

DESIGNATION OF SUB-OPERATOR

THIS DESIGNATION is made and entered into this 8th day of March, 1965, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas 79999, hereinafter sometimes referred to as "Operator" and Beta Development Company, a Texas corporation, whose address is Post Office Box 189, Ft. Worth, Texas, hereinafter sometimes referred to as "Sub-Operator";

WHEREAS, Operator is Unit Operator for the San Juan 29-6 Unit, No 14-08-001-439, Rio Arriba County, New Mexico; and

WHEREAS, Sub-Operator desires to drill a Dakota well on the following described land pursuant to the provisions of Section thirteen (13) of the San Juan 29-6 Unit Agreement:

Township 29 North, Range 6 West, N.M.P.M.
Section 33: E/2
Rio Arriba County, New Mexico, and

WHEREAS, the above described land is committed to the terms and conditions of the San Juan 29-6 Unit Agreement and San Juan 29-6 Unit Operating Agreement; and

WHEREAS, Sub-Operator has been furnished Notice of Operator's election not to drill the said Dakota well as Unit Operator under the terms of the San Juan 29-6 Unit Agreement; and

WHEREAS, Sub-Operator has requested that Operator execute this Designation in order that said Dakota well may be drilled by Sub-Operator.

NOW, THEREFORE, in order to permit Beta Development Company to drill the above described Dakota well, El Paso Natural Gas Company, as Unit Operator of the San Juan 29-6 Unit, hereby designates Beta Development Company as Sub-Operator for the sole and only purpose of drilling the said Dakota well on the above described land pursuant to Section thirteen (13) of the San Juan 29-6 Unit Agreement.

Sub-Operator indicates its acceptance of this Designation by placing its signature in the space provided below and agrees to drill, complete and/or plug and abandon said Dakota well as a reasonable and prudent operator in accordance with the terms and conditions of the San Juan 29-6 Unit Agreement and the San Juan 29-6 Unit Operating Agreement and also agrees to the following conditions:



1. Unit Operator's representative shall approve all casing programs and equipment specifications prior to the drilling of any well.
2. Notify Operator when drilling operations are commenced.
3. Furnish Operator with complete daily driller's tour report, at Sub-Operator's expense.
4. Furnish Operator with daily reports by telephone call or telegram at Sub-Operator's expense, as to the formation or formations penetrated during the previous day's drilling, the depth at which each formation is encountered, and the depth at which the report is made.
5. Allow representatives of Operator access to the derrick floor at all times.
6. Notify Operator of intentions to core, drill stem test or run well surveys in sufficient time to enable Operator's representatives to be present.
7. Adequately test and/or core all possible productive formations to the satisfaction of Operator upon request.
8. Have any core having shows of oil or gas analyzed by a competent core analysis laboratory, and have such laboratory send three preliminary copies and three final copies of the analysis report to Operator.
9. Furnish Operator three field prints and five final prints of all well surveys made during drilling or upon completion of the well.
10. Permit Operator, at its cost and for its sole use, including full rig time, to make any additional surveys, including a geophysical velocity survey as it may desire.
11. Furnish Operator a representative and adequate cut of all cores and ditch samples taken during the drilling of a well.
12. Provide Operator with copies of drilling time records, hole deviation tests and all records required by the governmental agencies having jurisdiction of the well.
13. Notify Operator of any intention to plug and abandon the well and allow Operator forty-eight (48) hours in which to concur.
14. Sub-Operator shall carry and pay for and file with Operator for its approval proper and acceptable evidence of the following insurance:
 - a. Workmen's Compensation and/or Employer's Liability Insurance which shall comply with the laws of the State in which this agreement is to be performed and shall cover all of its employees engaged in the activities to be performed under this agreement.
 - b. Automobile Public Liability Insurance with not less than \$100/300,000.00 limits covering bodily injury and death, and property damage with a limit of not less than \$50,000.00 to cover all automotive equipment used in connection with performance of this agreement.
 - c. Public Liability Insurance covering activities performed under this agreement with bodily injury and death limits of \$100,000.00 as to any one person and \$300,000.00 as to any one accident. Property Damage Insurance with limits of \$50,000.00.

15. Furnish the United States Geological Survey and the Oil Conservation Commission of the State of New Mexico all proper and necessary reports and well data in the required numbers and time periods as specified by the United States Geological Survey and the Oil Conservation Commission of the State of New Mexico, with a copy to Operator at the addresses herein-after provided.
16. Provide the Commissioner of Public Lands of the State of New Mexico with copies of all reports and other well data submitted in accordance with the preceding paragraph.

All notices, samples, or other information required to be furnished shall be sent to:

El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas
Attention: Land Department

With copies to:
El Paso Natural Gas Company
Post Office Box 990
Farmington, New Mexico
Attention: Area Exploration Manager

Sub-Operator shall comply with all applicable laws, rules and regulations of any governmental authority having jurisdiction over operations performed under this Designation, and shall indemnify, protect and hold Operator harmless from and against any and all claims, demands or causes of action for injuries or death to persons or damage to property occurring in connection with or in any manner incident to operations conducted by the Sub-Operator hereunder.

Sub-Operator and Operator agree that Sub-Operator shall drill and complete or plug and abandon the subject Dakota well pursuant to the provisions of the San Juan 29-6 Unit Operating Agreement.

The drilling of the said Dakota well is subject to approval by the Oil Conservation Commission of the State of New Mexico as to privately owned lands, the Commissioner of Public Lands of the State of New Mexico as to State lands, and the Supervisor of the United States Geological Survey, Roswell, New Mexico, as to Federal and/or Indian lands.

THIS DESIGNATION shall be effective for a period of time not to exceed three (3) months from the date hereof, or until said Dakota test is completed and/or plugged and abandoned, whichever is the sooner.

THIS DESIGNATION is personal and cannot be assigned in whole or in part by Sub-Operator without the written consent of Operator having first been obtained.