

WELLBORE TRANSACTIONS UPDATE -
CONVEYANCES, RESERVATIONS AND
RELATED LEASE SEVERANCE ISSUES

THE 50TH ANNUAL ERNEST E.
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WELLBORE INTERESTS GENERALLY

- What is a “wellbore interest”?
 - It is a fractionalized carveout from a larger real property estate (typically a leasehold estate).
 - The “narrowest” form of oil and gas interest.

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***Petro Pro, Ltd. v. Upland Res., Inc.*, 279
S.W.3d 743, 752 (Tex. App.—Amarillo 2007)**

- All of Seller's right, title and interest in and to the oil and gas leases described in Exhibit "A" attached hereto and made a part hereof ("Subject Leases") insofar and only insofar as said leases cover rights in the wellbore of the King "F" No. 2 Well.

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Three Competing Interpretations

- 1.) conveyance conveyed all of the assignor's right, title and interest in and to the entire 704-acre unit, including the right to "extend one or more horizontal drainholes from the King "F" No. 2 wellbore into other productive areas of the lease." – Petro Pro

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- 2.) conveyance language conveyed to the assignee only rights in the wellbore of the King “F” No. 2 Well limited to the then producing formation in such well (being the Cleveland formation) - Upland

- 3.) conveyed to the assignee rights only in the wellbore of the King “F” No. 2 Well (similar to Upland’s argument) but that these rights were further limited to an undetermined 40 acres surrounding the well in accordance with the applicable density rules of the Railroad Commission - Intervenors

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