead
gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building powers, stations, telephone lines and other structures
thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following
described tract of land in Stevens County, Kansas to-wit:

All of South Half (S $\frac{1}{2}$)

in Section 16, Township 31S., Range 35W., and containing 320 acres, more or less.

2. This lease shall remain in force for a term ending October 9, 1952, and as long thereafter as oil,
gas, casinghead gas, casinghead gasoline, or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the
equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-
eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage
tanks.

4. The lessee shall monthly pay lessor as royalty on gas marketed from each well where gas only is found, one-eighth ($\frac{1}{8}$) of the
proceeds if sold at the well, or if marketed by lessee off the leased premises, then one-eighth ($\frac{1}{8}$) of its market value at the well. The
lessee shall pay the lessor: (a) one-eighth ($\frac{1}{8}$) of the proceeds received by the lessee from the sale of casinghead gas, produced from any
oil well; (b) one-eighth ($\frac{1}{8}$) of the value, at the mouth of the well, computed at the prevailing market price, of the casinghead gas, pro-
duced from any oil well and used by lessee off the leased premises for any purpose or used on the leased premises by the lessee for pur-
poses other than the development and operation thereof. Lessor shall have the privilege at his own risk and expense of using gas from
any gas well on said land for stoves and inside lights in the principal dwelling located on the leased premises by making his own connec-
tions thereto.

Where gas from a well or wells, capable of producing gas only, is not sold or used for a period of one year, lessee shall pay or tender
as royalty, an amount equal to the delay rental as provided in paragraph (5) hereof, payable annually at the end of each year during
which such gas is not sold or used, and while said royalty is so paid or tendered this lease shall be held as a producing property under
paragraph numbered two hereof.

5. If operations for the drilling of a well for oil or gas on said land or for gas, on a consolidated leasehold estate of which this land is
a part thereof, as contemplated in paragraph 9, are not commenced on or before October 9, 1943, this lease shall
terminate as to both parties unless the lessee shall on or before that date, pay or tender to the lessor, or to the lessor's credit in the

Citizens State Bank at Hugoton, Kansas, or
its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under
this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of

One hundred sixty and no/100 Dollars (\$160.00) which shall operate as rental and cover the
privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tend-
ers, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made
by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of
the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devi-
sees, executors, and administrators of such person.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or
holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced by the next ensuing
rental paying date, or provided the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; and
in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

7. In case 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 for shall be paid the said lessor only in the proportion which his interest bears to the whole and un-
divided fee.

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water
from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damages caused
by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises
without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all
machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

9. As to the gas leasehold estate hereby granted (excluding casinghead gas produced from oil wells), lessee is expressly granted the
right and privilege to consolidate said gas leasehold with any other adjacent or contiguous gas leasehold estates to form a consolidated
gas leasehold estate which shall not exceed a total of 640 acres; and in the event lessee exercises the right and privilege of consolidation,
as herein granted, the consolidated gas leasehold estate shall be deemed, treated and operated in the same manner as though the entire
consolidated leasehold estate were originally covered by and included in this lease, and all royalties and rentals payable hereunder,
including casinghead gas produced from oil wells), produced and marketed from the consolidated estate, including all royalties payable hereunder,
shall be prorated and paid to the lessors of the various tracts included in the consolidated estate in the same proportion that the acreage
of each said lessor bears to the total acreage of the consolidated estate, and a producing gas well on any portion of the consolidated
estate shall operate to continue the oil and gas leasehold estate hereby granted so long as gas is produced therefrom.

10. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the cov-
enants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in
the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer
or assignment or a certified copy thereof.

11. If the leased premises shall hereafter be owned in severalty 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 the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be
no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided
by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall
be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make
default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect
this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee hereof shall make due payment of
said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless
and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments
due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

12. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may
pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event
it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the
discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

13. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling
operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations
are prosecuted and, if production results therefrom, then as long as production continues.

14. If, within the primary term of this lease, the well or wells on the leased premises, or on the consolidated gas leasehold estate,
shall cease to be productive, this lease shall not terminate, provided operations for the drilling of a well on the leased premises, or on
the consolidated gas leasehold estate, shall be commenced before or on the next ensuing rental payment date; or, provided lessee begins
or resumes the payment of rentals in the manner and amount hereinbefore provided. It is agreed, however, that the completion of a
well producing or capable of producing gas, upon the property hereinbefore described, or the inclusion of such property in a consolida-
tion unit producing or capable of producing gas as provided by paragraph number 9 hereof, shall constitute full and complete develop-
ment with respect to the gas leasehold estate hereby granted. If, upon, or after the expiration of the primary term of this lease the well
or wells on the leased premises, or on the consolidated gas leasehold estate, shall be incapable of producing, this lease shall not terminate
provided lessee resumes operations for drilling a well on the leased premises or on the consolidated gas leasehold estate within one hund-
red twenty (120) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if produc-
tion results therefrom, then as long as production continues.

15. It is contemplated and agreed by both lessor and lessee that this lease shall at all times and in all respects be subject to valid or-
ders, rules and regulations of any duly constituted authority having jurisdiction of the subject matter hereof.

16. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all the heirs, grantees, administrators or
assigns of said Lessor or Lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.
Witness: H. E. Shuler
Crystal Shuler

State of Kansas, County of Stevens, ss. ACKNOWLEDGEMENT FOR INDIVIDUAL (Kan. & Okla.)
Before me, the undersigned, a Notary Public, within and for said County and State, on this 9
day of October, 1942, personally appeared H. E. Shuler and Crystal Shuler, his wife,

and
to me personally known to be the identical person 8 who executed 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 hand and official seal the day and year last above written.
My commission expires May 11, 1943 (SEAL) T. A. Dudley Notary Public.

State of , County of , ss. ACKNOWLEDGEMENT FOR CORPORATION
Be it remembered that on this day of , 19 , before me, the undersigned, a Notary Public, duly commis-
sioned, in and for the county and state aforesaid, came , president of
a corporation of the State of personally known to me

Handwritten initials: A 20

Mobil Exploration & Producing U.S. Inc.

P.O. BOX 2173
2319 NORTH KANSAS
LIBERAL, KANSAS 67905-2173

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

**IMPORTANT NOTICE
READ IMMEDIATELY**

February 11, 1998

Ms. Zora Davis
P. O. Box 182
Moscow, KS 67952

**H. E. SHULER UNIT - WELL#2
SECTION 16-31S-35W
STEVENS COUNTY, KANSAS
METER NO.: 26253-0001**

Dear Ms. Davis:

Mobil Exploration & Producing U.S. Inc. ("Mobil") operates the gas well identified above. The well is connected to your residence by a gas pipeline, which you own and maintain. Mobil provides free gas to you from this well under the oil and gas lease(s) which cover the property upon which the well is located.

In recent tests, Mobil discovered hydrogen sulfide (H₂S) in the gas produced from this well. In high concentrations, H₂S may be toxic and may present serious health and safety risks. H₂S may be corrosive and may cause leaks and loss of pressure in gas pipelines. Enclosed is a Material Safety Data Bulletin, which explains the health and safety risks associated with H₂S.

The potential for health and safety risks may exist where gas which contains high concentrations of H₂S is used for fuel sources in confined spaces, such as gas heaters and home appliances. Therefore, as a preventative measure to protect your health and safety and the health and safety of other residents on Mobil leases, Mobil will disconnect residential pipelines connected to gas wells where H₂S is present.

The gas pipeline to your residence will be disconnected on February 27, 1998. You should make arrangements IMMEDIATELY to convert your residence to another fuel source, if one is not already available. The pipeline will be disconnected at the wellhead and will not be disturbed in any other way. There is evidence that H₂S is present now or will be present in the near future in the other gas wells on the Unit. For this reason, connections to other gas wells on the Unit are not available.

B210

Attached to this letter is a list of local gas distribution companies and LP distributors in the area who may be able to assist you in the conversion. This list is provided to you as a courtesy only, without any representation or warranty as to the quality of their work. **If any part of the existing pipeline will be used in the conversion, you should arrange to have the pipeline pressure tested first, to insure that it is safe and does not leak.**

To compensate you for any damages which may result from the disconnection and to help defray the cost of conversion, Mobil will make a one time payment of \$3,500.00. Enclosed is Mobil's draft to you in that amount. To accept this offer and receive the settlement payment, you must sign the draft and present it to your bank's collection department.

By accepting this settlement payment you acknowledge that you are the owner of the property described above and relinquish any and all future claims to free gas from the gas well described above, or any other well currently located on the oil and gas lease(s) covering the property described above. Endorsement of the draft constitutes a full, final and complete release, settlement and satisfaction of any and all claims, causes of action, damages or losses relating to disconnection of your pipeline to the gas well described above.

If you have questions, please feel free to contact me at (316-626-1109).

Very Truly Yours,
MOBIL EXPLORATION & PRODUCING
U. S. INC



Mark Haralson
Senior Staff Landman
Liberal Region

MAH:dah
cc: Jerry Stuckey
Rt. 1
Moscow, KS 67952



Exploration & Producing U.S. Inc.

DALLAS, TEXAS

SSN or Tax I. D. # 514-58-9926

DATE February 11, 1998

PAY TO Zora Davis, P. O. Box 182, Moscow, KS 67952

\$ 3,500.00

Three Thousand Five Hundred & no/100-----

DOLLA

FOR

H. E. SHULER UNIT, WELL NO. 2, SEC 16, T-31-S, R-35-W, STEVENS CO., KS

Pursuant to Mobil's letter to Payee dated February 11, 1998, acceptance and endorsement of this instrument constitutes a full, final and complete release, settlement and satisfaction of any and all claims, causes of action, damages or losses relating to or arising out of Lessee's disconnection of Payee's residential pipeline to the gas well described above.

Mark A. Haralson

SIGNAT

Meter No. 26253-0001

ACCT 2319-SUB ACCT 031 ICA 0012 L/C 62022-00

038025 @038025@ : 11000025: @ 258000891@

PLEASE FILL IN YOUR SOCIAL SECURITY NUMBER OR TAX I. D. NUMBER WHERE INDICATED ON THE CHECK BEFORE PRESENTING THE CHECK TO THE BANK FOR PAYMENT

038025

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B

THIS CHECK IS VOID IF BLUE COLORED BACKGROUND IS ABSENT

PAYABLE THROUGH: NCNB TEXAS NATIONAL BANK DALLAS, TEXAS

XX

Lab No: 980404

PRECISION WIRELINE AND TESTING
NATURAL GAS ANALYSIS REPORT
316-624-4505

Producer: Jerry Stuckey Analysis Date: 02/25/98
Well Name: H. F. Shuler Unit No Sample Date: 02/24/98
Location: 16-31S-35W Sample Pressure: 10.4
County: Stevens Sample Temperature:
State: Kansas

Sample Source: Farm Tap
Formation:
Bottle No: P26
Requested By: Jerry Stuckey
Sampled By: Mark

XX
XX

NATURAL GAS ANALYSIS

	Mole %	GPM
Helium	0.420	
Hydrogen	0.005	
Oxygen	0.000	
Nitrogen	13.693	
Carbon Dioxide	0.053	
Methane	72.900	
Ethane	6.113	1.635
Propane	3.823	1.053
Iso Butane	0.505	0.165
Normal Butane	1.289	0.406
Iso Pentane	0.316	0.116
Normal Pentane	0.368	0.133
Hexanes Plus	0.515	0.225
TOTALS	100.000	3.734
Z Factor:		0.9974
Specific Gravity:		0.7311
BTU/cu.ft. (sat, 60 F. 14.73 psia):		1039.7
BTU/cu.ft. (dry, 60 F. 14.73 psia):		1058.1
Octane Rating		107.0

XX
Comments: H2S = 4 ppm 0.000

290

BERNARD E. NORDLING
ERICK E. NORDLING

KRAMER, NORDLING & NORDLING
ATTORNEYS-AT-LAW
209 E. SIXTH
HUGOTON, KANSAS 67951
(316) 544-4333
FAX (316) 544-2230

A.E. KRAMER
(1901-1991)
LELAND E. NORDLING
(1924-1987)

February 26, 1998

Mark A. Haralson
Mobil Exploration & Producing U.S. Inc.
P. O. Box 2173
Liberal, KS 67905-2173

Re: Domestic House Gas
Owner: Zora Davis
H. E. Shuler Unit - Well #2
Section 16-31S-35W, Stevens County, Kansas
Meter #26253-001

Dear Mark:

I am writing on behalf of Zora Davis. I have reviewed your letter of February 11th to Mrs. Davis. We have also visited about hydrogen sulfide problems on another client.

Although the level of hydrogen sulfide is certainly a concern which Mrs. Davis does not take lightly, she feels a very important term under the oil and gas lease is to be able to receive free gas for domestic purposes in the principal dwelling. We would like to have some verification of the H₂S levels on this particular well and what other wells in the area might be able to substitute Mobil's obligation to provide gas under the lease.

The obligation under the lease to provide gas runs so long as there is production from the unit. The lease does not describe if there are problems with sour gas, rather it is an ongoing and continuing obligation of the lessee to provide the gas. In the event Mobil chooses to disconnect service from Mrs. Davis' property then we feel Mobil should not only pay for the cost of conversion, but also continue to provide fuel to her throughout the life of the lease.

Other objections which may be available and frankly Mobil should help to pursue, include getting a gas tap off of a major pipeline, or gas from other Mobil wells in the unit. Another option would be for the treatment of the hydrogen sulfide problem at the well. This has not been explored or commented on by Mobil. We would like an explanation as to efforts to reduce the hydrogen sulfide levels. We have to think that as a concern on the domestic gas side then it is also a concern for Mobil in selling the gas down the pipeline. It is my understanding that treatment facilities are available and we would like to see what Mobil intends to do in that regard.


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Mark A. Haralson
February 26, 1998
Page 2

We would like to try to resolve this matter but Mobil's offer is unacceptable both from the dollar standpoint, the lack of continuing obligation on Mobil to provide gas under the terms of the lease, and the scope of the release requested by Mobil.

I hope to hear from you shortly.

Very truly yours,


Erick E. Nordling

EEN:emp

pc: Mrs. Zora Davis
P. O. Box 182
Moscow, KS 67952

Jerry Stuckey ✓

Route 1
Moscow, KS 67952

Mobil still hasn't responded as of ~~2~~ 3-~~18~~-98
31

*2-12
D*

Mobil Exploration & Producing U.S. Inc.

P.O. BOX 2173
2319 NORTH KANSAS
LIBERAL, KANSAS 67905-2173

March 24, 1998

COPY

Ms. Zora Davis
P. O. Box 182
Moscow, KS 67952

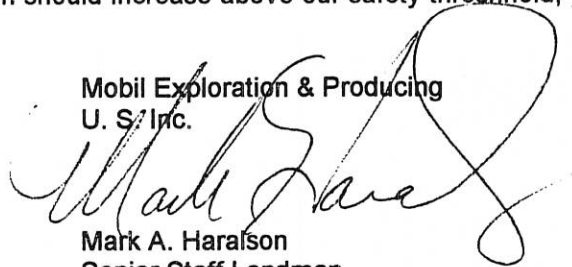
H. E. SHULER #2
SECTION 16-31S-35W
STEVENS COUNTY, KANSAS
METER NO.: 27046-1125
CONTRACT NO.: I-3354

Dear Ms. Davis:

Reference is made to my letter of March 12, 1998, wherein we informed you we were going to disconnect your irrigation tap on the captioned well. Mobil has reconsidered this disconnection after a re-test indicated concentrations of H₂S less than 10 ppm. In the event the concentrations of H₂S remain below 10 ppm for an extended period of time (9 to 12 months), Mobil will make arrangements to re-connect your principal dwelling for residential use if you so desire.

In the event the H₂S concentration should increase above our safety threshold, you will be advised accordingly.

Mobil Exploration & Producing
U. S. Inc.



Mark A. Harafson
Senior Staff Landman
Liberal Region

MAH:dah
cc: Jerry Stuckey
RR 1
Moscow, KS 67952

Jackson v. Farmer

No. 49,955

DONALD W. JACKSON, Appellant, v. RICHARD A. FARMER and CAROLYN SUE FARMER, Appellees.

(594 P.2d 177)

SYLLABUS BY THE COURT

1. OIL AND GAS—"Dwelling House" Included in Lease—Effect of Dwelling Erected after Lease Executed. The only dwelling house on land included in an oil and gas lease is the "principal dwelling house" within the meaning and intent of the lease, even though the house was erected long after the lease was executed.
2. SAME—Free Gas Clause—Transfer of Rental Right. Free gas may be transferred from one dwelling house to another so long as the use is limited to one principal dwelling house.
3. SAME—Free Gas Clause—Rental Right is Covenant Running with Land. The covenant of a lessee to furnish free gas for domestic heating and lighting may be technically called a rent. This agreement is a covenant running with the land, the benefit thereof passing to the assignee of the lessor and the burden to the assignee of the lessee.
4. SAME—Free Gas Clause—Rental Right is Covenant Running with Land—Benefit only to Surface Estate. On the theory that the use of gas under a free gas clause actually benefits only the surface owner, the authorities agree that this covenant runs with the surface estate, not the mineral estate.
5. SAME—Unitization of Lease—Benefit of Lessee. The right to unitize oil and gas leases inures principally to the benefit of the lessee.
6. SAME—Unitization of Lease. Unitization makes for economy in production: fewer wells need be drilled, equipped, and serviced, and there is less chance for waste.
7. SAME—Leases Construed—General Rules. Rules governing the construction of oil and gas leases include these: the intent of the parties is the primary question; meaning should be ascertained by examining the documents from all four corners and by considering all of the pertinent provisions, rather than by critical analysis of a single or isolated provision; reasonable rather than unreasonable interpretations are favored; a practical and equitable construction must be given to ambiguous terms; and any ambiguities in a lease should be construed in favor of the lessor and against the lessee, since it is the lessee who usually provides the lease form or dictates the terms thereof.
8. CONTRACTS—Interpretation by Courts. A court should avoid unreasonable interpretations whereby a contract provision is reduced to an absurdity and the parties' intent vitiated.
9. OIL AND GAS—"Dwelling House" Included in Lease—Owners of Surface Land under Facts of Case Entitled to Free Gas. In an action between the owner-operator of unitized gas leases and the owners of the surface only of a part of the leased premises, the N $\frac{1}{2}$ NW $\frac{1}{4}$ of § 3, the record is examined and it is held: the landowners' home is "the principal dwelling house" on the NW $\frac{1}{4}$ of § 3, the land included within one of the leases; and under the particular terms of that lease, and under the facts of this case, the landowners are entitled to "free gas" with which to heat their home, though the only gas well on the unit is located on the SW $\frac{1}{4}$ of § 3.

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Jackson v. Farmer

Appeal from Seward district court; L. L. MORGAN, assigned judge. Opinion filed May 5, 1979. Affirmed.

Richard Jones, of Hershberger, Patterson, Jones & Roth, of Wichita, argued the cause, and J. Michael Kennalley, of the same firm, and Gene H. Sharp, of Vance, Hobbie, Neubauer, Nordling, Sharp & McQueen, P.A., of Liberal, were with him on the brief for the appellant.

Eugene L. Smith, of Smith, Greenleaf & Brooks, of Liberal, argued the cause and was on the brief for the appellees.

The opinion of the court was delivered by

MILLER, J.: The "free gas" and "unitization" clauses in a standard Form 88 Producers (Kans., Okla. & Colo., 1942 Rev., Bw form) oil and gas lease give rise to the dispute presented in this action between the owner and operator of four unitized leases, on which there is one producing gas well, and the owners of the surface only of a part of the land included in the unit. Donald W. Jackson, plaintiff-appellant, is the owner and operator of the leases and the well. Richard A. Farmer and Carolyn Sue Farmer, husband and wife, defendants-appellees, are the surface owners.

The ultimate issue is whether the Farmers, the owners of the surface only of the N 1/2 NW 1/4 § 3, are entitled to take "free gas" to heat their home from the unit well on the SW 1/4 of § 3, under the terms and conditions of the lease and the unitization declaration, and under all of the facts and circumstances of this case.

The facts are stipulated. Section 3-34S-33W, in Seward County, Kansas, was leased for oil and gas in the 1940's. Each quarter section was under separate ownership, so four separate leases were executed, those on the NW 1/4, the NE 1/4 and the SE 1/4 being on Bw Form 88 producers leases as described above, and the SW 1/4 being on an L. B. 88 Revised form. The leases on the NW 1/4, the NE 1/4 and the SE 1/4 contain the following provisions:

"4. . . . the lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of such gas to be at the lessor's sole risk and expense.

"7. In case 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 for shall be paid the said lessor only in the proportion which his interest bears to the whole and undivided fee.

"9. 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 the heirs, devisees, executors, administrators, successors and assigns

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SUPREME COURT OF KANSAS

Jackson v. Farmer

"16. The unitization of this lease or any portion thereof with any other lease or leases or portions thereof shall be accomplished by the execution and filing by lessee in the recording office of said county of an instrument declaring its purpose to unitize and describing the leases and land unitized, which unitization shall cover the gas rights only and comprise an area not exceeding approximately 640 acres. The royalty provided for herein with respect to gas from gas wells shall be apportioned among the owners of such royalty on minerals produced in the unitized area in the proportion that their interests in the minerals under the lands within such unitized area bear to the minerals under all of the lands in the unitized area. *Any well drilled on such unit shall be for all purposes a well under this lease and shall satisfy the rental provision of this lease as to all of the land covered thereby; provided, however, lessee shall be under no obligation, express or implied, to drill more than one gas well on said Unit.*" (Emphasis supplied.)

The lease on the SW 1/4 contains similar provisions. Pursuant to the authorization for unitization contained in each of the leases, the four leases covering all of § 3 were unitized in 1953. The four leases and the unitization agreement remain in full force and effect.

A gas well (known as the Thompson well), producing from the Hugoton pay zones, was completed in 1953. Production from this well, located in the SW 1/4 of section 3, has been continuous ever since. There are no other gas wells on section 3. There are now only two houses on the section. One house on the SW 1/4 has been supplied with "free gas" for heating purposes since 1953; there was one house on the SW 1/4, the only house on section 3, when the well was drilled; apparently that house was destroyed, but the replacement of this house is still connected to the well and is still using "free gas" from the well.

The appellant, Jackson, has owned, produced, and operated the Thompson well since 1971. Lowene O. Priefert is the owner of the minerals underlying the NW 1/4; James R. Yoxall is the owner of the surface only of the S 1/2 NW 1/4 and the appellees, the Farmers, are the owners of the surface only of the N 1/2 NW 1/4 of section 3. Yoxall and the Farmers own no mineral interest.

The Farmers erected a residence on their 80-acre tract in 1974, and they now occupy it as their home. It is the only house now existing on the NW 1/4 of section 3. Farmers asked Jackson to make an outlet available at the wellhead in order that they might utilize their "free gas" privileges; Jackson denied that the Farmers had any such privileges, and refused to provide an outlet. The Farmers then applied for and obtained a gas service contract from

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Jackson v. Farmer

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People's Natural Gas Company, and in January, 1975, commenced purchasing natural gas from People's to heat their home. Between January, 1975, and March, 1976, Farmers paid People the sum of \$525.54 for gas.

By a conveyance dated February 9, 1976, Lowene O. Priefe and her husband, as owners of the minerals under the NW 1/4 section 3, assigned to the Farmers all of the Priefert's right to use free gas for domestic purposes, using the following language:

"The enjoyment of Grantors' right, if any, to the free use of gas for domestic purposes under the terms and provisions of a certain oil and gas lease dated February 26, 1948, between Ross Frain and Opal B. Frain, his wife, as lessors, and Earl M. Knighton, as lessee, or any future oil and gas lease of record, on the NW 1/4 of Section 3-T34S-R33W of the 6th P.M., Seward County, Kansas. — for the sum of \$10.00 and other valuable considerations.

"EXCEPT AND SUBJECT TO: Oil and gas leases, unitization agreements and easements of record, if any, insofar as the same are valid."

In March, 1976, the Farmers laid a pipeline from their home to the well, welded a connection to the wellhead casing, and commenced using gas from the well to heat their home; they continued to do so. They shut off the gas from People's, but retained the connection and continued to pay the minimum charge in order to have a standby fuel source.

Jackson discovered the connection in June, 1976. He demanded that Farmers disconnect the line. Upon their refusal to do so, Jackson commenced this action for a mandatory injunction requiring removal of the line, and for an accounting for the reasonable market value of all gas appropriated. Farmers answered, denying that plaintiff was entitled to any relief, and they filed a counterclaim for damages in the amount of \$525.54, and for a permanent injunction prohibiting the plaintiff from interfering with their use of gas from the well.

The trial judge denied plaintiff any relief, and he granted Farmers a money judgment for \$525.54 and the injunctive relief they sought. Jackson appeals.

The first issue is whether defendants' residence is the "principal dwelling house" on the NW 1/4 § 3. The trial court's finding is as follows:

"The term 'the principal dwelling house on said land', as that language is used in the free gas clause in paragraph 4 of the lease, is not limited to mean a building in existence at the time the lease is written, nor at the time a well is drilled, absent specific language to that effect. Where no structure exists at the date of the lease,

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Jackson v. Farmer

the only meaning which could be ascribed to the terms would be a dwelling subsequently to be erected. Any structure used as a dwelling may be designated 'the principal dwelling house on said land' so long as the lessee's burden is not increased beyond the obligation of furnishing or permitting the use of enough gas to heat and light one dwelling."

Appellant contends that there was no house on the NW ¼ when the lease was executed and that the free gas clause was intended to apply only to buildings then on the premises. He relies upon *Warfield Natural Gas Co. v. Moore*, 281 Ky. 689, 136 S.W.2d 1086 (1940) and *City of Iola v. Lytle*, 164 Kan. 33, 37, 187 P.2d 378 (1947). Neither case supports his argument. *Warfield* stands for the proposition that a lessor who is entitled to free gas to heat the lessor's dwelling may not erect a second house and connect it to the free gas line while the original house is still being served. In other words, the lessor cannot have free gas for two houses when the lease restricts the free gas right to one dwelling. In *Lytle*, the City of Iola had contracted to furnish a landowner with free water for one house, and for livestock kept on the premises. The city promised to give the landowner four connections with its three-inch main; it had done so. After the original house was sold, a dispute arose. This court held that it was implicit in the contract that the right to free water was one attaching to the original house, and the right was not transferable separate and apart from the ownership of the house. The original house was still in use. Neither *Warfield* nor *Lytle* is persuasive here.

The trial court's logic is sound. Under plaintiff's theory, the free gas clause would be a nullity whenever there was no house existent on the leased land. A court should avoid unreasonable interpretations whereby a contract provision is reduced to an absurdity and the parties' intent vitiated. *Garvey Center, Inc. v. Food Specialties, Inc.*, 214 Kan. 224, 519 P.2d 646 (1974).

The burden of the covenant cannot be enlarged. But if there is no house on the land when the lease is executed, and one is erected years later, the requirement that the lessee then furnish free gas to the single house on the land does not increase the burden; it simply furnishes a basis for presently enforcing it. This is supported by the rule that free gas may be transferred from one dwelling to another, so long as the use is limited to the one principal dwelling house. See *Salisbury v. Columbian Fuel Corporation*, 387 S.W.2d 864 (Ky. App. 1965), where it was held that the right to use free gas was a covenant running with the land,

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and free gas was properly furnished, one house at a time, to the "principal dwelling" until it burned; then to the "rent house" while a new house was being erected on the former site of the principal dwelling; then to the new house; and finally, after division of the leased land, to the "rent house" in accordance with a deed to the land on which the "rent house" was located which deed recited: "It is understood Parcel No. 5 will have free gas to the house on said described land." (387 S.W.2d at 865.

The Farmers' house is the only dwelling on the NW 1/4 of section 3. We hold that it is the "principal dwelling house" on that quarter section within the meaning and intent of the lease.

Jackson contends that the appropriation of gas by Farmers from the well on the Southwest quarter enlarges the lessee's burden in violation of the *Warfield* rule. The fallacy of this contention is that in *Warfield* there was but one lease, and the obligation to furnish free gas to one house. In the case at hand, there are four leases, each containing a free gas clause obligating the lessee to furnish gas for one house on the described quarter section. The burden has not been enlarged.

The principal issue is whether the appellees, under the terms of the documents and facts before us, are entitled to free gas from a well which is not located on the Northwest quarter. Appellant contends in essence that Farmers' right is limited to gas produced on the Northwest quarter; that the unitization clause does not extend that right; and that since Farmers have suffered no detriment, they are not entitled to the benefit of free gas.

Paragraph 4 of the original lease on the Northwest quarter provides in part:

"The lessee shall pay lessor as royalty 1/8 of the proceeds from the sale of gas as such at the mouth of the well where gas only is found . . . the lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land . . ."

The lessor thus received two contingent benefits from the lease—a 1/8 royalty interest in the proceeds of gas sold, and a right to free gas for the principal dwelling located on the land. Both the royalty and the right to free gas are rentals.

In 3A Summers, Oil & Gas § 571, it is stated:

"The covenant of the lessee to furnish free gas for domestic heating and lighting may be technically called a rent. This agreement is a covenant running with the

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land, the benefit thereof passing to the assignee of the lessor and the burden to the assignee of the lessee."

See also 3 and 3A, Summers, Oil & Gas §§ 553, 587; 3 Williams, Oil & Gas Law § 661.2; Annot., 79 A.L.R. 502; 38 Am. Jur. 2d, Gas & Oil § 84. On the theory that use of gas under free gas clauses actually benefits only the surface owner, the authorities agree that this covenant runs with the surface estate of the land, not the mineral estate. 3 Williams, Oil & Gas Law § 661.2; 3 Summers, Oil & Gas § 553; 4 Kuntz, Oil & Gas § 53.6, at p. 349. See also *Alderson v. Natural Gas Co.*, 116 Kan. 501, 503, 504, 227 Pac. 347, 41 A.L.R. 253 (1924); and *Sinclair Oil & Gas Co. v. Huffman*, 376 P.2d 599 (Okla. 1962).

Farmers acquired title to the surface by deed from Yoxall; they also received a grant from the Prieferts, owners of the minerals underlying the NW $\frac{1}{4}$, of their right, if any, to free gas. The latter conveyance was of no impact since the Prieferts had already sold the surface. The right to take gas free of charge for heating the principal dwelling, and the obligation of the lessee to permit such taking is, as we have seen, a covenant running with the surface of the land and thus the Farmers acquired that right through their deed from Yoxall to the surface.

Farmers own only half of the surface of the NW $\frac{1}{4}$ —the north half. But the only dwelling house on the entire quarter section is located on the north half. We hold that they now have the right "to have gas free of charge" as that right is granted according to the terms of the lease.

Is that right limited to gas produced from a well located on the NW $\frac{1}{4}$? We think not. The unitization clause, included in the original lease, provides that any well drilled on the unit "shall be for all purposes a well under this lease and shall satisfy the rental provision of this lease as to all of the land covered thereby; Provided, however, lessee shall be under no obligation . . . to drill more than one gas well on said Unit." The Declaration for Unitized Operations declares that the parties "do hereby consolidate the gas rights under [the four] leases for all purposes of said leases . . ." (Emphasis supplied.)

The gist of appellant's argument is that the unitization clause in the lease, and the Declaration, do not apply to the free gas clause, and do not expand that clause to include gas produced from other than the "leased premises"—here the NW $\frac{1}{4}$. Unquestionably, the

F-2-20

right to unitize inures principally to the benefit of the lessee. Some of those benefits were enumerated by Justice Fromm in *Klippel v. Beinar*, 222 Kan. 681, 685, 567 P.2d 867 (1977) as follows:

"(1) The life of the lease is extended as to all included tracts beyond the primary term and for as long as oil, gas or other minerals are produced from any one of the tracts included; (2) the commencement of a well on any one of the tracts operates to excuse the payment of delay rentals on all included tracts for the period specified in the respective leases; (3) production from a well on any one of the tracts relieves the obligation to pay delay rentals, during production, on all included tracts; (4) the lessee is relieved of the usual obligation of an implied covenant for reasonable development of each tract separately; (5) wells may be located without reference to property lines; and (6) the lessee is relieved of the obligation to drill or re-drill wells on other included tracts to prevent drainage by a well on any included tract."

Unitization is a useful device and is frequently utilized where gas is found. One well, properly located, can serve to release gas from an extensive acreage. Unitization makes for economical production: fewer wells need be drilled, equipped, and serviced and there is less chance for waste. See *Somers v. Harris Trust Savings Bank*, 1 Kan. App. 2d 397, 566 P.2d 775 (1977). Unitization also provides a fair and equitable method of dividing royalty between the concerned landowners.

Among the familiar rules governing the construction of oil and gas leases are these: the intent of the parties is the primary question; meaning should be ascertained by examining the document from all four corners and by considering all of the pertinent provisions, rather than by critical analysis of a single isolated provision; reasonable rather than unreasonable interpretations are favored; a practical and equitable construction must be given to ambiguous terms; and any ambiguities in a lease should be construed in favor of the lessor and against the lessee since it is the lessee who usually provides the lease form and dictates the terms thereof. *Tate v. Stanolind Oil & Gas Co.*, 1 Kan. 351, 356, 240 P.2d 465 (1952); *Rogers v. Westhoma Oil Co.*, 1 Kan. 291 F.2d 726 (10th Cir. 1961); *Gilmore v. Superior Oil Co.*, 1 Kan. 388, 391, 388 P.2d 602 (1964); *Lightcap v. Mobil Oil Corporation*, 221 Kan. 448, 458, 562 P.2d 1 cert. denied 434 U.S. 876 (1977). The lease before us must be read and considered as a whole; the unitization clause must be considered together with all of the other provisions in the lease, including the free g

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clause; and effect must be given, if possible, to all provisions of the lease.

Here the single producing well on the SW $\frac{1}{4}$ serves to keep all four leases alive. It is "for all purposes a well under this lease." Among those purposes is the purpose to provide, at the wellhead, free gas for the principal dwelling houses on each of the leased quarters. This interpretation avoids the unjust result of giving the lessee the benefits of unitization and letting him escape the responsibility of furnishing free gas which each lease imposes. To adopt appellant's construction would write the free gas clause out of every unitized lease save the one covering the tract on which the lessee chose to locate the gas well. The interpretation here adopted finds support in some treatises (Brown, Law of Oil and Gas, 2d ed., § 10, p. 10-49; 3 Williams, Oil & Gas Law § 661.7) and is criticized in another (4 Kuntz, Law of Oil & Gas § 53.6, pp. 352-354). Nevertheless, under the peculiar terms of the documents before us, we hold that this interpretation comports with the intention of the parties as expressed in the lease.

Jackson contends that since the Farmers do not have a well on their land, they do not have any detriment or burden and therefore they should not be allowed to enforce the free gas covenant. This argument overlooks one important fact: the lease on the NW $\frac{1}{4}$ is still in full force and effect, and the lessee may in the future enter and drill wells for either gas or oil thereon; and though the surface owner may have no royalty interest, his surface estate is still burdened with the lease.

Finally, we have not overlooked the many cases relied upon by appellant in support of his unitization argument; but in none of those cases do we find the "well for all purposes" language present in the instant lease, and the cases are thus unpersuasive and distinguishable.

Under the precise terms of the lease involved, we hold that appellees are entitled to take gas from the unit well, without charge, for the purpose of heating the principal dwelling house on the NW $\frac{1}{4}$ of § 3—their home.

The judgment is affirmed.

HERD, J., not participating.

HOLMES, J., dissenting: I respectfully dissent. Lack of time precludes an extended dissertation of my interpretation of the

TOTAL P.05

F-2-22

Mobil Exploration & Producing U.S. Inc.

P.O. BOX 2173
2319 NORTH KANSAS
LIBERAL, KANSAS 67905-2173

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

June 23, 1998

JERRY STUCKEY
RT. 1 - BOX 115
MOSCOW, KS 67952

**PHILLIPS J.F. #1-6 (M)
SECTION 17-31-35
METER NO.: 26241-0002**

Dear Sir or Madam:

Mobil Exploration & Producing U.S. Inc. ("Mobil") operates the gas well identified above. Our records indicate this well is connected to your residence by a gas pipeline, which you own and maintain. Mobil currently provides or has provided free gas to you from this well under the oil and gas lease(s), which cover the property upon which the well is located.

You may already be aware of the many problems associated with the house gas taps due to the age of the Hugoton gas field. These include lower pressures, higher hydrogen sulfide (H₂S) concentrations and degradation of gas quality (i.e., water, debris, etc in the gas stream).

The pressures in the Hugoton field have been reduced significantly over the past 50 plus years and as reservoir pressures decline, gathering system pressures immediately downstream must be reduced to maintain deliverability of gas. Accordingly, Mobil has been working diligently to have field compression installed on the gathering systems that may affect, or already has affected, the availability of house gas to your residence. Many of these compressors are coming on line now and as the systems are fine-tuned, the wellhead pressures will continue to drop significantly. With the continued reduction in wellhead pressure, you may notice an increase in water production as well as dirt and scale being drawn from the wellbore. The combination of these factors will most likely cause more freeze-off problems in the winter months.

In recent months, Mobil also has seen an increase in H₂S levels in the gas produced from many of our wells. In high concentrations, H₂S is toxic and, even in lower concentrations, it can present serious health and safety risks. H₂S may also be corrosive and cause leaks and loss of pressure in gas pipelines. The potential for health and safety risks is even greater where gas containing H₂S is used for fuel sources in confined spaces, such as gas heaters and home appliances. Therefore, as a preventative measure to protect your health and safety and the health and safety of other residents on Mobil leases, Mobil has and will continue to disconnect residential pipelines connected to gas wells where H₂S is present in concentrations at or above ten parts per million (10 ppm).

2-23
G

Mobil has been requested by several residents to offer a reasonable alternative to the wellhead gas connections that are now affected by, or may soon encounter, these problems. Therefore, in consideration for your agreement to relinquish any and all future claims to free gas from the gas well(s) located on the oil and gas lease(s) covering your property, Mobil will agree to the following:

Pay you a lump sum of Three Thousand Dollars (\$3,000.00) to Three Thousand Five Hundred Dollars (\$3,500.00) (with the difference prorated on an annual basis depending on the conversion date) to cover conversion or utility connection costs and the cost of your propane through October, and;

Pay an annual amount equivalent to the price of 1000 gallons of liquid propane (LP) on the 1st working day of October for as long as gas is produced pursuant to the oil and gas lease containing your free gas clause. The annual payment amount will be determined by Propane Resources, an independent third party firm in Shawnee Mission, Kansas, using the LP prices for this area averaged over the previous 12 month period.

This offer is not and should not be construed as an attempt to eliminate or reduce our obligations to you. We are truly concerned for your safety and comfort. We also are trying to provide you with a reasonable long-term alternative to satisfy your residential gas needs.

If the well where your tap is located does not currently contain H2S in concentrations at or above 10 parts per million, you may elect not to convert to another fuel source. Should you choose to remain on the gas well, you might consider installation of a volume tank, gas filter, auto-ignition pilot lights and possibly larger service line to facilitate a reasonable quality of service. We urge you to use a qualified contractor for any modifications to your gas system. As stated in our previous letters to homeowners, your connection and piping are your responsibility and Mobil will not be available to thaw frozen connections to your house. Additionally, please be aware that, if and when H2S concentrations reach 10 parts per million, the tap will have to be disconnected because of safety and health concerns.

This offer is extended to the homeowner only. Should you wish to accept our offer, please sign below and return this letter to the attention of Dee Ann Head at the letterhead address along with a copy of the property conveyance to you (Warranty Deed, Probate, etc). If you have already been disconnected due to high H2S concentrations, we will set you up for annual payments upon receipt of this signed letter agreement. By executing this letter, you agree to relinquish any and all future claims to free gas from the gas well(s) located on the oil and gas lease(s) covering your property and any damage claims based on Mobil's failure to provide such gas.

If you have questions regarding this or other domestic gas issues, please feel free to contact me at (316) 626-1109.

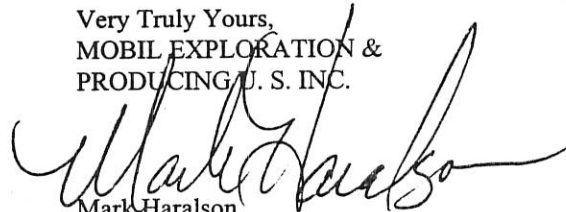
ACCEPTED THIS _____ DAY
OF _____, 1998:

Signature

Printed Name

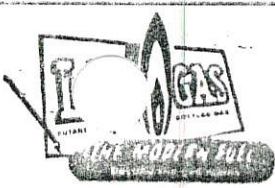
mah

Very Truly Yours,
MOBIL EXPLORATION &
PRODUCING U. S. INC.



Mark Haralson
Senior Staff Landman
Liberal Region

2-24
G.D.



Bullman Inc.

E 052615

WHOLESALE SUPPLIES
 Phone 316-697-2178 • 697-2179 • FAX 316-697-2177
 Drawer T • ELKHART, KANSAS 67950

STEEL & PIPE, PROPANE TANKS, CARBURETION, TIRES, AUTOMOTIVE, HARDWARE,
 INDUSTRIAL AND OIL FIELD SUPPLIES

SOLD TO: *Jerry Stuckey*

DATE *Feb 27* 19 *95*

CUSTOMER ORDER NO.	RECD. ON ACCT.	CASH	CHARGE
LOCATION	UNIT OR RIG NO.	PAID OUT	CREDIT

Quan. Ordered	NUMBER	DESCRIPTION	LIST	WHOLESALE	AMOUNT
		<i>Leave charge on 499 gal LP Tank</i>			<i>60.00</i>
		<i>mgg by Smith Works 1946 - Serial # 809H</i>			
		<i>pick-up + delivery charge</i>			<i>40.00</i>
<i>1</i>		<i>2nd Stage Regulator</i>			<i>39.95</i>
<i>42'</i>		<i>1/2" Blk pipe</i>	<i>.35</i>		<i>14.70</i>
<i>140 gal</i>		<i>LP in Tank when delivered</i>	<i>.56</i>		<i>95.20</i>

Finance charge is computed by a periodic rate of 1½% per month (for a minimum charge of 75 cents for balances under \$75.00) which is an annual rate of 18% per year applied to the previous balance without deducting current payments and or credits applied on this account.

RECEIVED MERCHANDISE

SUB TOTAL	<i>249.85</i>
TAX	<i>5.58</i>
TOTAL	<i>255.43</i>

TERMS: ACCOUNTS DELINQUENT 10th OF MONTH.
 FINANCE CHARGE ADDED AFTER 20th OF MONTH.

ALL CLAIMS AND RETURNED GOODS MUST BE MADE WITHIN 30 DAYS AND ACCOMPANIED BY THIS BILL.

255.4

2-25
H

9869

PREVIOUS SALE NO.	CODE	GALLON READING - START	10ths
0 9 5	A	0 0 0 0	0
0 9 7	A	2 0 0 0	0
YOUR SALE NO.		GALLON READING - FINISH	

GALLONS DELIVERED



Baltman LPG Del. Service

Phone 316-697-2178 Drawer T
Elkhart, Kansas 67950

Propane Tanks Carburetion

CASH CHARGE DATE 3-3 19 98

Sold to JERRY STUCKEY

Address _____

Rig or Unit No. TR # 2 "Stuckey" Lease No. _____

GALS. @	GALLONS	PRICE	AMOUNT
NET GAL. Corr. to 60°	<u>200²</u>	<u>56</u>	<u>112 00</u>
<i>Thank You!</i>			

Received Payment _____ Time _____ A.M. P.M.

Salesman John F. Zouzal

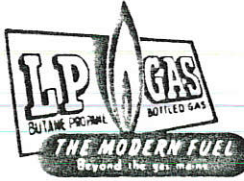
Received Above Gallons X _____ CUSTOMER SIGNATURE

H-26

10042

PREVIOUS SALE NO.	CODE	GALLON READING - START	10ths
2 7 3	A	0 0 0 0	0
2 7 4	A	2 0 0 0	3
YOUR SALE NO.		GALLON READING - FINISH	

GALLONS DELIVERED



Baltman LPG Del. Service

Phone 316-697-2178 Drawer T
Elkhart, Kansas 67950

Propane Tanks Carburetion

CASH CHARGE DATE 4-1 19 98

Sold to JERRY STUCKEY

Address _____

Rig or Unit No. Trailer #2 Lease No. Stuckey

GALS. @	GALLONS	PRICE	AMOUNT
NET GAL. Corr. to 60°	<u>200²</u>	<u>55</u>	<u>110 00</u>
<i>Thank You!</i>			

Received Payment _____ Time _____ A.M. P.M.

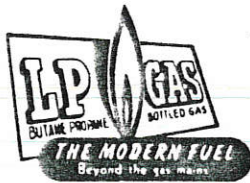
Salesman John F. Zouzal

Received Above Gallons X _____ CUSTOMER SIGNATURE

4758

PREVIOUS SALE NO.	CODE	GALLON READING - START	10ths
149	BB	0000	0
141	BB	0270	2
YOUR SALE NO.		GALLON READING - FINISH	

GALLONS DELIVERED



Baltman LP Gas Del. Service

Phone 316-697-2178 Drawer T
Elkhart, Kansas 67950

Propane Tanks Carburetion



Baltman LP Gas Del. Service

Phone 316-697-2178 Drawer T
Elkhart, Kansas 67950

Propane Tanks Carburetion

CASH CHARGE DATE 11-17 19 98

Sold to Stackey Jerry

Address Trailer 2# South Harbor

Rig or Unit No. _____ Lease No. _____

CASH CHARGE DATE 10-14 - 19 98

Sold to JERRY STUCKY

Address LARGE SOUTH TANK

Rig or Unit No. _____ Lease No. _____

GALS. @	GALLONS	PRICE	AMOUNT
NET GAL. Corr. to 60°	<u>270</u>	<u>52</u>	<u>140.40</u>

GALS. @	GALLONS	PRICE	AMOUNT
NET GAL. Corr. to 60°	<u>160</u>	<u>52</u>	<u>83.20</u>
<u>H. S. / m</u>			

Received Payment _____ Time _____ A.M. P.M.

Salesman Jerry Can

Received Above Gallons X _____ CUSTOMER SIGNATURE

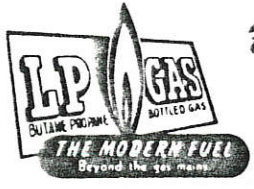
CUSTOMER SIGNATURE

Handwritten scribbles

10420

PREVIOUS SALE NO.	CODE	GALLON READING - START	10ths
YOUR SALE NO.		GALLON READING - FINISH	
GALLONS DELIVERED			

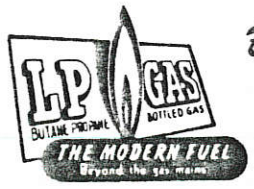
PREVIOUS SALE NO.	CODE	GALLON READING - START	10ths
311	AA	0000	5
YOUR SALE NO.		GALLON READING - FINISH	
GALLONS DELIVERED			



Baltman LPG Del. Service

Phone 316-697-2178 Drawer T
Elkhart, Kansas 67950

Propane Tanks Carburetion



Baltman LPG Del. Service

Phone 316-697-2178 Drawer T
Elkhart, Kansas 67950

Propane Tanks Carburetion

CASH CHARGE DATE 1-7 1999

Sold to Jerry Stuckey

Address _____

Rig or Unit No. 5 trailer Lease No. _____

CASH CHARGE DATE 1-15 1999

Sold to Jerry Stuckey

Address _____

Rig or Unit No. 5 trailer Lease No. _____

GALS. @	GALLONS	PRICE	AMOUNT	
NET GAL. Corr. to 60°	<u>140</u>	<u>57</u>	<u>79</u>	<u>46</u>
<u>Check/over</u>				

GALS. @	GALLONS	PRICE	AMOUNT	
NET GAL. Corr. to 60°	<u>100</u>	<u>51</u>	<u>51</u>	<u>00</u>
<u>Check/over</u>				

Received Payment _____ Time _____ A.M. P.M.

Salesman Lutz

Re _____ X CUSTOMER SIGNATURE

Received Payment _____ Time _____ A.M. P.M.

Salesman Lutz

Received Above Gallons X _____ CUSTOMER SIGNATURE

2-28
H-28

Testimony before the House Utilities Committee
February 11, 1999

by
Melvin H. Webb, Stevens County Commissioner

Mr. Chairman:

There are several farm families in Stevens County, Kansas that have had the use of well head natural gas for domestic dwellings for over 50 years. They have been cut off the use of this natural gas, and it has caused lots of problems for those families. I do not think the gas companies can do this legally, as I have read several of those contracts. It says well head natural gas will be furnished to those dwellings on that section of land in which that well on that section of land is producing natural gas. I think whatever happens to the well, the gas company should still provide gas to the dwelling as long as the well is producing.

HOUSE UTILITIES

DATE: 2-11-99

ATTACHMENT 3

Dear Mr. Chairman and members of the House Utilities Committee:

Thank you for giving me the opportunity to testify today.

My name is Keith Rome and I farm in partnership with two other brothers in Stevens County. We get domestic gas from a well that is located in the Hugoton gas field. Because of the decline in the pressure in the Hugoton gas field the companies operating the wells have had to install compressors to maintain production.

As the pressure declined we had experienced problems getting enough gas to our farm house.

When we first experienced the pressure problems we looked at several options:

1. Hooking up on the compression side of their compressor, laying a new line to the house and buying the gas. The company would not allow this option.
2. Connecting to a high pressure line and buying the gas which was not feasible for our situation.
3. The installation of a small compressor at the well itself.

We talked with the company about the third option and met with their fieldman as to where to put the compressor. The compressor was installed in December of 1997 at a cost of approximately \$4000 to us.

In November of 1998 we received a letter stating that if we would give up our farm tap the company would convert the house over to propane and supply up to 1000 gallons per year. Because of the previous installation of the gas compressor we notified the company that we elected not to accept their offer.

In December of 1998 we were told that we were using more gas than we should, but were not told how much more or what the consequences would be.

In January of 1999 we received a call that we were going to get our compressor unhooked from the well that day. By that afternoon we were told that we were going to be unhooked from the well altogether. Leaving us without gas.

We asked if we could have a couple of days to get an alternative source of energy put into place. After several hours of conversation that day with company representatives we were reconnected.

HOUSE UTILITIES

DATE: 2-11-99

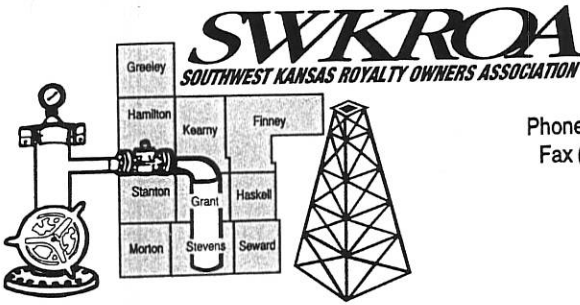
ATTACHMENT 4

We are now in the process of laying a line and getting propane hooked up to the farmstead.

We would prefer to stay with natural gas because of the cost and convenience but for now, due to the circumstances, we are converting to propane.

Again, thank you for giving me the time to speak today.

Keith Rome
Hugoton, KS



Phone (316) 544-4333
Fax (316) 544-2230

E-mail: SWKROA@pld.com
<http://users.pld.com/swkroa>

209 E. 6th St. / P.O. Box 250
Hugoton, Kansas 67951

PHIL DICK, PRESIDENT

ERICK NORDLING, EXECUTIVE SECRETARY

B.E. NORDLING, ASST. SECRETARY

STATEMENT OF
ERICK E. NORDLING, EXECUTIVE SECRETARY
SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION
HUGOTON, KANSAS 67951

February 11, 1999

TO THE HONORABLE MEMBERS OF THE HOUSE UTILITIES COMMITTEE

Re: Hugoton Field Rural Domestic Gas Availability

INTRODUCTION

Chairman Holmes and Members of the Committee:

My name is Erick E. Nordling of Hugoton. I am Executive Secretary of the Southwest Kansas Royalty Owners Association (SWKROA). I am appearing on behalf of members of our Association and on behalf of Kansas royalty and land owners in support of House Bill 2045 dealing with proposed changes in the statute covering underground storage of natural gas.

I am a lawyer and member of Kramer, Nordling and Nordling, LLC. Much of our law practice has involved the representation of landowners on oil and gas issues, mainly in the Hugoton Gas Field.

HISTORICAL BACKGROUND OF SWKROA

SWKROA is a non-profit Kansas corporation organized in

HOUSE UTILITIES

"Protecting And Serving Mineral & Royalty Owners Since 1954" DATE: 2-11-99

ATTACHMENT 5

1948 for the primary purpose of protecting the rights of landowners in the Hugoton Gas Field. We have a membership of approximately 2,400 members. Our membership primarily consists of landowners owning mineral interests in the Kansas portion of the Hugoton Field who are lessors under oil and gas leases as distinguished from oil and gas lessees, producers, operators, or working interest owners.

For those of you who are not familiar with the Hugoton Gas Field, it covers parts of eleven southwest Kansas counties, including Seward, Stevens, Morton, Stanton, Grant, Haskell, Finney, Kearny, Hamilton, Wichita and Gray. The Kansas portion of the Hugoton Field encompasses some 2,600,000 acres. The field extends through the Oklahoma Panhandle into Texas. It runs 150 miles north and south and 50 miles east and west and is one common source of supply.

Hugoton Field Rural Domestic Gas Availability

The availability of natural gas for home heating is not a major concern for most homeowners in Kansas. This is especially true for citizens who live in a town. The local distribution companies (LDC) provides natural gas for most urban Kansans. Natural gas is a safe, clean burning fuel.

For rural homeowners the availability of natural gas for home heating has been a concern for many years. In some areas,

natural gas is not available and the homeowner must use propane, or electricity to meet their home heating needs.

In other areas of the State where natural gas is produced, many of the oil and gas leases contain provisions to allow the owner of the land to use natural gas from a well located on the leased or unitized acreage, free of cost, for the principal dwelling on the land. (Jackson v. Farmer, 235 Kan. 732, 1979) The typical oil and gas lease language provides for "the lessor to have gas free of charge from any gas well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of such gas to be at the lessor's sole risk and expense." The phrase "for stoves and inside lights" has been determined to be for gas used to heat the home and for cooking. It is not limited in quantity.

Such a right under the oil and gas lease is a valuable right. The Kansas Supreme Court in Jackson vs. Farmer, held that both the royalty and the right to free gas are rentals. We have said for a number of years that, other than the right to receive royalty for gas and oil produced from the lessor's land, the free gas clause was the few provisions in the lease to favor the lessor. Many oil and gas lease provisions were written by the lessee, to favor the lessee.

Although I do not have a count on the number of domestic gas taps under the terms of oil and gas leases, I would estimate that there are literally hundreds of these wellhead gas taps.

Until the last couple of years, it was common to receive the house tap provision in a new oil and gas lease without even having to request it. However, recently lessees have become reluctant to include a tap provision in new leases. For several companies it could be a "deal breaker" on lease negotiations.

As you are also undoubtedly aware, there are also many easements which grant a right for a gas tap on pipelines crossing a farmer's ground. Many of these taps were granted freely to obtain an easement. Many of the taps, at the wellhead and on pipelines, are being used for agricultural and irrigation gas.

Some of the reasons for problems with domestic gas

In the last couple of years, several of the gas companies have taken steps so they no longer have to provide wellhead domestic gas. Although the approaches vary, it is clear that the gas producers would like to be relieved of providing the house gas. This is of great concern to the rural domestic gas users. (Attached to my statement are some samples of these approaches.)

Some of the concerns cited by the companies include: low gas pressures; salt water in the gas, hydrogen sulfide (a poisonous

gas) and other factors causing degradation of gas quality; KCC regulations governing pipeline safety and testing, regulation as a utility; and concerns about liability.

Some of the rural domestic gas users have been shut off from their gas supply with little notice. Some users have been shut off in cold weather.

Solution and Suggestions

It is true that the right to receive the free domestic gas is a contract right under the terms of an oil and gas lease. Yet, some of the actions of the companies attempt or claim to be subject to statutory or regulatory guidelines. Some of the solutions could be addressed by the Kansas Legislature.

Vastar Resources, Inc. notified its domestic gas users in 1997 and 1998 that it would offer to disconnect "yard lines" and allow the user to connect to a local distribution company (LDC) or convert the user to propane. Their original approach caused a lot of concerns for the gas users.

Since then, Vastar has taken an innovative approach to address this important issue. Last Fall, Vastar met with the SWKROA Board of Directors to discuss the issue of house gas. At this meeting Vastar announced that it had been in negotiations with Greeley Gas Company for Greeley to provide gas, as a LDC, to the

domestic tap user. Vastar would pay for the "free house gas" to meet its obligation under the terms of the lease. As an LDC, Greeley could also provide irrigation gas and gas for other dwellings, farm sheds, and other agricultural uses. Yesterday Vastar advised me that they have successfully concluded their negotiations with Greeley. Although I have not had an opportunity to review all of the terms of Vastar's offer, my initial reaction is favorable. Unfortunately, Vastar will not be able to make this offer to all of its domestic tap users because of lack of available distribution pipeline systems.

The Non Profit Utilities also could provide gas to these rural users. The NPU's are creating a distribution system that will survive the life of the Hugoton Field.

When the gas wells are no longer commercially productive, the gas wells may have a tremendous value to the rural gas user for many years to come. Possible regulations should be considered to offer transfer ownership of the gas well to the owner of the land. A plugging fund could be established to ensure that the wells would be properly plugged when they are no longer needed. This would provide protection to the oil and gas lessee, to the landowner, and to the State to make sure that the wells are plugged.

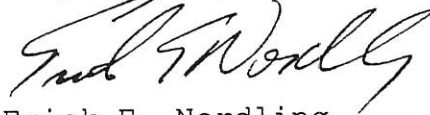
This Committee should carefully study these issues to see

Hugoton Field Rural Domestic Gas Availability - Nordling Testimony
February 11, 1999
Page 7

what relief can be provided for these rural gas users.

Thank you for this opportunity to appear before your
honorable committee.

Respectfully submitted,



Erick E. Nordling
Executive Secretary
SOUTHWEST KANSAS ROYALTY
OWNERS ASSOCIATION

EEN:ckh



Vastar Resources, Inc.

15375 Memorial Drive
Houston Texas 77079
281 584-6000

**CERTIFIED MAIL -
RETURN RECEIPT REQUESTED
Z 424 668 234**

February 25, 1998

Mr. and Mrs. John Crump
P.O. Box 284
Lakin, KS 67860

Re: Yard Lines

Dear Mr. and Mrs. Crump:

Because you are an end-user receiving unprocessed natural gas for use in the principal dwelling from Vastar Resources, Inc. ("Vastar") pursuant to that certain Oil and Gas Lease dated May 13, 1931, Vastar is making an offer to you for an alternative gas supply arrangement. Vastar is contacting you to offer to disconnect the existing "yard line", i.e., the customer-owned piping connected to Vastar's gathering system through which you currently receive gas, and to either (1) make a new connection to a local distribution company (LDC) (provided an LDC connection point is located within a reasonable distance to be determined on a case-by-case basis at the LDC and Vastar's discretion), or (2) subject to the attached agreement, convert from unprocessed natural gas to propane by the installation of a propane tank on your property near the principal dwelling, along with the required piping to connect propane to the principle dwelling. Should you accept one of the two alternatives described above, Vastar will sever, cap and permanently abandon the existing yard line and will provide a supply of gas or propane (depending upon whether number 1 or 2 above, is chosen) to be used for the purposes described in the Oil and Gas Lease.

Except for the charges described in the attached agreement, Vastar will pay all of the costs associated with the conversion, including the cost to make a connection to a LDC or the cost to install the propane tank, the cost for the supply of fuel for purposes as described in the Oil and Gas Lease, and the cost to disconnect the existing yard line.

Vastar is making this offer for two reasons. First, Vastar believes that either of the two options described above will result in a more reliable supply of fuel. The fuel supply would be more reliable than a yard line connection because the interruption of the supply is less likely to be affected by conditions such as well work-overs or freeze-ups.

Second, the Kansas Corporation Commission ("KCC") has regulations governing the distribution of natural gas to end users through "yard lines" which regulate the conditions under which you currently receive natural gas. The subject regulations are found at Kansas Administrative Regulations (K.A.R.) 82-11-8. The definition of a "yard line" in the KCC regulations is "buried customer-owned piping between the outlet of the meter and the building wall." This definition includes your yard line. Paragraphs (c) and (d) from this KCC regulation appear below:

- (c) For each residential and commercial customer installation placed in service *after* May 1, 1989, the operator [Vastar] shall ensure that all yard lines installed comply with the design, installation, testing, maintenance and replacement requirements as specified in this code.
- (d) For each residential and commercial customer installation placed in service *before* May 1, 1989, the operator [Vastar] shall ensure that all yard lines installed comply with the testing, maintenance and replacement requirements as specified in this code.

HOUSE UTILITIES

DATE: 2-11-99

ATTACHMENT 6

As you can ascertain, although you are the owner of the yard line, Vastar is to ensure that the yard line is designed, installed, tested, maintained and replaced in accordance with the KCC requirements. Therefore, should you choose not to accept the conversion/alternative supply offer explained above, Vastar will conduct routine maintenance and inspection activities on your yard line as required by the regulations. You will be responsible for the cost of these activities, and will be billed directly by the third party contractor who performs the services.

Due to K.A.R. 82-11-8, Vastar cannot provide gas to you through a line that does not meet the minimum safety standards prescribed. The gas will continue to be provided to you under the current arrangement provided the yard line is maintained in a safe condition according to the KCC pipeline safety regulations.

All work done on a yard line must be performed by an individual who is in a Drug and Alcohol Testing Program meeting the requirements of the Department of Transportation requirements as specified in 49 CFR Parts 199 and 40. KCC has adopted these requirements into the state's pipeline safety program. Vastar must ensure that only qualified contractors are used. Accordingly, the testing, maintenance, repair and/or replacement of your yard line, if necessary, shall be done by a third party contractor who meets these standards. Additionally, the third-party contractor who will be performing the required maintenance and inspection activities will need access to your yard line connection near the dwelling wall on a periodic basis. The initial phase of implementing these requirements will involve the installation of a sampling valve near the dwelling wall and, if one is not currently installed, the installation of a service regulator near the dwelling wall. The contractor will bill you directly for all of the listed services.

The following is a description of each required activity and its associated estimated 1997 cost that will be implemented should you elect to continue with your yard line connection:

Requirement	Estimated Cost
1. Odorization (The gas provided to the dwelling must be odorized according to the KCC regulations such that it is readily detectable by a person with a normal sense of smell at a concentration in air of 1/5 of the lower explosive limit (LEL).)	
<ul style="list-style-type: none"> • Installation of sampling valves at/near residence 	\$147.50 (one-time cost)
<ul style="list-style-type: none"> • Odorization supplies/chemicals 	\$80.00 per year
<ul style="list-style-type: none"> • 3% of all yard lines will be monitored each month with a differing 3% each month. 	\$/year ¹
2. Leakage Surveys (KCC requires that leakage surveys be performed with a flame ionization detector (FID).)	
<ul style="list-style-type: none"> • Leakage survey of each yard line within 220 yards of a habitable residence with a flame ionization detector once every three years 	\$35.00 per survey
3. Overpressure Protection (KCC requires that the yard line be protected from overpressurization.)	
<ul style="list-style-type: none"> • Check for adequate service regulator at dwelling 	Included in the \$147.50 of #1, above (one-time cost)

Requirement	Estimated Cost
<ul style="list-style-type: none"> Installation of adequate service regulator if necessary 	\$85.00 (one-time cost)
4. Repairs/Replacement	
<ul style="list-style-type: none"> Repair of the yard line (e.g., due to leaks when discovered) 	At cost of repair
<ul style="list-style-type: none"> Replacement of yard line (If necessary due to pattern of leaks indicating it is unsafe to continue operating the yard line.) 	At cost of replacement

¹ Will depend on the number of remaining yard lines for which Vastar is responsible (i.e., those not accepting the conversion offer). The estimate for each monitoring event is approximately \$80.00.

There may be other costs associated with the operation and maintenance of the yard lines in addition to those listed above. There are many variables and factors that may contribute to additional costs. For example, meter calibration, regulator repairs, and resolution of freeze-ups on the yard lines may be additional cost items. Such services will be charged directly to you, the end user, at a price to reflect current market conditions in the southwest Kansas area.

As an alternative to the current yard line system and the costs previously described herein, Vastar requests that you accept one of the two alternatives described on page 1, as applicable, and complete and return the enclosed Propane Agreement in the enclosed self-addressed, postage-paid envelope to:

Vastar Resources, Inc.
15375 Memorial Drive
Houston, Texas 77079
Attn: Stone Benson

If you have any questions concerning this letter, contact Stone Benson at (281) 584-3460. If you wish to obtain additional information concerning the Kansas pipeline safety regulations as they pertain to yard lines in general and the associated responsibilities of operators, contact the Kansas Corporation Commission, Office of Pipeline Safety at (913) 271-3223.

Sincerely,



Edmund M. Sierra
District Landman - *H-L*
Mid-Continent & Rockies *SSB*

Enclosures

cc: R. Flummerfelt ULY
M. R. Scoggins HMB 3224
S. C. Hills HMB 3634

Propane Agreement

This Propane Agreement ("Agreement") is made and entered into as of this ____ day of _____, 1998, by and between John Crump and Mona Crump, husband and wife, ("Surface Owner") and Vastar Resources, Inc. ("Vastar").

WHEREAS, Surface Owner and Vastar claim to be the successors-in-interest to the original parties under that certain Oil and Gas Lease ("Lease") dated May 13, 1931, by and between Fred McCreedy, a widower, and Landowners Oil Association, which Lease was recorded on June 1, 1931, at Book No. 3, Page 339, of the Deed Records of Kearny County, Kansas, covering certain lands (the "Property") being described as follows:

All of Section 21, and The North Half (N/2) in Section 28, Township 23 South, Range 36 West, Kearny County, Kansas, containing 960 acres, more or less.

WHEREAS, the Lease provides in part, "Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling located on the leased premises by making his own connections thereto." (the "Free Gas Clause"); and

WHEREAS, Vastar and Surface Owner are agreeable to substitute performance for the Free Gas Clause under the terms set forth herein;

NOW THEREFORE, in consideration of the mutual benefit of the parties hereto and other good and valuable consideration set forth below, Surface Owner and Vastar agree:

1. **Waiver of Free Gas Clause.** During the term of this Agreement, Surface Owner shall waive their right to receive gas under the Free Gas Clause or other similar provision or agreement.
2. **Substitute Performance.** In lieu of any and all rights, duties and obligations under the Free Gas Clause or other similar provision or agreement, Vastar, at its sole cost, risk and expense, agrees to do, or have qualified contractors do, the following:
 - a) purchase, install, and/or connect to Surface Owner's principal dwelling on the Property described above, a propane tank ("Tank") with a capacity of Two hundred Fifty (250) gallons. The Tank shall be installed and/or connected at a mutually acceptable location near such principal dwelling, if such a location is not already established;
 - b) at the time of the installation of the Tank, pressure test all existing gas lines to such principal dwelling and repair any leaks or integrity flaws detected;
 - c) at the time of the installation of the Tank, purchase and install appropriate burner tips, if required, to convert existing natural gas appliances to use propane gas; and
 - d) purchase and deliver propane to the Tank during the term of this Agreement to be used for the purposes described in the applicable oil and gas lease.

Vastar will not install new gas lines in the principal dwelling. The purchase, proper installation, maintenance and repair of such gas lines is the responsibility of Surface Owner.

3. **Limitation on Use.** Surface Owner may use the propane supplied by Vastar solely for domestic purposes in the principal dwelling on the Property. In the event that the propane is used for any unauthorized purpose and Surface Owner fails to discontinue and prevent such unauthorized use within thirty (30) days following notice from Vastar, Vastar shall have the right to discontinue providing propane until such unauthorized use is discontinued and prevented. If Vastar discontinues providing propane due to an unauthorized use, as described herein, Surface Owner waives the right to require, demand or otherwise claim the right to a gas connection or gas service under the Free Gas clause.
4. **Term and Termination.** This Agreement shall be effective upon the date of the completion of the installation of the propane system and shall continue in full force and effect for the life of the currently existing and producing leases and any gas well(s) capable of producing gas in paying quantities located on a currently existing and producing oil and gas lease included within a unit that includes the Property.
5. **Warranty.** Surface Owner (and each of them, if more than one) warrants its title to the interest of lessor under the Lease, and its exclusive right to enjoy the benefits under the Free Gas Clause. If it is determined that Surface Owner is not the owner of the lessor's interest, or for any other reason is not entitled to enjoy the benefits under the Free Gas Clause, then Vastar's duties herein and under the Free Gas Clause shall terminate and Vastar shall have no further duty to furnish propane under this Agreement.
6. **Propane Equipment.** Title to the Tank and other equipment which utilizes or is used in connection with the propane provided by Vastar shall vest in Surface Owner immediately upon installation. All future replacements, additions, repairs, and alterations to the Tank and other equipment (whether provided by Vastar or otherwise), and the abandonment of the same, shall be at Surface Owner's sole cost and risk. Surface Owner shall assume and bear all costs and risks for the continuing maintenance and repair of the Tank and other equipment. Vastar shall never be required to deliver propane to a system which, in its sole opinion, is unsafe.
7. **Indemnity.** Surface Owner shall acknowledge any exercise of rights under the Free Gas Clause is at Surface Owner's own risk and expense. It is not the intention of this Agreement to shift the allocation of risk and expense. Accordingly, Surface Owner will agree to release, indemnify, defend, and hold harmless Vastar and its shareholders, directors, officers, employees, representatives, and agents from and against any and all claims, losses, liabilities and damages of every kind and nature and for injury to, or death of, any person, and for damage to property arising out of or relating to the performance of this Agreement.
8. **Assignment.** Surface Owner shall not assign this Agreement or the rights provided for herein in whole or in part without the prior written consent of Vastar. Vastar shall have the right to discontinue supplying propane under this Agreement at any time after Surface Owner vacates the principal dwelling.

9. Integrated Agreement. This Agreement sets forth the entire agreement of the parties with respect to the subject matter hereof, and supersedes and replaces all prior terms and agreements relating to use of free gas.

10. Laws. This Agreement shall be construed under the laws of the State of Kansas.

In witness whereof the parties have executed this Agreement effective as of the date first set forth above.

VASTAR RESOURCES, INC.

SURFACE OWNER

John Crump

By: Edmund M Sierra

Name: Edmund M. Sierra

District Landman *H.L.*

Mid-Continent & Rockies *ll*

Date: 3/4/98 *SSB*

Date: _____

SURFACE OWNER

Mona Crump

Date: _____

6-6



Vastar Resources, Inc.

15375 Memorial Drive
Houston, Texas 77079
713 584-6000

July 17, 1997

Mr. Erick E. Nordling
Southwest Kansas Royalty Owners Association
209 E. Sixth Street
P.O. Box 250
Hugoton, Kansas 67951

Re: Propane Tanks

Dear Mr. Nordling:

Thank you for the correspondence, dated June 19, 1997, related to the above-referenced matter. Vastar Resources, Inc. ("Vastar") appreciates the efforts of the Southwest Kansas Royalty Owners Association ("Association") to keep Vastar informed of the issues and concerns facing owners of surface and mineral interests in southwestern Kansas. Hopefully, you can help Vastar allay any concerns regarding misinformation your members may have received.

As the Association and some of its members may be aware, the Kansas Corporation Commission ("KCC") has begun a program to enforce the regulations pertaining to yard lines. Vastar is cooperating with that enforcement program. The program is, in fact, the catalyst behind Vastar's compliance efforts which includes our plan to make an offer to end users for converting to propane (which you infer in your June 19, letter) or, if possible, to secure a connection to a local distribution company. The referenced KCC regulations govern the distribution of natural gas to end users through "yard lines" and specify the conditions under which these end users receive natural gas. The definition of a "yard line" in the KCC regulations is "buried customer-owned piping between the outlet of the meter and the building wall." An excerpt from the Kansas Administrative Regulations (K.A.R.) 82-11-8(c) follows:

For each residential and commercial customer installation. . . the operator [Vastar] shall ensure that all yard lines installed comply with the design, installation, testing, maintenance and replacement requirements as specified in this code.

As you can ascertain from the above, although your members are the owners of the yard lines, the KCC requires that Vastar ensure the yard lines are designed, installed, tested, maintained and replaced in accordance with the KCC requirements. Therefore, Vastar must either implement maintenance and inspection programs for these yard lines (which may be somewhat burdensome and/or expensive for both Vastar and owners) or secure an alternative fuel supply arrangement to which these requirements are not applicable.

Vastar will be offering to disconnect the existing yard line and to either (1) make a new connection to a local distribution company (LDC) as a alternate supply of natural gas or (2) convert the end user to propane by the installation of a propane tank along with the required piping to connect the pipeline to the dwelling. Should the end user accept one of the two alternatives, Vastar will continue to provide a supply of gas or propane (as applicable) for use in the principal dwelling. Additionally, should the end user accept one of the two alternatives, implementing the maintenance and inspection program on the yard line would be unnecessary, and the end user would avoid the associated cost of such activities that would otherwise be passed on to the them.

HOUSE UTILITIES

DATE: 2-11-99

ATTACHMENT 7

Due to K.A.R. 82-11-8, Vastar cannot provide gas to an end user through a line that does not meet the minimum safety standards prescribed. All work done on a yard line must be performed by an individual who is in a Drug and Alcohol Testing Program meeting the requirements of the Department of Transportation requirements as specified in 49 CFR Parts 199 and 40. Vastar must ensure that only qualified contractors are used. Accordingly, the testing, maintenance, repair and/or replacement of all yard lines, if necessary, shall be done by a third party contractor, who meets these standards. The contractor will bill each end user directly for all of the necessary services.

Please understand that Vastar's actions are being guided by the KCC's enforcement program pertaining to yard lines in the state of Kansas and the pipeline safety regulations. Furthermore, to address the concerns raised in your letter, be assured that, Vastar is not attempting to eliminate the choices that certain owners may want to consider; instead, it is examining potential alternatives. Second, Vastar is not attempting to change or avoid its legal or contractual obligations. Vastar, as usual, is attempting to conduct its operations in compliance with statutory, regulatory and contractual obligations and requirements.

Because of the burdens and expense of complying with the enforcement program and because Vastar wants to continue its good working relationship with the surface and mineral owners in southwestern Kansas, Vastar has been evaluating alternatives which may be allowed under the law. In order to attempt to understand these alternatives, and the feasibility of each, Vastar has attempted to gather certain information about providing gas to the owners who are entitled to receive that gas from wells operated by Vastar.

As part of this effort, Vastar has been in communication with many of the owners who may be affected. Vastar, however, has not yet finished its evaluation. Thus, a written explanation concerning the efforts that will be necessary to comply with the enforcement program and the alternatives that Vastar would like the owners to consider has not yet been transmitted to the owners. A written proposal will be forthcoming in the very near future and Vastar will submit a generic example of the letter to the Association.

As always, Vastar will continue to work to maintain open lines of communication with the KCC, with the Association and with owners in southwestern Kansas. If you have additional questions, please do not hesitate to contact me at (281) 584-3354.

Very truly yours,



Michael S. Reddin
Manager, Rockies/Hugoton Area

cc: Mr. Glenn D. Smith
Chief of Natural Gas Operations and Rates
Kansas Corporation Commission
1500 Southwest Arrowhead Road
Topeka, Kansas 66604

Mobil Exploration & Producing U.S. Inc.

P.O. BOX 2173
2319 NORTH KANSAS
LIBERAL, KANSAS 67905-2173

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

June 23, 1998

ERICK NORDLING
HC 01 - BOX 2AA
HUGOTON, KS 67951

**WEBBER #2
SECTION 9-33-37
METER NO.: 26496-0167**

Dear Sir or Madam:

Mobil Exploration & Producing U.S. Inc. ("Mobil") operates the gas well identified above. Our records indicate this well is connected to your residence by a gas pipeline, which you own and maintain. Mobil currently provides or has provided free gas to you from this well under the oil and gas lease(s), which cover the property upon which the well is located.

You may already be aware of the many problems associated with the house gas taps due to the age of the Hugoton gas field. These include lower pressures, higher hydrogen sulfide (H₂S) concentrations and degradation of gas quality (i.e.; water, debris, etc in the gas stream).

The pressures in the Hugoton field have been reduced significantly over the past 50 plus years and as reservoir pressures decline, gathering system pressures immediately downstream must be reduced to maintain deliverability of gas. Accordingly, Mobil has been working diligently to have field compression installed on the gathering systems that may affect, or already has affected, the availability of house gas to your residence. Many of these compressors are coming on line now and as the systems are fine-tuned, the wellhead pressures will continue to drop significantly. With the continued reduction in wellhead pressure, you may notice an increase in water production as well as dirt and scale being drawn from the wellbore. The combination of these factors will most likely cause more freeze-off problems in the winter months.

In recent months, Mobil also has seen an increase in H₂S levels in the gas produced from many of our wells. In high concentrations, H₂S is toxic and, even in lower concentrations, it can present serious health and safety risks. H₂S may also be corrosive and cause leaks and loss of pressure in gas pipelines. The potential for health and safety risks is even greater where gas containing H₂S is used for fuel sources in confined spaces, such as gas heaters and home appliances. Therefore, as a preventative measure to protect your health and safety and the health and safety of other residents on Mobil leases, Mobil has and will continue to disconnect residential pipelines connected to gas wells where H₂S is present in concentrations at or above ten parts per million (10 ppm).

Mobil has been requested by several residents to offer a reasonable alternative to the wellhead gas connections that are now affected by, or may soon encounter, these problems. Therefore, in consideration for your agreement to relinquish any and all future claims to free gas from the gas well(s) located on the oil and gas lease(s) covering your property, Mobil will agree to the following:

Pay you a lump sum of Three Thousand Dollars (\$3,000.00) to Three Thousand Five Hundred Dollars (\$3,500.00) (with the difference prorated on an annual basis depending on the conversion date) to cover conversion or utility connection costs and the cost of your propane through October, and;

Pay an annual amount equivalent to the price of 1000 gallons of liquid propane (LP) on the 1st working day of October for as long as gas is produced pursuant to the oil and gas lease containing your free gas clause. The annual payment amount will be determined by Propane Resources, an independent third party firm in Shawnee Mission, Kansas, using the LP prices for this area averaged over the previous 12 month period.

This offer is not and should not be construed as an attempt to eliminate or reduce our obligations to you. We are truly concerned for your safety and comfort. We also are trying to provide you with a reasonable long-term alternative to satisfy your residential gas needs.

If the well where your tap is located does not currently contain H2S in concentrations at or above 10 parts per million, you may elect not to convert to another fuel source. Should you choose to remain on the gas well, you might consider installation of a volume tank, gas filter, auto-ignition pilot lights and possibly larger service line to facilitate a reasonable quality of service. We urge you to use a qualified contractor for any modifications to your gas system. As stated in our previous letters to homeowners, your connection and piping are your responsibility and Mobil will not be available to thaw frozen connections to your house. Additionally, please be aware that, if and when H2S concentrations reach 10 parts per million, the tap will have to be disconnected because of safety and health concerns.

This offer is extended to the homeowner only. Should you wish to accept our offer, please sign below and return this letter to the attention of Dee Ann Head at the letterhead address along with a copy of the property conveyance to you (Warranty Deed, Probate, etc). If you have already been disconnected due to high H2S concentrations, we will set you up for annual payments upon receipt of this signed letter agreement. By executing this letter, you agree to relinquish any and all future claims to free gas from the gas well(s) located on the oil and gas lease(s) covering your property and any damage claims based on Mobil's failure to provide such gas.

If you have questions regarding this or other domestic gas issues, please feel free to contact me at (316) 626-1109.

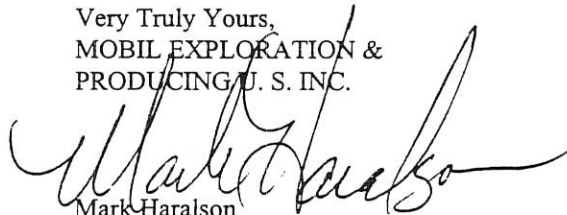
ACCEPTED THIS ____ DAY
OF _____, 1998:

Signature

Printed Name

mah

Very Truly Yours,
MOBIL EXPLORATION &
PRODUCING U. S. INC.



Mark Haralson
Senior Staff Landman
Liberal Region

Mobil Exploration & Producing U.S. Inc.

P.O. BOX 2173
2319 NORTH KANSAS
LIBERAL, KANSAS 67905-2173

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

**IMPORTANT NOTICE
READ IMMEDIATELY**

February 13, 1998

Thomas & Patricia Lahey
Rt. 1, Box 82
Moscow, KS 67952

**LOWE UNIT - WELL #A1
SECTION 25-31S-35W
STEVENS COUNTY, KANSAS
METER NO.: 25642-0118**

Dear Mr. & Mrs. Lahey:

Mobil Exploration & Producing U.S. Inc. ("Mobil") operates the gas well identified above. The well is connected to your residence by a gas pipeline, which you own and maintain. Mobil provides free gas to you from this well under the oil and gas lease(s) which cover the property upon which the well is located.

In recent tests, Mobil discovered hydrogen sulfide (H₂S) in the gas produced from this well. In high concentrations, H₂S may be toxic and may present serious health and safety risks. H₂S may be corrosive and may cause leaks and loss of pressure in gas pipelines. Enclosed is a Material Safety Data Bulletin, which explains the health and safety risks associated with H₂S.

The potential for health and safety risks may exist where gas which contains high concentrations of H₂S is used for fuel sources in confined spaces, such as gas heaters and home appliances. Therefore, as a preventative measure to protect your health and safety and the health and safety of other residents on Mobil leases, Mobil will disconnect residential pipelines connected to gas wells where H₂S is present.

The gas pipeline to your residence will be disconnected on February 27, 1998. You should make arrangements IMMEDIATELY to convert your residence to another fuel source, if one is not already available. The pipeline will be disconnected at the wellhead and will not be disturbed in any other way. There is evidence that H₂S is present now or will be present in the near future in the other gas wells on the Unit. For this reason, connections to other gas wells on the Unit are not available.

HOUSE UTILITIES

DATE: 2-11-99

ATTACHMENT 9

Attached to this letter is a list of local gas distribution companies and LP distributors in the area who may be able to assist you in the conversion. This list is provided to you as a courtesy only, without any representation or warranty as to the quality of their work. **If any part of the existing pipeline will be used in the conversion, you should arrange to have the pipeline pressure tested first, to insure that it is safe and does not leak.**

To compensate you for any damages which may result from the disconnection and to help defray the cost of conversion, Mobil will make a one time payment of \$3,500.00. Enclosed is Mobil's draft to you in that amount. To accept this offer and receive the settlement payment, you must sign the draft and present it to your bank's collection department.

By accepting this settlement payment you acknowledge that you are the owner of the property described above and relinquish any and all future claims to free gas from the gas well described above, or any other well currently located on the oil and gas lease(s) covering the property described above. Endorsement of the draft constitutes a full, final and complete release, settlement and satisfaction of any and all claims, causes of action, damages or losses relating to disconnection of your pipeline to the gas well described above.

If you have questions, please feel free to contact me at (316-626-1109).

Very Truly Yours,
MOBIL EXPLORATION & PRODUCING
U. S. INC.



Mark Haralson
Senior Staff Landman
Liberal Region

MAH:dah

The following names are furnished to you as a courtesy only. Mobil is not responsible for the actions of these companies. You are encouraged to contact any other companies you wish or investigate other fuel options that may be available to you.

LOCAL GAS DISTRIBUTION COMPANIES:

Greeley Gas Company
218 S. Main St.
Ulysses, KS
(316) 356-3201

Peoples Natural Gas
Don Bowibe
Garden City, KS
(316) 275-1183

AREA PROPANE COMPANIES

The following companies have indicated that they can perform all necessary functions to convert your home from natural gas to propane.

Southwest Gas Equipment Company
P. O. Box 335
Liberal, KS 67905
(316) 624-3877

Bultman LP Gas Delivery
P. O. Drawer T
Elkhart, KS 67950
(316) 697-2178

Nusser Oil Company, Inc.
P. O. Box 670
Elkhart, KS 67950
(800) 232-2294
(316) 697-4624

ANADARKO PETROLEUM CORPORATION

PHONE 316 - 624 - 6253 • 1701 NORTH KANSAS AVE. • P.O. BOX 351 • LIBERAL, KANSAS 67905 - 0351

Date 3-12- , 1998



HAND DELIVERED

George Burrows
Box 787
Hugoton, KS 67951

Re: Isom 1-34

Dear Farm Tap User:

Our records indicate you take gas from a domestic tap located on a well operated by Anadarko Petroleum Corporation ("Anadarko") pursuant to an oil and gas lease covering the property on which you reside. The lease generally provides for free domestic gas for heating and lighting the principal dwelling house on the lease premises.

The tap from which you take domestic gas is located on a Hugoton Field gas well. As you probably know, the reservoir pressure in the Hugoton Field has declined and will continue to decline over time as production is withdrawn. The declining reservoir pressure has necessitated the installation of compression by operators, pipelines, and gas gathering companies in order to maintain production and the installation of that compression has impaired and in some cases has even precluded some peoples' ability to take gas from domestic taps.

While your ability to take gas may not now be affected, as pressures continue to decline, your ability to take gas in the future will probably be affected and at some point your ability to take gas could cease entirely. In order for you to have a reliable supply of energy, Anadarko believes you should convert from natural gas to some alternate energy source. To assist you in that conversion, Anadarko is prepared to do the following.

- Anadarko will provide for the installation and maintenance of a propane tank near your residence at no cost to you. You will not be the owner of the tank.
- Anadarko will provide for the conversion of your stoves and furnaces to operate on propane and provide and install a new 40-gallon propane hot water heater at no cost to you. The conversion of any other appliance will be at your expense.

HOUSE UTILITIES

DATE: 2-11-99

ATTACHMENT 10

- Anadarko will provide for the delivery of up to 1,000 gallons of propane per 12-month period, which would run from July 1 of one year to June 30 of the year following, at no cost to you. From now through June 30, 1998, Anadarko will provide up to 200 gallons of propane at no cost to you. Any propane you require over and above 1,000 gallons per 12-month period, and over the 200 gallons provided through June 30, 1998, will be at your expense. You will be responsible for arranging with a supplier of propane for the delivery and payment of any such excess propane.
- Anadarko will provide for the installation of any necessary piping between the propane tank and your stoves, hot water heaters and furnaces at no cost to you. Piping to any other appliances will be at your expense.

Anadarko anticipates providing these services for as long as Anadarko operates a producing gas well on the existing oil and gas lease covering the property on which you reside; provided, however, nothing in this letter obligates Anadarko to continue operating any wells.

In exchange for the services outlined above, you agree to forego your right to take natural gas from any well on the lands covered by the lease for so long as Anadarko provides or is willing to provide these services. The provision of these services will be in lieu of your taking free gas. You agree to allow Anadarko or Anadarko's representative access to your property so that the tank can be installed, maintained and repaired, conversion of your appliances can occur, and deliveries of propane can be made to you. You agree to use the propane only for domestic purposes consistent with the lease and agree to preclude others from making connection with or use of your supply of propane.

This offer will be good for thirty (30) days from the date of this letter. While Anadarko is not obligated under the lease to make you this offer, we believe that this arrangement would provide you with a safe and reliable supply of energy for your domestic uses. If you decide to accept our offer, please sign this letter in the space below and return this letter to us. We will then contact you to coordinate delivery of the tank and propane and conversion of your appliances. In the meantime, if you have any questions about our offer, please contact me at 316-629-4511 or Bob Tillman at 316-629-4334.

Very truly yours,



Marvin B. Johnson
Division Operations Advisor
/vs

Name: _____

Date: _____

**Vastar Resources, Inc.**

15375 Memorial Drive
Houston Texas 77079
281 584-6000

February 10, 1999

Mr. Erick E. Nordling
Executive Secretary
Southwest Kansas Royalty Owners Association
P. O. Box 250
Hugoton, Kansas 67951

Dear Erick:

I received your letter of December 3, 1998 inquiring about our negotiations with Greeley Gas Company. I apologize for not getting back to you earlier, but I wanted to be able to give you a definitive answer to your question. Please be advised that we have concluded negotiations and have reached final agreement with Greeley to extend distribution service to "farm tap" residential customers and irrigation/industrial customers currently served by Vastar's gathering system in Grant and Stanton Counties, Kansas (not including the Lakin Area). I believe this will be of great benefit to those parties seeking a reliable and long term supply of gas.

Please find enclosed a copy of a letter which we will be sending to end users receiving "free gas" for the principal dwelling, who would be served by the Greeley distribution system, revising our previous offer to convert them to propane. We would like to have these new offer letters accepted as soon as possible so that we can move the project forward. Any assistance you can provide in that regard would be appreciated.

Sincerely,

Edmund M. Sierra
Land Manager
Mid-Continent & Rockies

enclosure

cc: Patrick Miller

HOUSE UTILITIES

DATE: 2-11-99

ATTACHMENT 11

**Vastar Resources, Inc.**

15375 Memorial Drive
Houston Texas 77079
281 584-8000

DRAFT

February 9, 1999

Re: Yard Lines

Dear Sir or Madam:

In 1998, you received a letter from Vastar Resources, Inc. ("Vastar") wherein Vastar offered to disconnect your existing yard line for your connection to an alternative gas supply arrangement.

As you are aware, there are continuing concerns about declining system pressures, inconsistent gas quality and reduced gas flows in connection with the terms of the lease relating to free gas for the principal dwelling. Vastar has investigated alternative gas supplies and has identified Greeley Gas Company ("Greeley"), a local distribution company ("LDC") headquartered in Denver but with local offices in Southwest Kansas, as a long term, reliable, and regulated supplier of natural gas. Greeley represents a good long-term solution to reliable gas supplies. Greeley and Vastar have entered into a contractual agreement so that Greeley can immediately begin administration of gas deliveries, and within a short time, be the sole deliverer of gas in Vastar's area of operations in Grant and Stanton Counties. To facilitate the installation of the necessary piping Vastar has paid Greeley a substantial amount of money to offset pipe costs. However, without the cooperation most of the individual land owners by granting Greeley free easements across their lands, Greeley's economics to build the distribution system may be unacceptable and Greeley may not build the distribution system. Without a distribution system, there will be no reliable gas supplies throughout Vastar's area of operations.

Vastar now modifies the previous offer by the following changes:

1. This offer dated February 8, 1999, ("Offer"), remains open until May 1, 1999.
2. If you elect to disconnect Vastar from your existing yard line, Vastar will make arrangements to start supplying you with gas in accordance with the lease from the LDC. Vastar will pay Greeley for the house gas to the principal dwelling.

DRAFT

- 3. You agree to execute a mutually agreeable contract for LDC gas. If you and Vastar cannot agree on a contract, before July 1, 1999 or a mutually agreed upon date, then this Offer terminates and neither you nor Vastar have any obligations pursuant to this offer. Vastar will continue to honor the terms of the lease.

As you are aware, the terms of the lease only require the lessee, now Vastar, to allow you the privilege of connecting your principal dwelling to the well located on the lease. If you have other structures, and you opt for the LDC, a separate meter will be installed at your cost for deliveries to other than the principal dwelling. You will be billed for any gas not used for your principal dwelling.

If you do not choose to connect to the LDC, Vastar will no longer supply gas for any purpose other than gas for your principal dwelling after May 1, 1999.

Please give me a call should you have any questions. I can be contacted at (281) 584-3707.

Yours very truly,

Patrick S. Miller
Senior Landman

AGREED TO AND ACCEPTED THIS _____ DAY OF _____, 1999.

BY: _____
PRINT NAME: _____

**Vastar Resources, Inc.**

15375 Memorial Drive
Houston Texas 77079
281 584-6000

February 10, 1999

Mr. Erick E. Nordling
Kramer, Nordling & Nordling
Attorneys-At-Law
209 E. Sixth
Hugoton, Kansas 67951

RE: Ms. Mildred Clark

Dear Erick:

I received your letter of January 25, 1999 inquiring about our communications with Ms. Mildred Clark. By separate letter to you of same date I have advised that we have negotiated an agreement with Greeley Gas Company to extend distribution service to "farm tap" residential customers and irrigation/industrial customers currently served by Vastar's gathering system in Grant and Stanton Counties, Kansas. Unfortunately, this arrangement will not include the Lakin Area where Ms. Clark resides. Therefore, our only option at this time would be to convert Ms. Clark to propane under our previous offer.

At the SWKROA Board meeting we advised to "hold off" on our previous offers to convert to propane pending our negotiations with Greeley. However, we also advised that we would have to continue with the yard line inspection process mandated by KCC regulations, and requested your assistance in advising your members to allow access to conduct these inspections. Although I did not receive the attachment referenced in your letter, I retrieved a copy of what had been sent to Ms. Clark on November 30, 1998 by Pat Miller. It is my understanding that this letter was sent to those parties who were refusing access to allow us to conduct the yard line inspections. The costs of the inspection are the responsibility of the owner of the yard line; however, Vastar has been paying these costs for those parties who have accepted our offer to convert to propane, and this would apply to Ms. Clark, provided she accepts our previous offer to convert to propane.

I hope this answers your questions with regard to Ms. Clark. Please do not hesitate to contact me or Pat Miller of this office should you have any further questions.

Sincerely,

Edmund M. Sierra
Land Manager
Mid-Continent & Rockies

cc: Patrick Miller

11-4

February 9, 1999

**Representative Carl Holmes
Chairman of the House Utilities Committee
Topeka, Kansas**

Dear Representative Holmes,

During the summer of 1998 Anadarko Gas Company informed us of their intent to discontinue furnishing natural gas to us for domestic use. Our lease, which was agreed to during the 1940's, states that gas would be furnished for domestic use at no fee as long as natural gas was available. When Anadarko approached us with a new lease last summer they stated their research concluded that 1000 gal. of butane would be sufficient to heat our homes for one year and that is what they would provide us. At the time we questioned the certainty of 1000 gal. being enough per year and Anadarko assured us it would be.

From October until now we have used all the butane Anadarko felt we would need and we have the rest of this winter and next fall to go. In other words 1000 gal is far from what we will need per year. We only use the fuel for our home and for no other purpose. Ours is an older home, very modest and we do not waste fuel.

We signed the contract presented to us because Anadarko informed us the 1000 gal would be more than enough to accommodate our needs. We were also informed we would be taking the risk of running out of gas. In our opinion we did not have much time to consider any other alternative or if Anadarko's figures were appropriate. It seemed to us that if we did not sign their contract we would be without fuel.

It seems since we paid the price in order to purchase royalties with this land we should be considered in the decision making regarding what Anadarko plans to do. It seems as if we just have to accept whatever they decide.

We are in the Hugoton Gas Field. We would appreciate any efforts to help us come to a more suitable agreement with Anadarko.

Respectfully,

Maynard Ullom
Faith Ullom
**Maynard and Faith Ullom
Box 937
Elkhart, KS 67950**

HOUSE UTILITIES

DATE: *2-11-99*

ATTACHMENT *12*

To Senator Steve Morris - Fax No. 785-368-4119

Attention: Representative Carl Holmes
Chairman House Utilities

From: Floyd O. Coen, Elkhart, KS 67950
Date: February 10, 1999
Subject: Hearing on rural domestic gas availability in the Hugoton Field.

Dear Representative Holmes, "Carl";

I just noticed today that you were having a hearing on the use of gas from the Hugoton Gas Field. I'm hoping this note can help you understand our perspective on this issue.

Our parents homesteaded on this land in 1908 & 1912, it wasn't until after World War I that they were able to lease it for gas production. Some years it would be 50 cents, other years \$1.00 per acre. In the 30's during the Dust Bowl years, they let many of these leases lapse. Soon after World War II, they started leasing again, and actually started drilling and producing gas. All of these leases were worded about the same, that was that the gas companies would drill and market our gas and that they would retain 7/8 and return to the land owner 1/8 of the money received. In addition the principal dwelling would be entitled to Gas for heating and gas at no cost to the land owner. Our first well was drilled in 1960, and this agreement worked fine until last spring. There are now five wells on this section, and they are producing from four.

In March of 1998 we were all told that they would soon be sucking the gas out of the wells, which would suck gas away from our farm taps, leaving us with no gas to heat our homes.

Their proposal was to put a propane tank in our yards, convert our stoves and pay for 1000 gallons of propane per year. I did not think that this was fair and I contacted my Attorney to gather information, but since my neighbors had signed the agreements in March, we decided that

HOUSE UTILITIES

DATE: 2-11-99

ATTACHMENT 13

it might be best for us to go ahead and sign. I signed June 18, but Anadarko did nothing until October 10th. This is what I thought was very unfair. They hauled a large portable compressor out next to the well and sucked all the gas from our farm tap, and sent it on down the line. This left us without any gas. When I was able to get in contact with them, their answer to me was "you didn't sign the agreement". I assured them that it had been signed and mailed June 18th. They then called the office in Liberal and verified, that indeed I had signed the agreement. They then put in the propane on Oct. 12, 1998 and hauled the portable compressor back to Elkhart.

As of this date we have used about 1000 gallons of propane. We shut off the heating vents to about 1/3 of our home as well as all heating vents to the basement. Some of our neighbors have already used 2000 gallons, and the man that delivers the gas told me this week that one of his customers had used 3000 gallons.

I would hope that there could be some way to make Anadarko Corporation realize that they owe the mineral owners at least as much propane to that the principal dwelling as they agreed to in the original leases.

Thank You,



Floyd O. Coen

PS: Carl Tucker told me to sign his name to this letter as this is also his general feelings. FOC

January 9, 1999

Dear Committee Members;

Thank you for taking the time to listen to my story concerning the domestic gas situation on my property.

Enclosed are copies of the oil and gas lease on this property (pages 3-4). Please reference the last sentence of Paragraph 4 of this document which reads, "Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land for the stoves and inside lights in the principle dwelling located on the leased premises by making his own connection thereto."

On this legal description, there are two lessor's, with an undivided half interest each. Each of the lessor's have a principal dwelling on these premises.

In their June 23, 1998 letter (pages 5-6), Mobil Exploration & Producing U.S. Inc., Mobil implied that there may be a problem with H2S, offered to pay me \$3,000 to \$3,500 to cover conversion costs from natural gas to propane and pay an annual amount equal to 1,000 gallons of liquid propane. They even enclosed a check for me to deposit as long as I signed the agreement. At this time I contacted an attorney for his advice.

Although there are two lessor's on this property, myself and my daughter, I am the only one Mobil has been talking to at this point.

I have been told that H2S contamination was not prevalent in the Hugoton Field and that it was possibly caused by some act on the part of the lessor. It is my understanding that H2S can be very dangerous. I know that H2S contamination can be cured. Mobil will not stop producing, they will only clean the contamination out before passing the gas on to other consumers. I should be given the same consideration. This well has a H2S level of between 12-14 PPM (parts per million). There is also an in fill well on this property which has H2S levels well below the 10 PPM referred to in Mobil's letter, however there is no assurance that the in fill well levels will not increase.

As indicated on the enclosed copy of my attorney's bill (pages 7-8), there have been numerous contacts and follow ups on this situation.

In August, Mobil faxed my attorney an "Acknowledgment of Letter of Agreement" (pages 9-13) which among other things would have me give up my rights to free gas even if Mobil were to find another source of gas under this land.

On December 30, 1998, I had a meeting with John Croom, Mobil representative, my attorney and a couple of local contractors. The contractors were included to verify that both of the principle dwellings on this property have the gas furnace and the gas water heater located in the basement. They also informed Mobil that it was against code (page 14) to install liquid propane to appliances located in the basement of a dwelling. Because of this, cost of conversion to propane would be

HOUSE UTILITIES

DATE: 2-11-99

ATTACHMENT 14

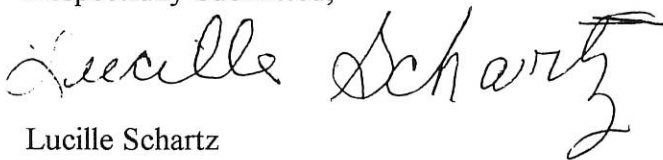
substantial. Conversion to all electric and the possibility of connecting to Greeley Gas were also discussed with no decisions being made because of lack of costs.

At this time I have signed nothing and am still working through my attorney with Mobil. My feeling is that Mobil has a responsibility to provide a good quality heating source for as long as the lease is in effect. I do not believe that their offers to date have been sufficient to cover the cost of conversion and future needs.

I am an 80 year old widow who cannot afford a large cost just to keep my home heated and my appliances running. I feel like I am being pushed by Mobil to settle this issue. At the very least I am accumulating a substantial lawyer fee just because I do not want to be forced to do something that may cost me more in the long run.

If the committee has any questions, I would be happy to try and answer them. Again, thank you for your attention to this matter.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Lucille Schartz". The signature is written in dark ink and is positioned to the right of the typed name.

Lucille Schartz
2238 N Stubbs Road
Ulysses, KS 67880
(316)356-2535

OIL AND GAS LEASE

6- Revised

WILLING TO RECORD 88888

FROM

TO

STATE OF KANSAS, COUNTY OF GRANT, ss.

This instrument was filed for record on the 6 day of Sept 1944, at 10.00 o'clock A. M., and duly recorded in Book 7 Page 159 of the records of this office. Jno. Carter Jr.

County Clerk-Register of Deeds.

By

Deputy.

This Agreement, Entered into this the 30th day of August, 1944

between Andrew S. Ackerman and Nellie Ackerman, his wife of Larned, Kansas

and Panhandle Eastern Pipe Line Company, a corp. hereinafter called Lessor; hereinafter called lessee, does witness:

1. That lessor, for and in consideration of the sum of One DOLLARS (\$1.00), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas, and casinghead gasoline, laying pipe lines, building tanks, storing oil, building povers, stations, telephone lines and other structures thereon, to produce, save, take care of and manufacture all of such substances, and for housing and

boarding employees, the following described tract of land in Grant County, Kansas, to-wit:

Southwest Quarter (SW 1/4)

State of Kansas, Grant County, ss

I, Virginia Roberts, hereby certify

the within to be a true and complete copy of a

Oil & Gas Lease recorded in my office in Book 7 Page 159

Virginia Roberts Register of Deeds

in Section 14 Township 22 South Range 37 West and containing 160 of ten (10) years from and after February 23, 1947 acres, more or less.

2. This lease shall remain in force for a term of ten (10) years, and as long thereafter as oil, gas, casinghead gas, casinghead gasoline, or any of them is produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option may pay to the lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall monthly pay lessor as royalty on gas marketed from each well where gas only is found, one-eighth (1/8) of the proceeds if sold at the well, or if marketed by lessee off the leased premises, then one-eighth (1/8) of its market value at the well. The lessee shall pay the lessor: (a) one-eighth (1/8) of the proceeds received by the lessee from the sale of casinghead gas, produced from any oil well; (b) one-eighth (1/8) of the value, at the mouth of the well, computed at the prevailing market price, of the casinghead gas, produced from any oil well and used by lessee off the leased premises for any purpose or used on the leased premises by the lessee for purposes other than the development and operation thereof. Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling located on the leased premises by making his own connections thereto.

Where gas from a well or wells, capable of producing gas only, is not sold or used for a period of one year, lessee shall pay or tender as royalty, an amount equal to the delay rental as provided in paragraph (5) hereof, payable annually at the end of each year during which such gas is not sold or used, and while said royalty is so paid or tendered this lease shall be held as a producing property under paragraph numbered two hereof.

5. If operations for the drilling of a well for oil or gas on said land or for gas, on a consolidated leasehold estate of which this land is a part thereof, as contemplated in paragraph 9, are not commenced on or before February 23, 1947, this lease shall terminate as to both parties unless the lessee shall on or before that date, pay or tender to the lessor, or to the lessor's credit in the First National Bank at Larned, Kansas

and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of Eighty & no/10 Dollars (\$80.00) which shall operate as rental and cover the

privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successor in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced by the next ensuing rental paying date, or provided the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force.

7. In case 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 for shall be paid the said lessor only in the proportion which his interest bears to the whole and undivided fee.

8. The lessee shall have the right to use free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of the lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings and other structures placed on said premises, including the right to draw and remove all casing.

9. As to the gas leasehold estate hereby granted (excluding casinghead gas produced from oil wells), lessee is expressly granted the right and privilege to consolidate said gas leasehold with any other adjacent or contiguous gas leasehold estates to form a consolidated gas leasehold estate which shall not exceed a total area of 640 acres; and in the event lessee exercises the right and privilege of consolidation, as herein granted, the consolidated gas leasehold estate shall be deemed, treated and operated in the same manner as though the entire consolidated leasehold estate were originally covered by and included in this lease, and all royalties which shall accrue on gas (excluding casinghead gas produced from oil wells), produced and marketed from the consolidated estate, including all royalties payable hereunder, shall be prorated and paid to the lessors of the various tracts included in the consolidated estate in the same proportion that the acreage of each said lessor bears to the total acreage of the consolidated estate, and a producing gas well on any portion of the consolidated estate shall operate to continue the oil and gas leasehold estate hereby granted so long as gas is produced therefrom.

10. 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 the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer or assignment or a certified copy thereof.

11. If the leased premises 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 the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

12. Lessor hereby warrants and agrees to defend the title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other liens, any royalties or rentals accruing hereunder.

14-3

13. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its terms shall continue so long as such operations are prosecuted and, if production results therefrom, then production continues.

14. Within the primary term of this lease, the well or wells on the leased premises, or on the consolidated gas leasehold estate, shall cease to be productive, this lease shall terminate, provided operations for the drilling of a well on the leased premises, or on the consolidated gas leasehold estate, shall be commenced before or on the following rental payment date; or, provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. It is agreed, however, that the completion of a well producing or capable of producing gas, upon the property hereinabove described, or the inclusion of such property in a consolidation unit producing or capable of producing gas as provided by paragraph number 9 hereof, shall constitute full and complete development with respect to the gas leasehold estate hereby granted. If, upon, or after the expiration of the primary term of this lease, the well or wells on the leased premises, or on the consolidated gas leasehold estate, shall be incapable of producing, this lease shall not terminate provided lessee resumes operations for drilling a well on the leased premises or on the consolidated gas leasehold estate within one hundred twenty (120) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

15. It is contemplated and agreed by both lessor and lessee that this lease shall at all times and in all respects be subject to valid orders, rules and regulations of any duly constituted authority having jurisdiction of the subject matter hereof.

16. This lease and all its terms, conditions and stipulations shall extend to and be binding on all the heirs, grantees, administrators or assigns of said lessor or lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

Witness: Andrew H. Ackerman
Nellie Ackerman

ACKNOWLEDGMENT FOR INDIVIDUAL (Oklahoma and Kansas)

STATE OF Kansas, COUNTY OF Pawnee, ss.
Before me, the undersigned, a Notary Public within and for said County and State, on this 30th day of August 1944, personally appeared [redacted] and Nellie Ackerman, his wife

to me personally known to be the identical persons 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 hand and official seal the day and year last above written.

My commission expires June 1, 1947 (SEAL) R. E. Taylor Notary Public.

ACKNOWLEDGMENT FOR INDIVIDUAL (Oklahoma and Kansas)

STATE OF _____, COUNTY OF _____, ss.
Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____ 19____, personally appeared _____ and _____

to me personally known to be the identical persons 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 hand and official seal the day and year last above written.

My commission expires _____ Notary Public.

ACKNOWLEDGMENT FOR CORPORATION (Oklahoma and Kansas)

STATE OF _____, COUNTY OF _____, ss.
Before me, the undersigned, a Notary Public, within and for said County and State, on this _____ day of _____ 19____, personally appeared _____

to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its President and acknowledged to me that he executed the same as his 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.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____ Notary Public.

NOTE: When signature by mark in Kansas, said mark to be witnessed by at least one person and also acknowledged. For acknowledgment by mark, use regular Kansas acknowledgment.

ACKNOWLEDGMENT FOR INDIVIDUAL (Oklahoma and Kansas)

STATE OF _____, COUNTY OF _____, ss.
Before me, the undersigned, a Notary Public, within and for said County and State, on this _____ day of _____ 19____, personally appeared _____ and _____

to me personally known to be the identical persons 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 hand and official seal on the day and year last above written.

My commission expires _____ Notary Public.

Mobil Exploration & Producing U.S. Inc.

P.O. BOX 2173
2319 NORTH KANSAS
LIBERAL, KANSAS 67905-2173

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

June 23, 1998

LUCILLE SCHATZ
2238 N. STUBBS RD.
ULYSSES, KS 67880

**PATTERSON, C.F. #1
SECTION 14-28-37
METER NO.: 25778-0001**

Dear Sir or Madam:

Mobil Exploration & Producing U.S. Inc. ("Mobil") operates the gas well identified above. Our records indicate this well is connected to your residence by a gas pipeline, which you own and maintain. Mobil currently provides or has provided free gas to you from this well under the oil and gas lease(s), which cover the property upon which the well is located.

You may already be aware of the many problems associated with the house gas taps due to the age of the Hugoton gas field. These include lower pressures, higher hydrogen sulfide (H₂S) concentrations and degradation of gas quality (i.e.; water, debris, etc in the gas stream).

The pressures in the Hugoton field have been reduced significantly over the past 50 plus years and as reservoir pressures decline, gathering system pressures immediately downstream must be reduced to maintain deliverability of gas. Accordingly, Mobil has been working diligently to have field compression installed on the gathering systems that may affect, or already has affected, the availability of house gas to your residence. Many of these compressors are coming on line now and as the systems are fine-tuned, the wellhead pressures will continue to drop significantly. With the continued reduction in wellhead pressure, you may notice an increase in water production as well as dirt and scale being drawn from the wellbore. The combination of these factors will most likely cause more freeze-off problems in the winter months.

In recent months, Mobil also has seen an increase in H₂S levels in the gas produced from many of our wells. In high concentrations, H₂S is toxic and, even in lower concentrations, it can present serious health and safety risks. H₂S may also be corrosive and cause leaks and loss of pressure in gas pipelines. The potential for health and safety risks is even greater where gas containing H₂S is used for fuel sources in confined spaces, such as gas heaters and home appliances. Therefore, as a preventative measure to protect your health and safety and the health and safety of other residents on Mobil leases, Mobil has and will continue to disconnect residential pipelines connected to gas wells where H₂S is present in concentrations at or above ten parts per million (10 ppm).

Mobil has been requested by several residents to offer a reasonable alternative to the wellhead gas connections that are now affected by, or may soon encounter, these problems. Therefore, in consideration for your agreement to relinquish any and all future claims to free gas from the gas well(s) located on the oil and gas lease(s) covering your property, Mobil will agree to the following:

Pay you a lump sum of Three Thousand Dollars (\$3,000.00) to Three Thousand Five Hundred Dollars (\$3,500.00) (with the difference prorated on an annual basis depending on the conversion date) to cover conversion or utility connection costs and the cost of your propane through October, and;

Pay an annual amount equivalent to the price of 1000 gallons of liquid propane (LP) on the 1st working day of October for as long as gas is produced pursuant to the oil and gas lease containing your free gas clause. The annual payment amount will be determined by Propane Resources, an independent third party firm in Shawnee Mission, Kansas, using the LP prices for this area averaged over the previous 12 month period.

This offer is not and should not be construed as an attempt to eliminate or reduce our obligations to you. We are truly concerned for your safety and comfort. We also are trying to provide you with a reasonable long-term alternative to satisfy your residential gas needs.

If the well where your tap is located does not currently contain H₂S in concentrations at or above 10 parts per million, you may elect not to convert to another fuel source. Should you choose to remain on the gas well, you might consider installation of a volume tank, gas filter, auto-ignition pilot lights and possibly larger service line to facilitate a reasonable quality of service. We urge you to use a qualified contractor for any modifications to your gas system. As stated in our previous letters to homeowners, your connection and piping are your responsibility and Mobil will not be available to thaw frozen connections to your house. Additionally, please be aware that, if and when H₂S concentrations reach 10 parts per million, the tap will have to be disconnected because of safety and health concerns.

This offer is extended to the homeowner only. Should you wish to accept our offer, please sign below and return this letter to the attention of Dee Ann Head at the letterhead address along with a copy of the property conveyance to you (Warranty Deed, Probate, etc). If you have already been disconnected due to high H₂S concentrations, we will set you up for annual payments upon receipt of this signed letter agreement. By executing this letter, you agree to relinquish any and all future claims to free gas from the gas well(s) located on the oil and gas lease(s) covering your property and any damage claims based on Mobil's failure to provide such gas.

If you have questions regarding this or other domestic gas issues, please feel free to contact me at (316) 626-1109.

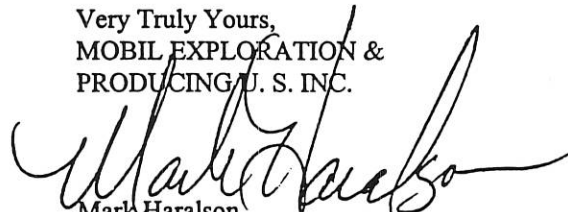
ACCEPTED THIS ____ DAY
OF _____, 1998:

Signature

Printed Name

mah

Very Truly Yours,
MOBIL EXPLORATION &
PRODUCING U. S. INC.



Mark Haralson
Senior Staff Landman
Liberal Region

FISS & BLACK
L. LaVERNE FISS – DAVID C. BLACK

ATTORNEYS-AT-LAW
P.O. BOX 100
JOHNSON, KANSAS
67855

MS LUCILLE SCHARTZ

2238 NORTH STUBBS ROAD

ULYSSES KS 67880

PAGE TWO

DATE	PROFESSIONAL SERVICES	CHARGE	CREDIT	BALANCE
04/22/97	BALANCE CARRIED FORWARD Office Conference with Lucille & Joycelyn on Sunflower Easement; Long Distance Call to Sunflower Electric (Left Message)			\$ 45.00
		35.00		\$ 80.00
04/24/97	Telephone conference with Norman Williams at Sunflower Electric; Long Distance call to Lucille(left message)	15.00		\$ 95.00
05/08/97	**STATEMENT MAILED 5/5/97 Credit by Check #3036		95.00	\$ - 0 -
07/01/97	Prepare Durable Power of Attorney **STATEMENT MAILED 08/05/97 **STATEMENT MAILED 09/04/97	25.00		\$ 25.00
09/18/97	Credit by Check #3167		25.00	\$ - 0 -
01/28/98	Office Conference with Lucille on Tenant Not-ification & Will Preparation; Prepare Notice to Quit on Farm Tenancy with Jeff Stever	50.00		\$ 50.00
02/09/98	Review Records at Grant County Register of Deeds on Title to Land	10.00		\$ 60.00
02/12/98	Prepare Initial Draft of Last Will & Testa-ment	80.00		\$ 140.00
02/26/98	Review Initial Draft of Last Will & Testament Prepare Letter to Lucille	20.00		\$ 160.00
03/11/98	Office Conference with Lucille & Revise Will **STATEMENT MAILED 4/6/98	65.00		\$ 225.00
04/08/98	Credit by Check #3347		225.00	\$ - 0 -
05/27/98	Office Conference with Lucille; Long Distance Call to Erick Nordling (Left Message); Review Documents from Mobil	45.00		\$ 45.00
05/28/98	Telephone Conference with Erick Nordling	10.00		\$ 55.00
06/03/98	Long Distance Call to Mark Haralson at Mobil (Left Message); Long Distance Call to Evan Olsen, Counsel for Mobil; Long Distance Call to Lucille	20.00		\$ 75.00
06/04/98	Telephone Conference with Mobil Atty, Debbie Haglund	15.00		\$ 90.00
06/05/98	Telephone Conference with Debbie Haglund at Mobil; Two Long Distance Calls to Lucille (Left Message)	15.00		\$ 105.00
06/10/98	Long Distance Call to Rick Harbison Atty at Guymon (Left Message); Telephone Conference with Rick Harbison, Atty who has Client with Similar Problem	15.00		\$ 120.00

[Any Account Which is Over 90 Days Past Due Shall be Subject to Interest Rate of 12% per Annun (1.0% per Month)]

Pay Last Amount
in This Column.

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FISS & BLACK
L. LaVERNE FISS – DAVID C. BLACK

ATTORNEYS-AT-LAW
P.O. BOX 100
JOHNSON, KANSAS
67855

MS LUCILLE SCHARTZ

2238 NORTH STUBBS ROAD

ULYSSES KS 67880

PAGE THREE

DATE	PROFESSIONAL SERVICES	CHARGE	CREDIT	BALANCE
	BALANCE CARRIED FORWARD			\$ 120.00
06/11/98	Telephone Conference with Deb Haglund & Mark Haralson of Mobil; Long Distance Call to Lucille (Left Message)	15.00		\$ 135.00
06/12/98	Telephone Conference with Lucille	10.00		\$ 145.00
06/25/98	Telephone Call from Mobile on Conversion to Propane	15.00		\$ 160.00
06/26/98	Telephone Conference with Eric Nordling on Mobile Proposal.	10.00		\$ 170.00
06/29/98	Office Conference with Lucille & Long Distance Call to Marc Haralson at Mobil	45.00		\$ 215.00
	**STATEMENT MAILED 7/3/98			
07/08/98	Credit by Check #3431		215.00	\$ - 0 -
07/17/98	Long Distance Call to Marc Harolson at Mobil (Left Message)	7.50		\$ 7.50
07/21/98	Telephone Conference with Mark Harolson; Long Distance Call to Lucille	10.00		\$ 17.50
07/30/98	Telephone Conference with Lucille.	7.50		\$ 25.00
08/19/98	Review Letter Agreement Sent from Amoco; Prepare Letter & Copy of Agreement to Lucille	25.00		\$ 50.00
	**STATEMENT MAILED 9/4/98			
09/06/98	Credit by Check #3478		50.00	\$ - 0 -
09/09/98	Telephone Conference with Lucille	10.00		\$ 10.00
12/14/98	Telephone Conference with Lucille on Gas Shut Off	10.00		\$ 20.00
12/15/98	Two Telephone Conferences with Lucille; Telephone Conference with John Crom at Mobil	15.00		\$ 35.00
12/29/98	Long Distance Call to Lucille (Left Message)	7.50		\$ 42.50
12/30/98	To Ulysses for Meeting with Lucille & Mobil Representative on Gas Shut Off & Transfer	95.00		\$ 137.50
	**STATEMENT MAILED 01/07/99			
	Credit by CCheck #3586		137.50	-0-
01/11/99	Telephone Conference with John Crom at Mobil	10.00		\$ 10.00
01/20/99	Telephone Conference with Lucille	10.00		\$ 20.00
01/24/99	Prepare & Fax Letter to John Croon at Mobil	10.00		\$ 30.00

[Any Account Which is Over 90 Days Past Due Shall be Subject to Interest Rate of 12% per Annum (1.0% per Month)] Pay Last Amount in This Column.

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FISS & BLACK

ATTORNEYS AT LAW

P.O. BOX 100

JOHNSON, KANSAS 67855

316 492-2130

August 20, 1998

FAX - 492-1373

L. LaVerne Fiss
David C. Black

Ms. Lucille Schartz
2238 North Stubbs Road
Ulysses, KS 67880

Re: Mobil Agreement

Dear Lucille:

Enclosed please find a copy of the fax I received from Mark Haralson at Amoco. The language at paragraphs 6 and 7 give up your right to free gas.

Please review and give me a call. I will be tied up Friday so it will be Monday before I can discuss it.

Very truly yours,



David C. Black

Enclosures

DCB:crt

P.S. (I guess Mr. Haralson thinks I'm Larry Black according to his fax)

DCB



FAX TRANSMITTAL SHEET
MOBIL EXPLORATION & PRODUCING U.S. INC.
LIBERAL REGION - LAND/JOINT INTEREST
P.O. BOX 2173, LIBERAL KS 67905

To: Harry Black

Company: Attorney

Department: (316) 492-2130 phn.

Fax No: (316) 492-1373

No. of Pages: 4 including transmittal

From: Mark A. Haralson

Phone No.: (316) 626-1109 Fax 626-1128

Date: 8/18/98

Time Sent: 1pm Verified: _____

Comments: Harry - Here is the form of recordable agreement for Ms Schatz's tap. Please make arrangements for her conversion and let me know when done - Thanks,

MAH



ACKNOWLEDGMENT OF LETTER AGREEMENT

STATE OF KANSAS)
)
COUNTY OF FINNEY) ss:

1. On _____, a certain Oil and Gas Lease ("Lease") was executed as recorded in Book _____, Page _____, of the records of the Register of Deeds of _____ County, Kansas, covering the following described land:

The _____ of Section _____
_____), Township _____) South,
Range _____)
West of the 6th P.M.

2. Such Lease contains the following provision ("Provision") in paragraph 4 thereof:

"Lessor shall have the privilege at his own risk and expense of using gas from any gas well on said land for stoves and inside lights in the principal dwelling located on the leased premises by making his own connections thereto."

3. The undersigned, _____, hereinafter referred to as "Landowners" are the current owners of the surface estate described in the Lease, and the owner of any and all free gas and gas use rights under such lease on such land. Mobil Oil Corporation is the present owner of the leasehold interest of the Lease.

4. As set forth in the attached Letter Agreement dated _____, the terms of which are incorporated herein by reference, Mobil Exploration and Producing U.S. Inc., on behalf of Mobil Oil Corporation (collectively, "Mobil"), as well as its successors and assigns, and Landowners, on behalf of themselves, as well as their heirs, devisees, successors, assigns and/or any subsequent grantee, mortgagor, mortgagee and/or claimant to any interest in or to the above described land, have agreed as follows with respect to the Landowners' right to gas, pursuant to the Provision set forth above which appears in the Lease.

5. Mobil hereby agrees to pay Landowners a single lump sum payment of _____ Dollars (\$ _____); and, in addition, to pay Landowners an annual amount equivalent to the price of 1000 gallons of liquid propane (LP) on the 1st working day of October for as long as gas is produced pursuant to the Lease. The annual

u:deb/ltragrks.doc

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payment amount will be determined using the LP prices for this area averaged over the previous 12 month period.

6. In consideration for the aforementioned lump sum payment, the receipt of which is hereby expressly acknowledged, and Mobil's agreement to make the aforementioned future payments for as long as gas is produced pursuant to the Lease, Landowners, on behalf of themselves, as well as their heirs, devisees, successors, assigns, and/or grantee, mortgagor, mortgagee or claimant hereby release, relinquish, surrender and discharge Mobil from any and all claims to use of gas, a right of free gas, taps, connections and any interest in, under or to the right to the use of gas for any use whatsoever in, upon and under the surface or mineral estate of the above-described land pursuant to the Provision of the Lease set forth above, or any other provision in the Lease which could serve as a basis for such claim.

7. Further, Landowners do hereby release, surrender and discharge Mobil from any and all damages, claims and rights of any kind or character arising from or accruing out of Mobil's failure to provide gas pursuant to the Provision of the Lease set forth above, or arising from or accruing out of Landowners purchase or use of LP, it being expressly agreed that, with the sole exception of the payments specified in paragraph 5 above, Landowners purchase and use of LP shall be entirely at their own risk and expense.

Dated and executed this _____ day of _____, 1998.

LANDOWNERS:

Address:

Address:

STATE OF KANSAS)
) ss:
COUNTY OF FINNEY)

BE IT REMEMBERED that on this _____ day of _____, 1998, before me, a Notary Public, in and for said County and State, personally appeared _____, who is personally known to me and known to me to be the same person who executed the foregoing instrument, and such person duly acknowledged the execution of the same.

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

Notary Public

MOBIL EXPLORATION &
PRODUCING U.S. INC., as agent on
behalf of MOBIL OIL CORPORATION

BY: _____

STATE OF KANSAS)
) ss:
COUNTY OF FINNEY)

BE IT REMEMBERED that on this _____ day of _____, 1998, before me, a Notary Public, in and for said County and State, personally appeared _____, who is personally known to me and known to me to be the same person who executed the foregoing instrument, and such person duly acknowledged the execution of the same.

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

Notary Public

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2. Connectors shall not be concealed within or extended through a wall, floor or partition.

3. A listed appliance connector valve not less than the nominal size of the connector shall be accessible at the gas piping outlet immediately ahead of the connector.

4. Connectors shall be of adequate size to provide the total demand of the connected appliance based on Table 3-D-1 or 3-D-2, as applicable.

5. Aluminum alloy connectors may be used only in interior locations where they shall not be in contact with masonry, plaster or insulation or are not subject to repeated corrosive wettings.

6. The connection of an indoor appliance with any type of gas hose is prohibited, except when used for laboratory or shop equipment or equipment that requires mobility during operation. Such connections shall have the shutoff or stopcock installed at the connection to the building piping. When gas hose is used, it shall be of the minimum practical length, but not to exceed 6 feet (1830 mm), except for hand torches and special mobile equipment, and shall not extend from one room to another nor pass through walls, partitions, ceilings or floors. Gas hose shall not be concealed from view or used in a concealed location. Only listed gas hose shall be used in accordance with its listing. Gas hose shall not be used where it is likely to be subject to temperatures exceeding 125°F. (52°C.), nor shall it be used as a substitute for a standard appliance connector.

7. Outdoor portable appliances may be connected with an approved outdoor hose connector not to exceed 15 feet (4572 mm) in length, provided it connects outdoors to approved gas piping, including an approved valve at the inlet of the hose connector.

8. Appliances may be connected to fuel-gas piping with an approved listed quick-disconnect device.

3.4 Pipe Size. Additional fuel connections may be made to existing fuel-supply lines, provided pipe sizes are approved by the building official.

SECTION 304 — INSTALLATION

4.1 Listed Appliances. Except as otherwise provided in the code, the installation of appliances regulated by this code shall conform to the conditions of listing. The appliance installer shall leave the manufacturer's installation and operating instructions attached to the appliance. Clearances of listed appliances from combustible materials shall be as specified in the listing or on the rating plate.

4.2 Room Large in Comparison to Size of Equipment. Central heating furnaces not listed for closet or alcove installation shall be installed in a room or space having a volume at least 12 times the total volume of the furnace; central heating boilers not listed for closet or alcove installation shall be installed in a room or space having a volume 16 times the volume of the boiler.

EXCEPTION: The installation clearances for furnaces and boilers in rooms not large in comparison with the size of the equipment shall be as specified in the appliance listing regardless of whether the enclosure is of combustible or noncombustible materials and shall not be reduced by the protection methods described in Table 3-B or any other method.

If the ceiling height of the room or space is greater than 8 feet (2438 mm), the volume shall be calculated on the basis of 8-foot (2438 mm) height.

4.3 Unlisted Appliance. Unlisted appliances shall be installed with the standard clearances from combustible construction specified in Table 3-A. Unlisted appliances may have the standard clearances of Table 3-A reduced by employing the forms of protection specified in Table 3-B. Forms of protection specified in Table 3-B may be utilized to reduce clearances to combustible construction for all applicable appliances.

4.4 Anchorage of Appliances. Appliances designed to be fixed in position shall be securely fastened in place. Supports for appliances shall be designed and constructed to sustain vertical and horizontal loads within the stress limitations specified in the Building Code.

4.5 Identification of Equipment. When more than one heating, cooling, ventilating or refrigerating system is installed on the roof of a building or within the building, it shall be permanently marked as to the area or space served by the equipment.

Liquefied Petroleum Gas Appliances. Liquefied petroleum gas-burning appliances shall not be installed in a pit, basement or similar location where heavier-than-air gas might collect.

Appliances so fueled shall not be installed in an above-grade under-floor space or basement unless such location is provided with an approved means for removal of unburned gas.

304.7 Liquefied Petroleum Gas Facilities. Containers, container valves regulating equipment, and appurtenances for the storage and supply of liquefied petroleum gas shall be installed in accordance with the Fire Code.

SECTION 305 — ACCESS FOR MAINTENANCE SERVICE AND REPAIR

305.1 General. Appliances shall be accessible for inspection, service, repair and replacement without removing permanent construction.

305.2 Working Space and Platform. Unless otherwise specified, not less than 30 inches (762 mm) in depth, width and height of working space and platform shall be provided to service the appliance.

EXCEPTION: Unit heaters and room heaters may be installed with an 18-inch (457 mm) minimum depth working space. A platform shall not be required for unit heaters or room heaters.

305.3 Operating Instructions. The operating instructions shall be attached to the appliance where they can be read easily.

SECTION 306 — CONTROLS

306.1 Main Burner Cutoff. Heating appliances shall be equipped with a listed device or devices which will shut off the fuel supply to the main burner or burners in the event of pilot or ignition failure. In addition, liquefied petroleum gas-air-burning heating appliances shall be equipped with a listed automatic device or devices which will shut off the flow of gas to the pilot in the event of ignition failure.

EXCEPTION: The listed shutoff devices shall not be required on range or cooking tops, log lighters, lights or other open-burner manually operated appliances, or listed appliances not requiring such devices and specific industrial appliances as approved by the building official.

306.2 Manual Fuel Controls. Heating appliances whose manual fuel controls are not readily accessible from the main portion of the building being heated shall be equipped with remote controls.

306.3 Furnace Controls. Forced-air and gravity-type warm-air furnaces shall be equipped with a listed air-outlet temperature limit control which cannot be set for temperatures higher than 250°F. (121°C.). Such controls shall be located in the bonnet or plenum, within 2 feet (610 mm) of the discharge side of the heating element of gravity furnaces or in accordance with the conditions of listing.

306.4 Duct Heater Controls. Electric duct heaters shall be equipped with an approved automatic reset air outlet temperature limit control that will limit the outlet air temperature to not more than 200°F. (93°C.). The electric elements of the heater shall be equipped with fusible links or a manual reset temperature limit control that will prevent outlet air temperature in excess of 250°F. (121°C.).

SECTION 307 — LABELING FOR IDENTIFICATION

307.1 Fuel-burning Appliances. Fuel-burning heating appliances shall bear a permanent and legible factory-applied nameplate on which shall appear:

1. The manufacturer's name.
2. The approved fuel input rating of the appliance, expressed in Btu/h (W).
3. The model and serial number.
4. Instructions for the lighting, operation and shutdown of the appliance.