CASE 3568: Application of PUBCO PETROLEUM CORP. for compulsory pooling & unorthodox location.

CASE NO. 3568

Application,
Transcripts,
Small Exhibits
ETC.

COMPULSORY POOLING - (force-pooling)

✓	Case 2148 - Order R-1850	Atoka-Pennsylvanian Gas 1-4-61
✓	Case 2173 - Order R-1880	Atoka-Pennsylvanian Gas
✓	Case 2174 - Order R-1881	Atoka-Pennsylvanian Gas
✓	Case 2180 - Order R-1883	Eumont - Gas
✓	Case 2223 - Order R-1932	Eumont ± NSL and NSP all stand.
	Case 2235 - Order R-1939	Aztec-Fruitland - Gas
	Case 2249 - Order R-1960	So. Union case - Tapacito-PC
	Case 2324 - Order R-2025	Royalty only
	Case 2318 - Order R-2027	Cha Cha
	Case 2343 - Order R-2042	Basin-Dakota
	Case 2346 - Order R-2052	Basin-Dakota
	Case 2381 - Order R-2068	Basin-Dakota
	Case 2446 - Oeder R-2068-A	Basin-Dakota
	Case 2446 - Order R-2068-B	Basin-Dakota
	Case 2415 - Order R-2150	Basin-Dakota
	Case 2415 - Order R-2150-A	Basin-Dakota
	Case 2416 - Order R-2151-	Basin-Dakota
	Case 2416 - Order R-2151-A	Basin-Dakota
	Case 2453 - Order R-2152	Basin-Dakota
	Case 2453 - Order R-2152-A	Basin-Dakota
	Case 2511 - Order R-2223	Basin-Dakota and Blanco-Mesaverde
	Case 2500 - Order R-2226	Flora Vista-Mesaverde and Basin-Dakota
	Case 2567 - Order R-2257	Basin-Dakota
	Case 2568 - Order R-2258	Basin-Dakota
	Case 2574 - Order R-2264	Basin-Dakota

COMPULSORY POOLING (force-pooling)

Case 2590 - Order R-2276	Basin-Dakota - J. Glenn Turner
Case 2600 - Order R-2289	Basin-Dakota
Case 2603 - Order R-2294	Basin-Dakota
Case 2608 - Order R-2295	Basin-Dakota
Case 2609 - Order R-2296	Basin-Dakota
Case 2610 - Order R-2297	Basin-Dakota
Case 2611 - Order R-2298	Basin-Dakota
Case 2623 - Order R-2317	Arkansas Junction-Queen
Case 2645 - Order R-2334	Basin-Dakota
Case 2655 - Order R-2339	Lusk-Strawn - Martin Yates III & S. P. Yates
Case 2699 - Order R-2377	Basin-Dakota
Case 2700 - Order R-2378	Basin-Dakota
Case 2709 - Order R-2382	Basin-Dakota
Case 2701 - Order R-2381	Basin-Dakota
Case 2711 - Order R-2394	Blinebry Gas Pool
Case 2711 - Order R-2394-A	Blinebry Gas Pool
Case 2806 - Order R-2499	Oil Center-Blinebry
Case 2870 - Order R-2540	Basin-Dakota
Case 2907 - Order R-2581	Indian Hills-Upper Pennsylvanian Penroc Oil
Case 3426 - Order R-3098	Application of Penroc Oil for an unorthodox gas well location and amendment of Order R-2581 - DENIED
Case 2916 - Order R-2592	Fowler-Paddock
Case 2961 - Order R-2631	Jenkins-Atoka Gas Pool

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COMPULSORY POOLING - (force-pooling)

Case 2897	Order R-2636	Eumont Gas Pool
Case 2898	Order R-2637	Blinebry Gas Pool
Case 2973	Order R-2642	Basin-Dakota
Case 2972	Order R-2643	Basin-Dakota
Case 2980	Order R-2650	Basin-Dakota + unorthodox location
Case 2989	Order R-2654	West Jal-Strawn
Case 3032	Order R-2706	Indian Hills-Upper Pennsylvanian Robert G. Hanagan
Case 3048	Order R-2709	Basin-Dakota - E. L. Fundginsland
Case 3170	Order R-2847	Basin-Dakota
Case 3174	Order R-2848	Basin-Dakota
Case 3173	Order R-2859	Basin-Dakota
Case 3188	Order R-2877	Maleta Y. Brimhall and Barbara Burnham
Case 3188	Order R-2877-A	Application of Beta Development Company for hearing de novo - dismissed
Case 3328	Order R-2993	Basin-Dakota
Case 3379	Order R-3046	Justis-Paddock Gas Pool
Case 3380	Order R-3047	Justis-Paddock Gas Pool
Case 3376	Order R-3061	T. E. Brown, Jr. and Claudyne Brown ORR Thorp - Lusk-Strawn Pool 4-4-66 Only
Case 3473	Order R-3141	Len Mayer - San Andres formation
Case 3473	Order R-3141-A	(Pan American Petroleum Corp, de novo) Case 3473 dismissed, Order R-3141 rescinded
Case 3512	Order R-3176	Pubco Petroleum Corporation - Basin-Dakota Gas Pool

No Note

PUBCO

POST OFFICE BOX 869 • ALBUQUERQUE, NEW MEXICO 87103 • TELEPHONE (505) 247-8835

December 15, 1967

MAIN OFFICE OCC

'67 DEC 19 PM 1 22

CERTIFIED MAIL

State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico

Attention: Mr. Daniel S. Nutter

Re: Case No. 3568
Order No. R-3232

Gentlemen:

Pursuant to Order No. R-3232 entered in Case No. 3568 by the State of New Mexico Oil Conservation Commission under date of May 8, 1967, with specific reference to paragraph numbered 6 of said Order, we are enclosing for the Commission and each known working interest owner involved in the Pubco Federal #15 well, located on a communitized tract for the Basin Dakota Gas Pool described as Lots 1, 2, 3, and 4 and the $S\frac{1}{2}N\frac{1}{2}$ ($N\frac{1}{2}$) of Section 1, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, an itemized schedule of actual well costs.

It is our understanding that in the absence of objections these actual well costs shall be considered as the reasonable well costs for all purposes of said Order No. R-3232.

Very truly yours,

Orin C. Crane
Secretary

OCC:mm
Enclosure
cc: See Addressee List attached

ADDRESSEE LIST

Global Oils, Inc.
2110 Republic Bank Building
Dallas, Texas 75201
Attention: Mr. M. S. Disimone

Gladys E. Langroise; Catherine B. McElvain;
T. H. McElvain, Jr.; and Catherine Frances
McElvain Harvey
c/o T. H. McElvain Oil and Gas Properties
Post Office Box 2148
Santa Fe, New Mexico

Glen W. Bales and Mary J. Bales
1260 John Street, Apt. #8
Salinas, California

Eugene Martin
6247 South Acacia
Whittier, California

R. P. Montgomery
4101 Avenue "Q"
Lubbock, Texas 79412

Macnemko, Inc.
3535 East 30th Street
Farmington, New Mexico

James C. Foster
Ryan & Traxler
8th Floor, Union Bank Building
9460 Wilshire Boulevard
Beverly Hills, California 90212

PUBCO FEDERAL #15
NE NE, SECTION 1: T-29N, R-13W
SAN JUAN COUNTY, NEW MEXICO

Schedule of Actual Well Costs

Month Paid	Description		Amount
Jan.	Robert E. Hutchison Amendment to lease-preliminary to forced pooling		$ 10.00
Jan.	Mary M. Westfall Amendment to lease-preliminary to forced pooling		10.00
Jan.	Joanna Nickles Amendment to lease-preliminary to forced pooling		10.00
Jan.	Helen Wagner Amendment to lease-preliminary to forced pooling		10.00
Jan.	Town of Farmington Drilling Permit		75.00
Jan.	A. H. and Gladys Andrews Execution of pooling amendment, release of damages and right-of-way grant		2,500.00
Feb.	T. H. McElvain, Jr. Supplemental abstract on drillsite		159.65
Feb.	Tansey, Rosebrough & Roberts Legal services-Re: Hearing before zoning commission of the City of Farmington		315.31
Feb.	Thomas A. Dugan Consulting on rezoning of drillsite		104.00
Feb.	Savage & Sganzini, Inc. Additional public liability and property damage insurance required by Town of Farmington		18.00
Feb.	Kinney Engineering Survey and plat location		51.50
Feb.	Town of Farmington Fee for publication notice for exemption to zoning for drillsite		8.81
Feb.	Payroll		
	Salaries	$146.59	
	Vacation	11.23	
	Payroll taxes	7.33	
	Payroll insurance	1.23	
	Benefits	15.78	182.16
	Engineer's Expense		83.38
Mar.	Howell Earnest Agency Oil and gas drilling bond		200.00
	Engineer's Expense		55.48
Apr.	Modrall, Seymour, Sperling, Roehl & Harris Legal services-Re: Application, hearing & presentation to Conservation Commission for compulsory pooling & approval of unorthodox location		350.40

June — Arabasco Drilling Co.
Drilling $16[illegible] @ $3.50
3.75 hrs. BOP @ $1,000/day
6.5 hrs. BOP @ $900/day
22,153.25
158.38
343.75

June — San Juan County
Communitization Agreement

June — B. F. Walker, Inc.
Hauling surface and production casing

June — Baker Oil Tools
2-Cementing collars @ $484
Thread sealing & locking compound
3% New Mexico tax
968.00
25.30
29.80

June — Baroid Div.-National Lead Co.
Drilling mud and additives

June — Oil Center Tools
Xmas tree, 3000# WP, consisting of following:
Tbg. hd., 7" x 6", w/2-2" outlets
Bit guide 7" x 4½"
Tubing hanger 6" x 2-3/8"
Adapter, 6" x 2" x 2-3/8"
Tee adapter, 2" x 2" x 2-3/8"
2-WKM FI full port 2" valves
1-WKM SE reg port 2" valves
Misc. nipples, tees, studs & nuts, etc.
Freight
Tax
Discount
494.00
53.00
69.00
116.00
152.00
730.00
197.00
269.69
65.93
62.93
(48.90)

June — Atchison Construction
Grade location

Federal #15

Month Paid	Description		Amount
June	Halliburton		
	Cement & services-surface casing	$ 765.92	
	Cement & services-Production casing	4,234.15	$5,000.07
June	Eddie's Welding Shop		
	Cut-off surface pipe & weld on head		45.32
June	Mid-Continent Supply		
	12-4-1/2" centralizers	186.60	
	Fill-up collar	164.80	
	Cement guide shoes, hammer lok rings, and wall scratchers	221.85	
	Tax	17.20	
	Discount	(11.81)	578.64
June	Arapahoe Drilling		
	Tax on drilling & daywork		338.75
June	Valley Steel Products		
	Sale of 8-5/8" & 4-1/2" thread protectors		(10.21)
June	Payroll		
	Salaries	183.85	
	Vacation	5.16	
	Payroll taxes	8.23	
	Payroll insurance	3.06	
	Benefits	9.07	209.37
	Engineer's Expense		608.85
	Geologist's Expense		104.12
June	8-5/8" 24# J-55 STC Surface Casing		
	10 jts. 321.14' @ 292.81/Cft.	940.33	
	Freight 7828# @ .80/Cwt.	62.62	
	3% New Mexico tax	30.09	1,033.04
	Junked cut-off-5.50'		17.67
	4-1/2" 10.5# J-55 STC Production casing		
	189 jts. 6168.28' @ $132.90/Cft.	8,197.64	
	Freight 65,353# @ $.80/Cwt.	522.82	
	Test to 4400 psi - $5/ton	161.90	
	3% New Mexico tax	266.47	9,148.83
	Junked cut-off - 13.12'		19.46
	1 jt. 24.75' @ $132.90/Cft.	32.89	
	Freight 260# @ $.80/Cwt.	2.08	
	New Mexico tax	1.05	
	Cond. "B" - 75%	36.02	27.01
	Administrative Overhead 6/1-6/10/67		
	10 days @ $400/mo.		133.33
July	City of Farmington		
	Frac water		61.79
July	Bird Oil Tool		
	3-7/8" Hughes Rock bit	109.26	
	Drilling head rubber	97.91	
	Rental of Bowen Casing Scrapper	106.00	
	New Mexico tax	9.40	
	Discount	(4.14)	318.43
July	B. F. Walker, Inc.		
	Hauling tubing	62.73	
	Haul completion rig	86.73	149.46
July	Monarch Construction		
	Blow down well, erect fence and dig irrigation ditch		278.31

Federal #15

Month Paid	Description		Amount
July	Ed H. Foster's Son		
	Rent and service chemical toilet-June		$ 46.80
July	Garcia Vacuum Truck Service		
	Rent and service chemical toilet-7/1-7/15		26.00
July	Mason Advertising		
	Well sign		10.98
July	Reames Well Service		
	Completion rig		2,527.11
July	Schlumberger Well Services		
	2-Baker bridge plugs	$1,236.00	
	Perforating-unijet & hyper jet	2,672.90	
	Perforating depth control-GRL tool	284.65	4,193.55
July	Halliburton		
	Fracturing sand	1,909.62	
	Sandwater frac job	10,855.28	
	Spot acid & breakdown formation	319.30	13,084.20
July	Payroll		
	Salaries	133.33	
	Vacation	.60	
	Payroll taxes	5.87	
	Payroll insurance	3.11	
	Benefits	.77	143.68
	Engineer's Expense		107.52
July	2-3/8" 4.7# N-80 EUE tubing		
	195 jts. 6159.86' @ $83.29/Cft.	5,130.55	
	Freight 29,226# @ $.80/Cwt.	233.81	
	New Mexico tax	160.93	
	Cond. "B" - 75%	5,525.29	4,143.97
	Usage charge-downgrade 1 jt. 32.61' of 8-5/8" csg. from "A" to "B" - used for landing joint		26.20
July	General liability insurance		10.67
Aug.	City of Farmington		
	Water and sewer		61.79
Aug.	Oil Center Tool		
	Casinghead, C-22, 8-5/8" x 10" 900	248.03	
	Casinghanger, C-21, 10" x 4-1/2"	156.24	
	Misc. bull plugs, nipples, etc.	64.06	
	Freight to Farmington	27.41	
	3% New Mexico tax	14.87	510.61
Aug.	Black, Sivalls & Bryson		
	30" x 10' 125# WP horizontal treater w/firebox & accessories s/n 325902701		4,326.00
Aug.	Pubco Stores		
	1-2" 2000# WKM ball valve, Reg. port		39.55
Sept.	Olman Heath		
	Take up fence around reserve pit		42.36
Oct.	Monarch Construction		
	Blocks for production unit		36.54
Oct.	Atchison Construction		
	Clean location		1,371.77

Federal #15

Month Paid	Description		Amount
Oct.	Mid-Continent Supply		
	Misc. connections for treater hook-up		$ 154.46
Oct.	Mid-Continent Supply		
	3 jts. 75' 3" 7.70# Std. T&C line pipe	$ 71.78	
	Misc. connections for treater and tank hook-up	319.30	391.08
Oct.	Olman Heath		
	Install lines, production unit, etc. plus building firewall		1,200.98
Oct.	Black, Sivalls & Bryson		
	Used 12' x 15' all 1/4" welded tank w/type B cone bottom s/n K-145 and new 2'6" walkway & stairway	1,050.00	
	Foundation bands & gravel	60.50	
	New Mexico tax	33.32	1,143.82
Oct.	2-3/8" 4.7# N-80 EUE tbg. - used for flowline		
	2 jts. 62.10' @ 83.29/Cft.	51.72	
	Freight 292# @ 80/Cwt.	2.34	
	New Mexico tax	1.62	
	Cond. "B" - 75%	55.68	41.76
Oct.	County Clerk, San Juan County		
	Copy of McElvain will		13.75
Oct.	Basin Title		
	Info on Hutchinson estate		5.00
Oct.	San Juan County Abstract & Title		
	Complemental abstract		53.56
Nov.	Olman Heath Company		
	Chain link fence w/gates, lacing & fittings (700' x 6")		2,684.00
	TOTAL WELL COSTS		$90,119.71

GOVERNOR
DAVID F. CARGO
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

P. O. BOX 2088
SANTA FE

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

May 9, 1967

Mr. James E. Sperling,
Modrall Seymour, Sperling, Roehl & Harris
Attorneys at Law
Post Office Box 466
Albuquerque, New Mexico

Re: Case No. 3568
Order No. R-3232
Applicant:
Pubco Petroleum Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC x
Artesia OCC
Aztec OCC x
Other Robert E. Hutchison, Glen W. Bales, Eugene Martin and Macnemco, Inc.

POST OFFICE BOX 869 • ALBUQUERQUE, NEW MEXICO 87103 • TELEPHONE (505) 247-0835

'67 JUN 2 PM 1 23

PUBCO

June 1, 1967

State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico

Attention: Mr. Daniel S. Nutter

Re: Order No. R-3232 of the Oil Conservation Commission of the State of New Mexico

Gentlemen:

Pursuant to Order No. R-3232 enclosed are copies of our letters to the non-consenting working interest owners as required of us under Item 4, Page 3, of the Order. Also enclosed is a copy of our letter directed to Mr. Robert E. Hutchison, a royalty interest owner under the Oil and Gas Lease committed to the communitization by T. H. MacElvain, Jr., et al. The lease did not contain a pooling clause, and a pooling amendment was secured from all royalty owners with the exception of Mr. Hutchison. Mr. Hutchison is merely advised of the effect of the Order.

In accordance with Item 13, Pages 4 and 5 of the Order, when and if proceeds from production from our proposed well are not disbursed for any reason, such sums shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership. Should this eventuality occur, we shall designate the First National Bank of Farmington, 100 West Broadway, P. O. Box 540, Farmington, New Mexico, 87401, as the escrow agent.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosures

cc: First National Bank of Farmington
100 West Broadway
P. O. Box 540
Farmington, New Mexico 87401

CERTIFIED

PUBCO PETROLEUM CORPORATION

June 1, 1967

Mr. Robert E. Hutchison
R. R. #1, Box 200
Hayden Lake, Idaho

Re: Order No. R-3232 of the Oil Conservation Commission of the State of New Mexico

MAIN OFFICE OCC
'67 JUN 2 PM 1 23

Dear Mr. Hutchison:

Having previously failed in our efforts to obtain your cooperation in signing a pooling amendment to the lease held by Mr. T. H. McElvain, Jr., which lease is dated May 20, 1947, from George E. Hutchison to Robert L. Maddox, we went before the Oil Conservation Commission of the State of New Mexico requesting, among other things, that your royalty interest under Mr. McElvain's lease be pooled under the compulsory pooling statutes of the State of New Mexico.

The Order granting this request was designated Order No. R-3232, and a copy of that Order is enclosed for your information. Thus the effect of this Order will be to permit you to share in production from our proposed well, based upon your 1/8th of the 1/8th royalty interest as specified in the lease, times the number of acres in the lease, divided by the total number of acres in the drillsite tract, which roughly calculates to a .342 percent of the total production from the well.

We are advising you of these facts merely as a matter of information, and after production is established, we imagine Mr. McElvain will be in touch with you.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb
Enclosure

cc: Mr. T. H. McElvain, Jr.
P. O. Box 2148
Santa Fe, New Mexico

State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico
Attention: Mr. Daniel S. Nutter

CERTIFIED

PUBCO PETROLEUM CORPORATION

June 1, 1967

MAIN OFFICE
'67 JUN 2 PM 1

COPY

Mr. Eugene Martin
409 North Acacia
Whittier, California

Re: Order No. R-3232 of the Oil Conservation Commission of the State of New Mexico

Dear Mr. Martin:

We are enclosing a copy of Order No. R-3232 by the Oil Conservation Commission of the State of New Mexico relative to the pooling of Lots 1,2,3,4 and the S½N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico. In accordance with the Order we are also enclosing a copy of our detailed Well Cost Estimate.

We call your attention to the Order, Page 3, Item 5, allowing you thirty days within which you may elect to pay your proportionate share of estimated well costs in lieu of paying such share out of production. You have heretofore been provided with copies of our Communitization and Operating Agreements along with an instrument entitled "Working Interest Owner Agreement to Become a Party To Communitization and To Operating Agreement," the execution of which would commit your interest to the drilling of the proposed well. If you elect to join in the drilling of this well pursuant to the enclosed Order, please execute and return all copies of the last-mentioned document, excluding one copy which may be retained for your file.

Should you elect to join, we shall also expect receipt of your check for your proportionate share of the estimated $99,100.00 well cost. Your share based on your percentage is as indicated on the enclosed detailed Well Cost Estimate.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb
Enclosures
cc: State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico
Attention: Mr. Daniel S. Nutter
CERTIFIED

PUBCO PETROLEUM CORPORATION

'67 JUN 2 PM 1

'67 JUN

June 1, 1967

COPY

Mr. Glen W. Bales
1260 John Street, Apt. 8
Salinas, California

Re: Order No. R-3232 of the Oil Conservation Commission of the State of New Mexico

Dear Mr. Bales:

We are enclosing a copy of Order No. R-3232 by the Oil Conservation Commission of the State of New Mexico relative to the pooling of Lots 1,2,3,4 and the S½N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico. In accordance with the Order we are also enclosing a copy of our detailed Well Cost Estimate.

We call your attention to the Order, Page 3, Item 5, allowing you thirty days within which you may elect to pay your proportionate share of estimated well costs in lieu of paying such share out of production. You have heretofore been provided with copies of our Communitization and Operating Agreements along with an instrument entitled "Working Interest Owner Agreement to Become a Party to Communitization and to Operating Agreement," the execution of which would commit your interest to the drilling of the proposed well. If you elect to join in the drilling of this well pursuant to the enclosed Order, please execute and return all copies of the last-mentioned document, excluding one copy which may be retained for your file.

Should you elect to join, we shall also expect receipt of your check for your proportionate share of the estimated $99,100.00 well cost. Your share based on your percentage is as indicated on the enclosed detailed Well Cost Estimate.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb
Enclosures
cc: State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico
Attention: Mr. Daniel S. Nutter
CERTIFIED

PUBCO PETROLEUM CORPORATION

June 1, 1967

Macnemco, Inc.
3535 East 30th Street
Farmington, New Mexico

MAIN OFFICE OCC
'67 JUN 2 PM 1 2

Re: Order No. R-3232 of the Oil Conservation Commission of the State of New Mexico

Gentlemen:

We have heretofore attempted to obtain and Oil and Gas Lease on the interest of Macnemco, Inc. as appears of record in San Juan County, New Mexico, insofar as applies to that percentage under certain lands lying within the N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico.

This course having been unsuccessful caused Pubco Petroleum Corporation to go before the Oil Conservation Commission of the State of New Mexico requesting compulsory pooling of Macnemco's interests prior to the drilling of our proposed Dakota Formation test well, which will be located 1,040 feet from the north line and 360 feet from the east line of said Section 1. Our request was granted by the Commission, and we are enclosing a copy of Order No. R-3232 which fully sets forth the particulars in this matter.

Therefore, in accordance with said Order and Item 4 thereof as appears on Page 3, we are enclosing a copy of the Communitization Agreement and Operating Agreement, and we are also enclosing ten copies of an instrument entitled, "Agreement to Become Party to Communitization Agreement and to Operating Agreement." In addition, we are enclosing a copy of our Well Cost Estimate which sets forth in detail those individual charges which make up the total $99,100.00 well cost.

If it is possible to do so and Macnemco desires to join in the drilling of this well, we ask that nine copies of the enclosed joinder instrument be properly executed and returned along with a signed copy of

PUBCO PETROLEUM CORPORATION

the Well Cost Estimate. In addition, we call your attention to Item 5, Page 3, of the Order allowing Macnemco thirty days within which to join in this proposed well, paying its proportionate share of well costs in lieu of our recovery of such costs out of production. In this connection, we should be provided with a check to cover Macnemco's proportionate costs as reflected on the enclosed Well Cost Estimate.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosures

cc: State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico
Attention: Mr. Daniel S. Nutter

Mr. James C. Foster
Ryan and Traxler
Eighth Floor Union Bank Building
9460 Wilshire Boulevard
Beverly Hills, California 90212

CERTIFIED

PUBCO PETROLEUM CORPORATION

June 1, 1967

Mr. James C. Foster
Ryan and Traxler
Eighth Floor Union Bank Building
9460 Wilshire Boulevard
Beverly Hills, California 90212

MAIN OFFICE (OCC)
'67 JUN 2 PM 1 23

Re: Order No. R-3232 of the Oil Conservation Commission of the State of New Mexico

COPY

Dear Mr. Foster:

We are enclosing a copy of our letter addressed to Macnemco, Inc. at the last known Farmington, New Mexico, address, this being in compliance with Order No. R-3232 of the Oil Conservation Commission of the State of New Mexico, a copy of which is enclosed for your information. We realize that for all practical purposes, Macnemco no longer exists, but inasmuch as they continue to appear as an interest owner in the San Juan County records, we felt we were required to proceed with the formality of allowing Macnemco the opportunity to join in our proposed test well.

As you suggested in your last correspondence of January 4, 1967, franchise fees for Macnemco have not been paid and the Corporation Commission of the State of New Mexico advises that Macnemco was forfeited on October 28, 1965, for failure to file an annual return with the required fees. As we understand it, Macnemco could be reinstated by paying such fees with applicable penalties, which I believe are fairly moderate. This would also require a meeting of the stockholders for election of a Board of Directors and the subsequent election of officers. I am sure you will agree that this is highly impractical in view of the substantial liens on the Macnemco properties, and even with Macnemco's proportionate share of production from our proposed well, it would be far from sufficient to cover well costs and the lien assessments. In any case, the enclosed material is merely for your information as representative of the beneficiaries of the previously-existing trust.

Should you wish to pursue this matter any further and if we may be of any assistance, please feel free to get in touch with us.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb
Enclosures
cc: State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico
Attention: Mr. Daniel S. Nutter
CERTIFIED

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3568
Order No. R-3232

APPLICATION OF PUBCO PETROLEUM CORPORATION
FOR COMPULSORY POOLING AND AN UNORTHODOX
LOCATION, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 3, 1967, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 8th day of May, 1967, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Pubco Petroleum Corporation, seeks an exception to the Special Rules and Regulations for the Basin-Dakota Gas Pool to drill a well at an unorthodox location for said pool 1040 feet from the North line and 360 feet from the East line of Section 1, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico.

(3) That the proposed location is within the city limits of the City of Farmington, has been chosen because it provides the maximum distance from homes and buildings, and has been approved by the offset operators as well as the City of Farmington, and should be approved to prevent waste and protect correlative rights.

(4) That the applicant, Pubco Petroleum Corporation, also seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool underlying Lots 1, 2, 3, and 4 and the S/2 of the N/2 of Section 1, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico.

(5) That the applicant has the right to drill and proposes to drill a well in the N/2 of said Section 1 to the Basin-Dakota Gas Pool.

(6) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(7) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(8) That the applicant should be designated the operator of the subject well and unit.

(9) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(10) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs.

(11) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(12) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(13) That $70.00 per month should be fixed as the reasonable cost of operating the subject well and each non-consenting

working interest owner should be assessed with his share of such cost, to be paid out of production.

(14) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

(1) That the applicant, Pubco Petroleum Corporation, is hereby granted an exception to the Special Rules and Regulations for the Basin-Dakota Gas Pool to drill a well at an unorthodox location 1040 feet from the North line and 360 feet from the East line of Section 1, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico.

(2) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying Lots 1, 2, 3, and 4 and the S/2 of the N/2 of Section 1, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 319.40-acre gas proration unit to be dedicated to the Pubco Petroleum Corporation Federal Well No. 15, to be located as described above.

(3) That Pubco Petroleum Corporation is hereby designated the operator of the subject well and unit.

(4) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.

(5) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs.

(6) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs is

received by the Commission and the Commission has not objected within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(7) That within 30 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) That the operator is hereby authorized to withhold the following costs from production:

> The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(9) That the operator shall distribute said costs withheld from production to the parties who advanced the well costs.

(10) That $70.00 per month is hereby fixed as the reasonable cost of operating the subject well, and the operator is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(11) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(12) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests' share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(13) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow

in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(14) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

esr/

J. R. MODRALL
JAMES E. SPERLING
JOSEPH E. ROEHL
GEORGE T. HARRIS, JR.
DANIEL A. SISK
LELAND S. SEOBERRY, JR.
ALLEN C. DEWEY, JR.
FRANK H. ALLEN, JR.
JAMES P. SAUNDERS, JR.

JAMES A. PARKER
HENRY G. COORS
JOHN R. COONEY
KENNETH L. HARRIGAN

LAW OFFICES OF
MODRALL, SEYMOUR, SPERLING, ROEHL & HARRIS
SIMMS BUILDING
P. O. BOX 466
ALBUQUERQUE, NEW MEXICO 87103

JOHN F. SIMMS (1885-1954)
AUGUSTUS T. SEYMOUR
(1907-1965)

TELEPHONE 243-4511
AREA CODE 505

Case 3568

April 10, 1967

Mrs. Ida Rodriguez
New Mexico Oil Conservation Commission
Box 2088
Santa Fe, New Mexico

RE: Application of Pubco Petroleum Corporation for the pooling of all interests in Lots 1,2,3 & 4 in the S/2 of the N/2 of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, N.M.

Dear Mrs. Rodriguez:

The following are the names and addresses in regard to the above:

Robert E. Hutchison
R. R. #1, Box 200
Hayden Lake, Idaho

Eugene Martin
~~409 North Acacia~~ 6247 S. Acacia
Whittier, California 90601

DOCKET MAILED
Date 4-21-67

Glen W. Bales
1260 John Street
Salinas, California

Macnemco, Inc.
3535 East 30th Street
Farmington, New Mexico

Very truly yours,

James E. Sperling

JAMES E. SPERLING

JES: ng

DOCKET MAILED
Date 4-21-67

J. R. MODRALL
JAMES E. SPERLING
JOSEPH E. ROEHL
GEORGE T. HARRIS, JR.
DANIEL A. SISK
LELAND S. SEDBERRY, JR.
ALLEN C. DEWEY, JR.
FRANK H. ALLEN, JR.
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JOHN F. SIMMS (1885-1954)
AUGUSTUS T. SEYMOUR
(1907-1965)

TELEPHONE 243-4511
AREA CODE 505

OIL CONSERVATION COMM
'67 APR 10 AM 7 58

Case 3568

April 7, 1967

Oil Conservation Commission
State of New Mexico
State Land Office
Santa Fe, New Mexico
ATTN: Mr. A. L. Porter, Director

RE: Application of Pubco Petroleum Corporation

Dear Mr. Porter:

Enclosed please find original and two copies of Application of Pubco Petroleum Corporation.

Please advise of earliest date for this hearing.

Thank you for your attention to this matter.

Very truly yours,

JAMES E. SPERLING

JES: ng
Encls: a/s

Docket No. 13-67

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 3, 1967

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Elvis A. Utz, Alternate Examiner:

CASE 3567: Application of Tenneco Oil Company for a dual completion, McKinley County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its Hospah Well No. 10 located in Unit C of Section 12, Township 17 North, Range 9 West, to produce oil from the South Hospah Lower Sand Oil Pool and gas from an undesignated Dakota pool through parallel strings of tubing.

CASE 3556: (Continued and readvertised)

Application of Southland Royalty Company for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a proposed Devonian gas test well at an unorthodox gas well location 660 feet from the North and West lines of Section 20, Township 25 South, Range 37 East, Lea County, New Mexico. The well would be dedicated to the N/2 of said Section 20.

CASE 3568: Application of Pubco Petroleum Corporation for compulsory pooling and an unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin-Dakota Gas Pool underlying Lots 1, 2, 3, and 4 and the S/2 of the N/2 of Section 1, Township 29 North, Range 13 West, San Juan County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location for said pool 1040 feet from the North line and 360 feet from the East line of said Section 1.

Docket No. 14-67

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 10, 1967

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following case will be heard before Daniel S. Nutter, Examiner, or Elvis A. Utz, Alternate Examiner:

CASE 3569: Application of American Trading and Production Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Southeast Lea Unit Area comprising 2,080 acres, more or less, of State lands in Township 20 South, Range 35 East, Lea County, New Mexico.

BEFORE THE OIL CONSERVATION COMMISSION

OF THE STATE OF NEW MEXICO

APPLICATION OF PUBCO PETROLEUM CORPORATION for the pooling of all interests in Lots 1,2,3 and 4 in the South 1/2 of the North 1/2 of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, to form a spacing unit in the Basin Dakota Gas Pool and for allocation of costs of said well, and for approval of non-standard location for said well, proposed at a point 1,040 feet from the North line and 360 feet from the East line of said Section 1

Case 3568

A P P L I C A T I O N

Comes now PUBCO PETROLEUM CORPORATION and makes application to the Oil Conservation Commission of New Mexico for an Order pooling all of the interests within Lots 1,2,3 and 4 and the S/2 of the N/2 of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, containing 319.40 acres more or less, and for well location exception to Rule 104, and in support of such Application states:

1. Applicant is the owner of 66.6196618 percent of the working interest within the proposed drilling unit and proposes to drill a well to the Dakota Formation and within the basin Dakota Gas Pool.

2. Except as hereinafter noted, all of the other owners of working interest or royalty interest within said proposed drilling unit, have joined in or ratified a communitization agreement for the formation of said drilling and spacing unit. Owners of interest who have elected not to join or to commit their interest are as follows:

Robert E. Hutchison-	Royalty Interest	1.5625 %
Glen W. Bales, et ux,		
Working Interest:		.0978005 %
Royalty Interest:		.0139715 %
Total:		.1117720 %
Eugene Martin-		
Working Interest:		.0112320 %
Royalty Interest:		.0016046 %
Total:		.0128366 %
Macnemco, Inc. -		
Working Interest:		4.3315239 %
Royalty Interest:		.6187891 %
Total:		4.9503130 %

The three last named interest owners are the owners of interest in the minerals in certain of the tracts which comprise the drilling unit and which mineral interests are unleased. The allocation of interest of those owners within the drilling unit has been computed based upon the assumption of 1/8 royalty interest and 7/8 working interest. Based upon such allocation as between working interest and royalty interest as to the unleased mineral interest, the total non committed working interest within such drilling unit is equal to 5.0749216 percent of the entire drilling unit.

3. Applicant proposes to drill a well on the drilling unit, comprised of the above described lands, totaling 319.4 acres to a depth to adequately test the Dakota Formation underlying said drilling unit, which Dakota Formation comprises a common source of supply underlying said unit.

4. Applicant has attempted to form and has formed said drilling unit by the voluntary agreement ofall of the interest owners except those named in paragraph 2 hereof. The owners of those interests

have declined and refused to join in the committing of their interest to the unit or to join in the drilling of said well. At the time of the hearing upon this application, applicant will present to the Commission in documentary form, evidence of the joinder or refusal to join in the formation of said drilling unit by the respective interest owners therein.

5. Applicant further requests the approval by the Commission of the non-standard location of the proposed well at a point 1040 feet from the North line and 360 feet from the East line of Section 1, Township 29 North, Range 13 West, N.M.P.M. THe approval of such location would constitute an exception to the Commission's Rule 104. Such exception is required in view of the fact that the proposed location is within the limits of the town of Farmington, New Mexico, and is subject to regulation by City Ordinance relating to distances from dwellings and by reason of further considerations relating to land use and safety regulations. Notification of the Application for the exception has been made to the operators of the offset spacing units as required by Commission rule. A drilling permit has been issued by the Town of Farmington conditioned on granting of this application.

6. Attached is a plat showing the operators of offset drilling units to the drilling unit which is the subject of this application and showing wells, if any, completed in the Dakota Formation.

7. The issuance of the Order requested by this application for the pooling of the interests within said drilling unit and for the granting of the exception to well location, will avoid the drilling of unnecessary wells and protect correlative rights and prevent waste.

WHEREFORE, Applicant prays that the Commission set this Application for hearing before the Commission's duly appointed examiner and after notice and hearing as provided by law that the Commission enter its Order pooling the interests within the above described spacing unit and further providing for the granting of the exception to rule relating to well location. Said Order should contain a provision for allocation of costs of drilling and operation and for the payment of the same all as provided by the New Mexico Statutes.

Respectfully submitted,

PUBCO PETROLEUM CORPORATION

By James E. Sperling

James E. Sperling
Attorney for Applicant
Modrall, Seymour, Sperling, Roehl & Harris
P. O. Box 466
Albuquerque, New Mexico

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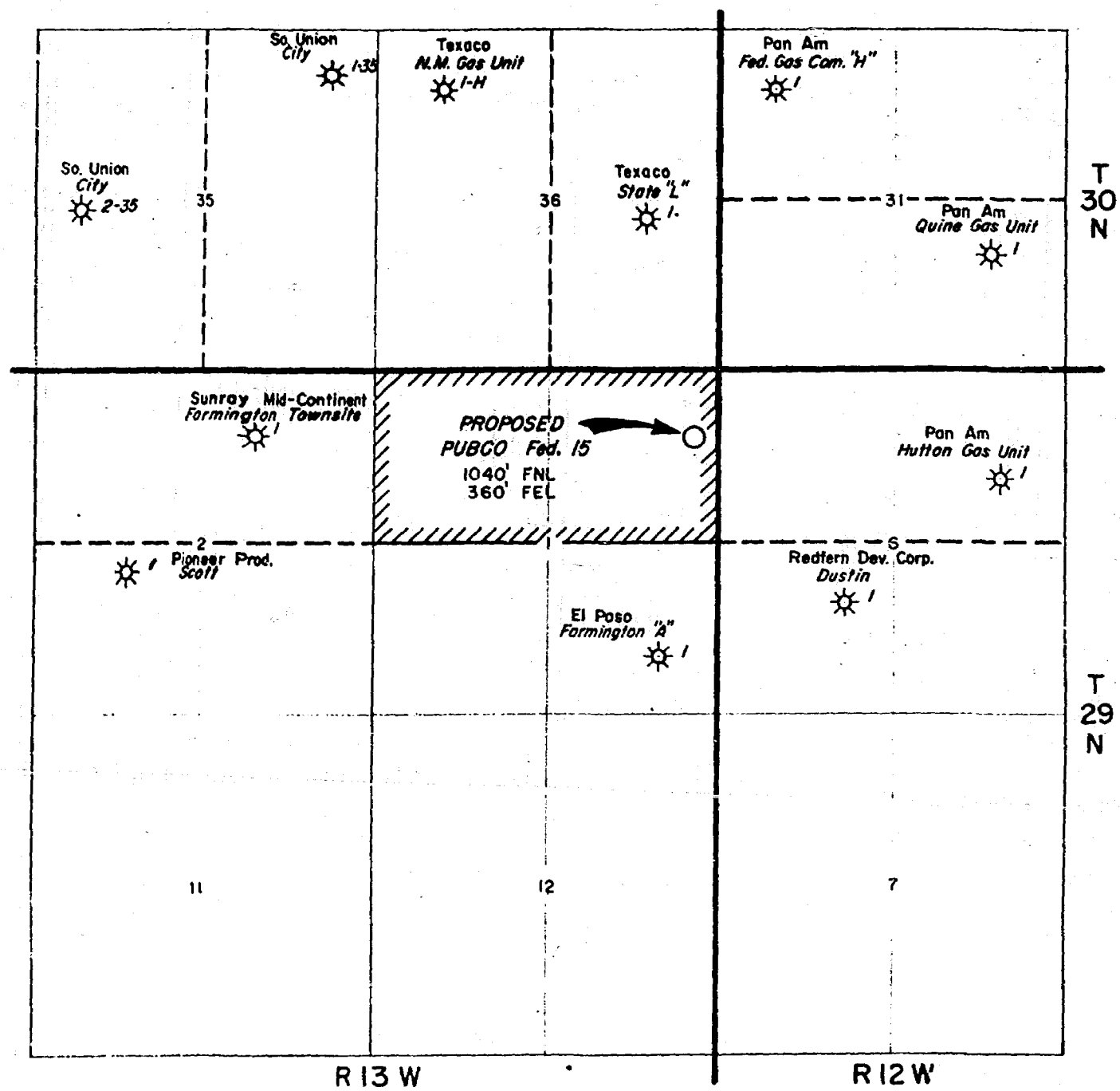

WELL LOCATION PLAT

(SHOWING ALL OFFSET OPERATORS TO PUBCO'S PROPOSED UNORTHODOX LOCATION)

SAN JUAN COUNTY, NEW MEXICO

SCALE: 1" = 2200'

APRIL, 1967

Case 3568

ADDRESSEE LIST

Pan American Petroleum Corporation
Security Life Building
Denver, Colorado 80202
Attn: Mr. T. M. Curtis

Southern Union Production Company
Fidelity Union Tower Building
Dallas, Texas
Attn: Mr. L. S. Muennink

Texaco, Inc.
P. O. Box 810
Farmington, New Mexico
Attn: Mr. C. P. Farmer

Redfern Development Corporation
P. O. Box 1747
Midland, Texas
Attn: Mr. Wm. B. Johnson

Sunray DX Oil Company
P. O. Box 1416
Roswell, New Mexico 88201
Attn: Mr. Pete Marianos

Pioneer Production Corporation
P. O. Box 2542
Amarillo, Texas
Attn: Mr. E. S. Morris

El Paso Natural Gas Company
P. O. Box 990
Farmington, New Mexico
Attn: Mr. W. G. Cutler

Docket No. 13-67

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 3, 1967

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

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CASE 3568: Application of Pubco Petroleum Corporation for compulsory pooling and an unorthodox location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Basin-Dakota Gas Pool underlying Lots 1, 2, 3, and 4 and the S/2 of the N/2 of Section 1, Township 29 North, Range 13 West, San Juan County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location for said pool 1040 feet from the North line and 360 feet from the East line of said Section 1.

Docket No. 14-67

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 10, 1967

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM, STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following case will be heard before Daniel S. Nutter, Examiner, or Elvis A. Utz, Alternate Examiner:

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BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3568
Order No. R-3232

APPLICATION OF PUBCO PETROLEUM CORPORATION
FOR COMPULSORY POOLING AND AN UNORTHODOX
LOCATION, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 3, 1967, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 8th day of May, 1967, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Pubco Petroleum Corporation, seeks an exception to the Special Rules and Regulations for the Basin-Dakota Gas Pool to drill a well at an unorthodox location for said pool 1040 feet from the North line and 360 feet from the East line of Section 1, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico.

(3) That the proposed location is within the city limits of the City of Farmington, has been chosen because it provides the maximum distance from homes and buildings, and has been approved by the offset operators as well as the City of Farmington, and should be approved to prevent waste and protect correlative rights.

(4) That the applicant, Pubco Petroleum Corporation, also seeks an order pooling all mineral interests in the Basin-Dakota Gas Pool underlying Lots 1, 2, 3, and 4 and the S/2 of the N/2 of Section 1, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexicc.

(5) That the applicant has the right to drill and proposes to drill a well in the N/2 of said Section 1 to the Basin-Dakota Gas Pool.

(6) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(7) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(8) That the applicant should be designated the operator of the subject well and unit.

(9) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(10) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs.

(11) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that said actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(12) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(13) That $70.00 per month should be fixed as the reasonable cost of operating the subject well and each non-consenting

working interest owner should be assessed with his share of such cost, to be paid out of production.

(14) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

IT IS THEREFORE ORDERED:

(1) That the applicant, Pubco Petroleum Corporation, is hereby granted an exception to the Special Rules and Regulations for the Basin-Dakota Gas Pool to drill a well at an unorthodox location 1040 feet from the North line and 360 feet from the East line of Section 1, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico.

(2) That all mineral interests, whatever they may be, in the Basin-Dakota Gas Pool underlying Lots 1, 2, 3, and 4 and the S/2 of the N/2 of Section 1, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a 319.40-acre gas proration unit to be dedicated to the Pubco Petroleum Corporation Federal Well No. 15, to be located as described above.

(3) That Pubco Petroleum Corporation is hereby designated the operator of the subject well and unit.

(4) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs within 30 days following the date of this order.

(5) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs.

(6) That the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of actual well costs within 30 days following completion of the well; that if no objection to the actual well costs is

received by the Commission and the Commission has not objected within 60 days following completion of the well, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 60-day period, the Commission will determine reasonable well costs after public notice and hearing.

(7) That within 30 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(8) That the operator is hereby authorized to withhold the following costs from production:

> The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

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(10) That $70.00 per month is hereby fixed as the reasonable cost of operating the subject well, and the operator is hereby authorized to withhold from production the proportionate share of such cost attributable to each non-consenting working interest.

(11) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

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(13) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow

in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

(14) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

DAVID F. CARGO, Chairman

GUYTON B. HAYS, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO
May 3, 1967

EXAMINER HEARING

IN THE MATTER OF:

APPLICATION OF PUBCO PETROLEUM CORPORATION FOR COMPULSORY POOLING AND AN UNORTHODOX LOCATION, SAN JUAN COUNTY, NEW MEXICO

Case No. 3568

BEFORE: Daniel S. Nutter
Examiner

TRANSCRIPT

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MR. NUTTER: Call Case 3568.

MR. HATCH: Case 3568, Application of Pubco Petroleum Corporation for compulsory pooling and an unorthodox location, San Juan County, New Mexico.

(Whereupon, Applicant's Exhibits numbered 1, 2, 3 and 4, marked for identification.)

MR. SPERLING: If the Examiner please, Jim Sperling with Modrall, Seymour, Sperling, Roehl and Harris, Albuquerque, appearing on behalf of the Applicant. We have one witness: Mr. Orin Crane.

(Witness sworn.)

MR. SPERLING: If the Examiner please, this rather formidable packet that I had marked here for identification consists of four exhibits with several parts in each one of the exhibits and, generally, they relate as follows, for the purpose of keeping this thing in proportion as we go along here.

The first is the plat of the area, which is covered by the application, together with a copy of the surveyed location.

The second exhibit relates to the portion of the application dealing with the unit, the formation of the drilling unit on an involuntary basis.

The third portion of it, or third exhibit, relates to the unorthodox location, which is also the subject of the

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application.

The fourth exhibit relates to the consents, or expressions of nonobjections, so far as offset operation is concerned to the location.

O R I N C. C R A N E, called as a witness by the Applicant, having first been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. SPERLING:

Q With that introduction, Mr. Crane, will you give your full name, place of residence, occupation, by whom employed?

A Orin C. Crane, Pubco Petroleum Corporation, Albuquerque, and I am employed as District Landman for the company.

Q Have you testified before the Commission on prior occasions?

A I have.

Q Now, please refer, Mr. Crane, to what's been marked as Exhibit One and identify that?

A This is a well location plat with, attached, the official survey plat, which indicates the exact footage of the unorthodox location, which we are requesting. It also shows the offset wells and the offset operators of the spacing units surrounding the proposed drill site.

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Q Now, the application is one for the formation of the Dakota drilling unit, is it not?

A That's right.

Q Are the wells, which are shown on Exhibit One, the Dakota wells which have been completed in the immediate area?

A That's correct, yes.

Q With the operators of those wells indicated on the exhibit?

A Correct.

Q Now, you are familiar, are you not, Mr. Crane, with the application of Pubco in this matter?

A Yes, I am.

Q The application requests relief in two areas, does it not? That is, one for the formation of an involuntary 320-acre Dakota drilling unit; and, also, for the establishment of an unorthodox location for the purpose of the drilling unit?

A Yes, that's correct.

Q Now, first, with reference to the formation of the unit, what is the interest of Pubco in this particular 320 acres, which is identified as the north half of Section 1, Township 29 North, Range 13 West, San Juan County?

A We control, through farmout and actual purchase, 212.78 acres, and that represents 66.619%. The remaining

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interest in the area is owned by Global Oils to the extent of 6.275%; T. H. McElvain, et al, to the extent of 21.904%; and by Mr. R. P. Montgomery to the extent of .1261741%, that particular interest being an unleased mineral interest in which Mr. Montgomery has committed and joined as a working interest on it with the lease of seven-eighths working interest and one-eighth royalty. The balance of the interests which, at this time, are uncommitted are owned by Mr. Glen W. Bales and wife to the extent of .11177%; and Mr. Eugene Martin to the extent of .012837%; and Macnemco, Incorporated to the extent of 4.95%.

MR. NUTTER: What is that percent, again, please?

A 4.95%. This brings a total out of this 319.04-acre unit to 15.2093 net acres uncommitted, and that represents 5.749%.

Q Now, are the interests that you have testified concerning -- set out as a part of an exhibit to the proposed Unit Agreement, which is a part of Exhibit Two?

A That's correct. It's shown on the Operating Agreement and that's shown as Exhibit C of the Operating Agreement, the exact percentages. The particular tracts are identified in Exhibit A to the Operating Agreement, and there is attached and made a part of Exhibit A, a plat which corresponds with the tract breakdown shown on the Exhibit A.

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Q Well, do I understand, then, that that is a part of the Unit Operating Agreement, that the interest in the respective tracts, which are indicated also as a part of the exhibit, that those interests are referable to particular tracts rather than undivided interests throughout the entire 319.20 in the unit?

A They are undivided interests in specific tracts -- in one case, that being Macnemco. They have 15.811 acres in Tracts 17 and 18 and that's shown on the plat. The other two interests of Mr. Bales and Mr. Martin, they are undivided, full interest in Tract Numbers 22 -- it's identified as 226 and 227 and shown on dotted lines in the southwest of the northeast quarter.

Q In summary, Mr. Crane, what is the total committed royalty interest to the unit? Do you have that broken down?

A You mean --

Q What I am getting at is --

A I don't have the exact --

Q Well, I think you stated before that all of the non-committed working interests, total percentage, equalled 5.0749216.

A Well, that's on a gross basis, yes. That's the percentage on a per acre basis that is outstanding for uncommitted.

Q So somewhat less than 95%, barely 95%, of the gross working interest is committed?

A That's correct, yes.

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Q And as a part of Exhibit A, do you have either parties' signatures to the Unit Agreement or who have executed applications of the Unit Agreement?

A Yes, I do. They are attached as a part of this exhibit on top, in the upper portion of the packet. They are included with each ratification. We have included a copy of a signed well cost estimate by the particular joining parties.

Q Well, now, in numbers of people and names of people, the only uncommitted interests, whether they be royalty or working interests, are the Glen W. Bales' interest, the Eugene Martin interest, the Macnemco, Inc. interest?

A That's correct. There is a royalty interest under Mr. McElvain's lease, which is uncommitted. It is leased. We attempted to obtain a pooling amendment to his original lease. We did obtain it from seven-eighths of the working interest of owners under his lease, but we were unable to with this one particular party, identified as Robert E. Hutchinson.

We corresponded a number of times, about three times, to be exact, attempting to secure his execution of a further pooling amendment, but without success. I cannot locate him. I know where he is. He's in Caton Lake, Idaho. He has no phone number, and I know that he's getting correspondence since I did send some of the mail certified, and he did sign the return slip, evidence of receipt, but he just refuses to respond.

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Q Well, now, in addition to the efforts made to obtain the voluntary commitment of Mr. Hutchinson's royalty interest, which you have just testified concerning, what efforts have you made to obtain the voluntary joinder of Mr. Bales, Mr. Martin, and Macnemco, Inc?

A Well, with respect to Mr. Bales, we wrote -- our original correspondence with him back in July 5th, 1966, that brought a response in the negative when we attempted to secure a lease. I telephoned Mr. Bales again on November the 15th of '66, and he stated that the reason he wouldn't give us a lease on his small interest was that there is a Standard Service Station located on the tract. Thereupon, I wrote to Standard on November 28th, received a response on December 9th indicating, of course, that the service station lease was merely a surface lease and that there was no intention of leasing the minerals and that he was free to do what he liked. I so informed him by telephone on January 11th, and also wrote a letter for his accidental correspondence to this effect in date order, reading from the earliest date up in this packet.

Q Well, do I understand that, included, as a part of Exhibit Two, is all of the correspondence received and transmitted which reflect your efforts to obtain voluntary joinder to this unit?

A That's correct. This is complete.

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Q With the three parties that we are speaking of?

A That's right.

MR. NUTTER: Mr. Crane, for orientation here, where is this north half of Section 1, 29-30-13? Is this in the River Valley there or just what type of land is this?

A No, Mr. Nutter, it's within the Farmington limits, and if you care to see it, I have a copy of the Farmington plat or map of the City of Farmington, and the red outline indicates the north half of Section 1 of which we're speaking.

MR. NUTTER: And that is the reason you've got all these small tracts and small interests, because it's in the town?

A That's correct.

MR. NUTTER: I just wondered what the situation was.

MR. SPERLING: We'll cover it more thoroughly when we get to the unorthodox location.

Q Now, Mr. Crane, would you please refer to what's been marked as Exhibit Three, which relates to the portion of the application, as I understand it, for the unorthodox or non-standard location of the proposed well within the drilling unit, comprising the north half of Section 1, as already identified? What does that exhibit contain?

A It contains a series of correspondence commencing with our first contact with the City of Farmington in an effort

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to gain a permit to drill within the city limits. It has, on the bottom, a copy of the Farmington City Ordinance, along with a letter from the City Planner; and we, thereupon, filed a permit, which is the request for permit, rather, which is one of the items in there. The balance of the material pertains to our efforts to obtain City approval. We were rejected, initially, by the Zoning Commission; and for exception in zoning, it was referred, thereupon, to the City Council. We appeared before the Council and they ultimately referred the matter back to the Zoning Commission and, finally did approve the location.

Q Well, do I understand, then, that Pubco has obtained a drilling permit issued by the City of Farmington in compliance with the City Ordinance which makes up a part of Exhibit Three?

A That's right. On February 28th, the permit was granted. A copy of that is contained in the packet there.

Q And have the conditions of that permit been complied with, insofar as furnishing bond and that sort of thing?

A Completely. We have copies of the bond requirements: our bond required is enclosed there. A copy of the statement of insurance is also attached and that fully complies with that part of it.

Q Is it not true, Mr. Crane, that the sole remaining condition, insofar as the City of Farmington permit is concerned, is the obtaining of approval from the Oil Conservation

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Commission of the proposed location?

A That is affirmative.

MR. NUTTER: This letter to Austin Roberts, is he the city attorney now?

A No, Mr. Roberts represented us before the council, the City Council up there.

MR. NUTTER: I see.

MR. SPERLING: I believe, Mr. Examiner, there is a letter from Mr. Burnham, LaVor Burnham, who is the City Attorney, which I think is about the third document down from the top, which --

MR. NUTTER: I'm still working my way up from the bottom.

MR. SPERLING: I was afraid of that. The letter that I've just referred to simply acknowledges that the permit has been issued and acknowledges receipt of the bond.

MR. NUTTER: Now, I guess this is the permit, isn't it, Mr. Crane?

A That's correct.

MR. NUTTER: I've gotten to it, then. Oil and Gas Drilling Permit signed by Floyd G. Davis for the City of Farmington. Now, I am up to Burnham's letter.

Q Now, in connection with the compliance with the requirements of the City of Farmington, what drilling program and safety precautions are projected by Pubco in connection with

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the drilling of this well?

A The top piece of material on this exhibit contains a summary of our proposed program which is in strict compliance with the City Ordinance. It requires, among other things, the complete cementing and valves, casing, blowout preventors with high-low shutdown. You have a number of special provisions that the City requires, such as metal pits which we will be using, fencing of the location and the pits and, eventually, the landscaping and fencing of the entire area once we're completed.

Q Now, with reference to the physical features of this proposed unit and the immediate well location, you've already stated that the location is within the city limits of Farmington; requiring, of course, compliance with their City Ordinance regulating the drilling of wells within the city limits. Would you explain, briefly, for the Examiner and the record what the physical features are with reference to this unit?

A Our best desirable location, as we had originally identified it, was someplace within the northeast quarter of the section. The most ideally situated spot which we, of course, initially, considered was this northeast of the northeast, as much as it is completely vacant, with exception of one small shack. There is a Pictured Cliff Wells located approximately dead center of the quarter quarter. There is housing along the west side of this quarter quarter to the south, there are two or three houses, a trailer court with a series of trailers, rental

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spots. There is housing immediately to the east. This, the west half of this northeast of the northeast, while vacant, has been completely leveled and surveyed for subdivision, although the subdivision has not been filed of record.

The ideally situated spot, then, for our well location fell within the lower part of the east half of the northeast, which is a, more or less, natural drain, this drops off. We could have moved into the southeast of the northeast, but this is a drain, increases as it crosses the road and becomes a rather significant arroyo and location cost would have been anywhere from doubled to tripled as they would be up here.

You wish me to go further?

Q I think the Examiner will ask you some questions, probably, when -- if he requires an explanation, unless there are some other significant features that occur to you at this time.

MR. NUTTER: In other words, Mr. Crane, the southeast of the northeast quarter of this Section has objectionable terrain up in the northeast of the northeast, the west half of that 40 has been leveled for a subdivision and it leaves only the east half of the northeast northeast for a well location?

A That's correct, yes.

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Q Now, does the permit, which you have obtained from the City of Farmington, designate access routes insofar as the well location is concerned, as it now stands approved by the City?

A Yes, it does. We are to enter from the paved road to the north of the drill site, which there is an existing gate and roadway running down to the Pictured Cliffs Well. We were, initially, to use this road in obtaining access and during the drilling and completion stages of the well with the understanding that upon completion of that well, prepare a suitable roadway from the south, leading over the southern-most road of the quarter quarter.

Q Are there any other matters with reference to the physical location of this well that you care to mention?

A I don't believe so.

Q Well, do I understand, then, that you have taken into consideration and consultation with the City officials the location, as proposed in the application, and this has been arrived at as the best spot for all parties concerned?

A That's correct, yes. In fact, the City required us to make a minor adjustment and exception to this northern access.

Q Now, Exhibit Number One, which is the plat, shows

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the location of other Dakota wells in the area, does it not?

A That's correct, yes.

Q And have you contacted the offset operators from this proposed location with a view toward obtaining an expression of objection or nonobjection?

A Yes, I have, and that is the final group of material marked for exhibit. That contains the letters from us to the various offset operators, as well as their responses, voicing no objection.

Q That is all contained in Exhibit Four?

A That is correct.

Q I believe there's one exception, is there not, Mr. Crane, and that is with reference to the Southern Union which, I guess, technically, is offset to the tract insofar as the northwest corner of Section 1 is concerned?

A That's correct. I did write to Southern Union, and there is a copy of a certified receipt, evidencing they did get the letter. We never obtained the reply from them.

Q But in any event, they have not indicated any objection to the location?

A They have not.

Q Now, from an examination of Exhibit Number One, it shows the proposed location. It appears that -- are all these

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wells that are indicated producing wells at the present time?

A Yes, they are.

Q In connection with the allowance of a risk factor, Mr. Crane, which is allowed by the New Mexico status in connection with involuntary pooling, have you any expression of opinion as to the risk factor involved in view of the development, which has occurred in this area?

A Well, our application, of course, did not request consideration of risk factor, although we are, naturally, aware that there is some risk inherent in drilling any particular well. The interest factor, alone, should be given, of course, in our opinion, some consideration for the use of our money, although it is minor.

Q Do you have a rough figure as to what the extent of contribution on behalf of the uncommitted interest will be by Pubco?

A Yes, I do. We're expecting the well cost estimate -- we have estimated it at $99,100.00, of which there would be allocated to Macnemco $4,906.00; Mr. Bales $111.00, and Mr. Martin $13.00 for, roughly, a total of $5,000.00, which will be beared for these uncommitted interests. This will be in addition to our cost of approximately $66,000.00.

Q I think it would be of interest to explain the

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situation with reference to the Macnemco, Inc. interest, Mr. Crane, insofar as the committing of this interest, and exactly what the situation is with reference to this, what appears to be a corporation.

A Well, Macnemco, we found, eventually -- well, let me restart.

Macnemco owned and, as I understand it, did build the Petroleum Club Plaza Building, which is located in the northwest quarter of the Section. They have since become defunct. There's been numerous liens, as we understand it, suits filed against them and so forth.

I did find out, later, that Macnemco was forfeited on October 28th, 1965, for failure to file an annual return with the required franchise fees. The last known legal address for Macnemco was at 3535 East 30th Street in Farmington, which is, approximately, the address of the location here.

The entire stock in the corporation was owned by four individuals. These four individuals accepted monies and funds from a Trust in California. I do not have the exact particulars of the Trust, but, at any rate, they did form the corporation, issued stock, which -- entirety of which was held by these four individuals.

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Among other things, the City of Farmington has, outstanding, a $21,000.00 paving lien assessed against Macnemco. The title to this property is still in Macnemco, but the Court in California ordered the entire stock turned over to the various individuals who were principals to this particular Trust that has, initially, advanced the money.

It is owned by, approximately, twenty to twenty-five individuals scattered throughout the United States, as we understand it.

There's never been any effective transfer. Of course, the corporation is defunct; and there's entire question as to who has got it. We really don't know.

MR. NUTTER: What was it formed for, originally? To build that building?

A Probably to build that building. It was formed for a development corporation, as I understand it; and they, apparently, just had some bad runs of luck, among other things, and they folded up.

MR. NUTTER: Off the record.

(Whereupon, an off-the-record discussion was had.)

Q (By Mr. Sperling) Well, Mr. Crane, in view of those difficulties, I assume they are having difficulty getting someone to step forward to claim the property?

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A Nobody wants it with that $21,000.00 paving lien on it. The City of Farmington had foreclosure action pending, which has never been carried to completion.

We've talked to Mr. LaVor Burnham, the City Attorney in Farmington, in an effort to get something moving, but the City doesn't wish to do anything. They have some remote hopes of, apparently, getting somebody to pay this off or, at least, a part of it one of these days.

Q Maybe they will benefit as a result of the foreclosure in some of the proceeds from this well.

MR. NUTTER: Now, you say they own 4.95% of the interest in the 319 acres?

A That's correct. That's mainly in the -- the main portion of that is in the southeast quarter of the northwest quarter, where the Plaza Building is located, and a small part in the northeast of the northwest.

Q Do you have anything else you'd like to offer, Mr. Crane?

A I would like to add one final request if at all possible.

We would like to commence this well at an early date. We have three other wells on a drilling bid. We're trying to obtain a fourth well bid. We would like to start

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this well within the next ten to fifteen days, hopefully, and we would like to have the right to do so, if at all possible.

Q Anything else?

A I believe not.

MR. SPERLING: I'd like to offer Exhibits One through Four at this time.

MR. NUTTER: Exhibits One through Four will be admitted in evidence.

(Whereupon, Applicant's Exhibits numbered 1, 2, 3 and 4 admitted in evidence.)

MR. SPERLING: That's all we have at this time, Mr. Nutter.

MR. NUTTER: Does anyone have any questions of Mr. Crane?

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Crane, there are 319.04 acres in the tract --

A That's correct.

Q -- in the total north half there? Pubco, through purchase or farmout, controls 212.78 acres or 66.619%?

A That's correct.

Q Global Oil owns 6.275%?

A That's correct.

Q T. H. McElvain, et al, owns 21.904%?

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A Yes, sir.

Q And R. P. Montgomery owns .12 --

A -- 6174.

Q .126174%. Now, all of those are committed?

A They are, yes.

Q Now, we're getting into the uncommitted. Bales owns .11177%?

A That's correct.

Q Martin owns .012837%?

A That's correct.

Q And Macnemco owns 4.95%?

A That's correct. Those are approximations, Mr. Nutter. There is an attachment, Exhibit C, to the Operating Agreement that has those actual, carried out figures to considerable amount of digits.

Q And the total committed acreage is, approximately, 95%?

A Yes, sir, approximately.

Q And the total uncommitted working interest is about 5%?

A That's correct.

Q Now, you stated that you had made your estimate of well costs, that $99,100.00; but I notice in one of these

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letters, you advise Martin and Bales that it would be $95,000.00.

A That was true, and that was before we got into some of these costs that we didn't expect, such as excessive location cost that we ran into up there. We paid some substantial amount for the surface damage and release; the extra -- expected cost of landscaping, additional requirements to the steel slush pits. They will -- we're expecting the cost to run up, at least, that much more. We think that we will be able to hold it under that, but we made these estimates to be on the safe side.

Q Now, you have not furnished us with an itemized tabulation of well costs, have you?

A Yes, sir. It's in. There is a signed well cost estimate attached to each one of the ratifications, and those are on top of the second exhibit. There's a series of them. They're all the same, same numbers.

Q Oh, here's one. It comes to $99,100.00.

A That's correct.

Q Have Bales and Martin ever been advised of the new cost estimate, which would be $99,100.00?

A Yes. I sent them copies in efforts to get them to join, possibly, as a non -- with a noncommitted interest or

dearnley-meier
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lease interest, and I sent them copies of the estimate. I sent them copies of the Communitization and Operating Agreements and requested joinder.

Q So they have been advised of this new estimate of cost?

A They have.

Q And the way it works out, Martin shares about $13.00, Bales shares $111.00, and Macnemco with four thousand -- how much?

A -- 906.

Q $4,906.00. And you also estimated, in your letter to the aforementioned Bales and Martin, that operating costs would be, approximately, $70.00 a month. Is that figure still a firm figure?

A That is correct. Expected cost, of course, reduced proportionately to their interest, as I pointed out in the letters.

Q One of them shares was nine-tenths of some points at the most?

A That's correct. I believe it was one-eighth.

Q Then, you are not requesting a risk factor at this time?

A Not specifically, although, as I mentioned, there is some risk inherent.

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MR. NUTTER: George, do we need anything else?

MR. HATCH: I think we got what we need.

Q Now, the drilling permit that the City of Farmington gave you, does it specify the well location?

A Yes, it does. I will refer to that real quickly, but I am certain it does.

The bottom of the first page specifies that particular location.

Q And it is the same location that we have under consideration here today?

A Yes, sir. That is correct.

MR. NUTTER: Are there any other questions of Mr. Crane? You may be excused.

Do you have anything further, Mr. Sperling?

MR. SPERLING: No, sir.

MR. NUTTER: Does anybody have anything they wish to ovver in Case 3568?

We will take the case under advisement, and the hearing is adjourned.

dearnley-meier
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STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

I, CHARLOTTE J. MACIAS, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission Examiner at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF, I have affixed my hand and notarial seal this 9th day of May, 1967.

Charlotte J. Macias
Notary Public-Court Reporter

My Commission Expires:
February 10, 1971.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3568, heard by me on 5/3, 1967.

Examiner
New Mexico Oil Conservation Commission

dearnley-meier
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PUBCO FEDERAL #15

SUMMARY OF DRILLING PROGRAM AND SAFETY PRECAUTIONS

Drilling Program

1. Location: 1040 ft. FNL, 360 ft. FEL, Sec. 1-T29N-R13W, San Juan County, New Mexico.

2. Total Depth: ± 6100 ft., or sufficient to drill through the Dakota sands.

3. Hole and Casing Sizes:

Depth	Hole Size	Casing
± 350 ft.	11 in.	8-5/8 in., 24 #/ft., J-55
T.D.	7-7/8 in.	4-1/2 in., 10.5 #/ft., J-55

All casing strings will be tested with no less than 80% of rated burst pressure after cementing.

4. Drilling Fluid: Water-base drilling mud will be used from surface to T.D. Mud weight will be controlled to be substantially in excess of reservoir pressures at all times. No loss of circulation or blowout problems have been experienced in the immediate area. All chemicals will be non-toxic in the concentrations used. Steel working pits will be used to contain all working fluids.

5. Cementing: Cement will be circulated around all casing strings from the depth set back to surface. All cement used will be Class "C", corrosion resistant. The 4-1/2 in. production string will be cemented in two or more stages to assure circulation to the surface.

6. Cores: None

7. Drill Stem Tests: None

8. Logging: Induction-electrical and porosity logs will be run from below surface pipe to total depth.

9. Blowout Preventors:

   (a) Conventional double-ram preventors will be used during all drilling and completion operations after surface casing is set. Operation of preventors will be tested daily.

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Cupp. EXHIBIT NO. 3
CASE NO. 3568

9. Blowout Preventors (cont'd)

(b) A rotating head with stripper rubber will be in place during all drilling and completion operations after surface casing is set.

10. Well Head: A series 900 well head tested to 6000 psi will be used. This will provide a safety factor of more than three times the surface shut-in pressure of the Dakota.

SPECIAL PROVISIONS

1. An extra deep reserve pit will be dug and the water level in this pit will be kept low by hauling from it as required.

2. The reserve pit will be fenced with a six-foot fence from the time it is dug until it is filled.

3. The gate on the road to the location will be kept locked at all times.

4. Frac operations will be conducted in daylight only.

5. All production processing equipment will be built to ASME code specifications and will have high-pressure relief valves.

6. An automatic hi-lo shut-in valve will be installed on the well head to instantly close the well in, in the event of either high or low line pressure.

7. The well and all equipment will be fenced, following completion, with a six-foot, chain-link fence topped with barbed wire.

8. The area will be landscaped following completion.

City Council:
RONALD D. BOBBY
FRANCIS A. REILLY
ROBDELL SCHMITT
JAMES C. VANDIVER

City of Farmington

Energy Capital of the Southwest

P. O. BOX 900
FARMINGTON, NEW MEXICO 87401

FLOYD G. DAVIS,
Mayor

March 15th, 1967

Mr. Orin C. Crane, Records
Supervisor,
Pubco Petroleum Corporation,
P. O. Box 869,
Albuquerque, New Mexico.

Dear Mr. Crane:

Re: Oil and Gas Drilling
Permit, City of Farmington,
New Mexico.

This is to advise the executed Oil and Gas Drilling Permit, granted by the City of Farmington to Pubco, is in order.

We have also received your bond, as required, and are placing these in our files, for record.

Thank you for your consideration in this matter.

Very truly yours,

LaVor W. Burnham

LaVor W. Burnham,
City Attorney.

LWB:RS

PUBCO PETROLEUM CORPORATION

March 14, 1967

City of Farmington
P. O. Box 900
Farmington, New Mexico 87401

Attention: Mr. LaVor W. Burnham
City Attorney

Re: Drilling Permit
Plaza Prospect
San Juan County, New Mexico

Gentlemen:

As instructed by your letter of March 6, 1967, we are returning the original of the Drilling Permit dated February 28, 1967, such having been signed by the proper officials of this company. Also, enclosed is Federal Insurance Company Bond No. 8031-11-84, running to the City of Farmington, such as required under numbered Paragraph 2 of the permit. The insurance requirement of this section has been fulfilled by the statement of insurance from Savage & Spannini, Inc. under Hartford Accident & Indemnity Company Policy No. 46 C 10904, such as forwarded to Mr. Morris W. Franks on February 21, 1967.

According to the permit, operations are not to be commenced until approval of the bond and insurance has been given by the City of Farmington.

We ask that you please inform us as to the adequacy of these items.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:dc
Enclosures

cc: City of Farmington
P. O. Box 900
Farmington, New Mexico 87401
Attention: Mr. Morris W. Franks
City Planner

Pick Morris
(Richard S. Morris)

City Council
RONALD D. RODDY
FRANCIS A. REILLY
ROZDELL SCHMITT
JAMES C. VANDIVER

FLOYD G. DAVIS,
Mayor

City of Farmington

Energy Capital of the Southwest

P. O. BOX 900
FARMINGTON, NEW MEXICO 87401

March 6th, 1967

Mr. Frank D. Gorham, Jr., President,
Pubco Petroleum Corporation,
P. O. Box 869,
Albuquerque, New Mexico 87103

Dear Mr. Gorham:

Re: Pubco's Application, 1/17/67, to drill oil and/or gas well, Farmington, N. M.

Enclosed is original and one copy of Oil and Gas Drilling Permit. Would you please sign these copies and return the original, so that we will have a fully executed copy for our records.

In approving the above permit, the Council was very careful to specify that this permit was granted on the representations made by you at the Council meeting and at the Planning and Zoning Commission Meeting, namely, the well would be moved 100 feet northward; ingress and egress during drilling time would be from the north; "Unorthodox Location" permit would be obtained from the State and that all conditions as set forth in the approved minutes of the February 14th, 1967, Council meeting be adhered to. We enclose a copy of these minutes for your information.

Very truly yours,

LaVor W. Burnham

LaVor W. Burnham,
City Attorney.

LWB:RS
encl. -1-

FEDERAL INSURANCE COMPANY

CHUBB & SON INC., *Manager* 90 John St., New York, N. Y. 10038

FED. INS. CO. BOND NO. 8031-11-84

KNOW ALL MEN BY THESE PRESENTS: That we PUBCO PETROLEUM COMPANY of Albuquerque, New Mexico, as Principal and FEDERAL INSURANCE COMPANY, a corporation of the State of New Jersey having a principal office at 90 John Street, New York, New York authorized to transact business in the State of New Mexico, as Surety are held and firmly bound unto the Town of Farmington, New Mexico for the benefit of the said Town and all persons concerned, as Obligee in the sum of TEN THOUSAND AND 00/100 ($10,000.00) DOLLARS lawful money of the United States of America for the payment whereof to the Obligee the said Principal and the said Surety bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

SIGNED, Sealed and Dated this 2nd day of March , 1967.

WHEREAS, the above Principal has applied to the Town of Farmington, New Mexico for the issuance of a permit under Title 11 of the Town of Farmington Municipal Code, 1959, Ordinance No. 391 for the drilling and operation of Gas &/or Oil Well known as Pubco Federal #15, Well Plaza Prospect, San Juan County, New Mexico located in the NE¼NE¼ of Section 1, Township 29 North, Range 13 West lying within the corporate limits of the Town of Farmington, New Mexico.

NOW THEREFORE, The condition of this obligation is such, that if the above Principal shall in all respects comply with the terms and conditions of "Title 11, Oil and Gas Development" of the Town of Farmington, New Mexico governing the drilling and operation of said well, and pay all legally imposed fines, penalties and other assessments imposed upon it by reason of any breach of any terms, provisions and conditions thereof and will promptly restore the streets and sidewalks and other public property of the Town of Farmington which may be disturbed or damaged in said operations to their former condition, and will promptly clear all premises of all litter trash, waste and other substances used, allowed, or occurring in the operations and will after abandonment or completion, grade, level and restore such property to the same surface and conditions as nearly as possible, as existed when operations were first commenced, and will indemnify and hold harmless the Town of Farmington from any and all liability growing out of or attributable to the granting of such permit, then this obligation shall be void, otherwise to remain in full force and effect.

The term of this bond shall be concurrent with the term of the permit issued by the Town of Farmington, viz: one year from the date of the permit and so long thereafter as oil or gas is produced, or until such time as the Principal has permanently abandoned the operation of such well or facility for which the permit was issued.

ATTEST:

By: _____
Assistant Secretary
J. F. Shaw

PUBCO PETROLEUM CORPORATION

BY: _____
Frank D. Gotham, Jr. President

FEDERAL INSURANCE COMPANY

BY: _____
Mary F. Nieters
Attorney-in-fact

COUNTERSIGNED BY:

_____
Resident Agent at Santa Fe, New Mexico

Certified Copy of

POWER OF ATTORNEY

Know all Men by these Presents, That the FEDERAL INSURANCE COMPANY, 90 John Street, New York, New York, a New Jersey Corporation, has constituted and appointed, and does hereby constitute and appoint

**Edward F. Reid, Jerald W. Keenan, Mary F. Nieters and Richard S. Skewes of Denver, Colorado - - -

CITY AND COUNTY OF NEW YORK: ss

I, the undersigned, Assistant Secretary of the FEDERAL INSURANCE COMPANY, do hereby certify that the following is a true excerpt from the By-Laws of the said Company as adopted by its Board of Directors on March 11, 1953 and amended January 2, 1964 and that this By-Law is in full force and effect.

"ARTICLE XIX.

Section 2. All bonds, undertakings, contracts, powers of attorney, and other instruments other than as above, for and on behalf of the Company which it is authorized by law or its charter to execute, may and shall be executed in the name and on behalf of the Company either by the Chairman or the Vice-Chairman or the President or a Vice-President, jointly with the Secretary or an Assistant Secretary, under their respective designations, except that any one or more officers or attorneys-in-fact designated in any resolution of the Board of Directors or the Executive Committee, or in any power of attorney executed as provided for in this section, may execute any such bond, undertaking or other obligation as provided in such resolution or power of attorney."

And I further certify that I have compared the foregoing copy of the POWER OF ATTORNEY with the original thereof and the same is a correct and true copy of the whole of said original Power of Attorney and that said Power of Attorney has not been revoked.

And I further certify that said FEDERAL INSURANCE COMPANY is duly licensed to transact fidelity and surety business in each of the States of the United States of America, Puerto Rico, and each of the Provinces of the Dominion of Canada with the exception of Prince Edward Island; and is also duly licensed to become sole surety on bonds, undertakings, etc., permitted or required by the laws of the United States.

Given under my hand and seal of said Company at New York, N. Y., this 2nd day of

MARCH, 19 67

Assistant Secretary

OIL AND GAS DRILLING PERMIT

THIS INDENTURE, made and entered into this 28th day of February, 1967, by and between the City of Farmington, New Mexico, (hereinafter sometimes referred to as the "City") and Pubco Petroleum Corporation, (hereinafter sometimes referred to as "Permittee").

WITNESSETH

WHEREAS, Permittee on the 17th day of January, 1967, filed with the City an application for a permit to drill an oil and/or gas well, covering the North Half of Section 1, Township 29 North, Range 13 West, N. M. P. M; and

WHERAS, at a Special Meeting of the Planning and Zoning Commission, a zoning exemption for the purpose of drilling for oil and/or gas was obtained for the following location:

> 1,040 feet from the north line and 360 feet from the east line of Section 1, Township 29 North, Range 13 West, N. M. P. M.,

and that said application and well location was subsequently approved by the City Council.

NOW, THEREFORE, and in consideration of the covenants herein set forth, and pursuant to the City of Farmington Municipal Code, the City does by these presents, give, grant and convey unto Permittee, his heirs, successors and assigns, a License and Permit to enter upon and drill an oil and/or gas well, at a depth of approximately 6,300 feet, at a location in the Corporate Limits of the City of Farmington, New Mexico, described as follows, to-wit:

> 1,040 feet from the north line and 360 feet from the east line of Section 1, Township 29 North, Range 13 West, N. M. P. M.,

together with the right to produce, operate, maintain and re-work such well, along with the right to perform such other acts as may be necessary for the efficient operation of said well.

This permit shall continue in force and effect for a term of One (1) year from the date first herein written and so long thereafter as oil or gas is produced from the well herein permitted, or until such time as the Permittee has permanently abandoned the operation of such well.

Such Permit is granted subject to the terms and conditions as hereinafter set forth, to-wit:

1. Permittee understands and agrees that he will be governed and bound by all of the terms and provisions of Title II of the City of Farmington Municipal Code, (Ordinance No. 391) and such Title is incorporated herein by reference thereto to the same force and effect as if such Title were herein copied verbatim.

2. Permittee covenants and agrees that no operations shall be commenced upon said well until such time as Permittee has filed and had approved an indemnity bond and certificate of insurance, executed by a reliable insurance company authorized to do business in the State of New Mexico, as surety, the applicant as principal, and the City and all persons concerned as beneficiaries in accordance with the terms of Chapter 11.8 of the City of Farmington Municipal Code. The amounts of such bond and insurance to be as follows:

BOND:
Principal sum of $10,000.00

INSURANCE:
Bodily injuries, $100,000.00 one person;
$300,000.00 one accident

Property damage, $200,000.00,

such amounts of the bond and insurance being subject to reduction in accordance with the provisions of Chapter 11.8 of said Municipal Code.

3. Permittee further covenants and agrees that upon completion of said well as a producer, Permittee shall fence and landscape such well in a reasonable manner as may be prescribed by the City Council.

The terms of this Permit shall be deemed to be a covenant running with the land and the benefits and burdens contained herein shall inure to and be binding upon the Permittee, his heirs, successors and assigns.

IN WITNESS WHEREOF, we, the undersigned, set our hands and seals the day and year first above written.

THE CITY OF FARMINGTON, N. M.

SEAL

by _____
Floyd G. Davis

ATTEST:

_____
Wilton D. Pine, City Clerk

PUBCO PETROLEUM CORPORATION,

SEAL

by _____
Title: President
Frank D. Gorham, Jr.

ATTEST:

_____
Assistant Secretary , J. F. Shaw

Copy of Letter From

SAVAGE & SGANZINI, INC.

Drawer C
Albuquerque, New Mexico 87103

February 21, 1967

Mr. Morris W. Franks
City Planner
City of Farmington
P. O. Box 900
Farmington, New Mexico

Re: Pubco Petroleum Corporation
HA&I Policy No. 46 C 109604

Dear Mr. Franks:

Enclosed is Certificate of Insurance being forwarded to you in connection with Pubco Petroleum Corporation's permit to drill gas well within the limits of the town of Farmington. The Town of Farmington has been named an additional insured under this policy.

Yours very truly,

SAVAGE & SGANZINI, INC.

By

TGS:jr
Enclosure

cc: Pubco Petroleum Corporation
P. O. Box 869
Albuquerque, New Mexico 87103
Attention: Mr. Paul Nardin

THE HARTFORD INSURANCE GROUP

CERTIFICATE OF INSURANCE

Co. Code
[1] Hartford Fire Insurance Company
[5] Hartford Accident and Indemnity Company
[3] Citizens Insurance Company of New Jersey
[6] New York Underwriters Insurance Company
[9] Northwestern Underwriters of Citizens Insurance Company of New Jersey
[7] Twin City Fire Insurance Company

This is to certify that the company designated herein by Co. Code has issued to the named insured the policies enumerated below.

Co. Code: 5

Named Insured and Address

Pubco Petroleum Corporation
P. O. Box 869
Albuquerque, New Mexico

The policies indicated herein apply with respect to the hazards and for the coverages and limits of liability indicated by specific entry herein, subject to all the terms of such policies.

Hazards	Policy Number	Effective Date	Expiration Date	Coverages and Limits of Liability			
				Bodily Injury Liability		Property Damage Liability	
				each person	each accident	each accident	aggregate
General Liability							
Premises-Operations	46 C 109604	2/21/67	9/1/67	$ 250 ,000	$ 500 ,000	$ 200 ,000	$ 250 ,000
Elevators				$,000	$,000	$,000	XXXX
Independent Contractors		2/21/67	9/1/67	$ 250 ,000	$ 500 ,000	$ 200 ,000	$ 250 ,000
Products-Completed Operations				$,000	$,000	$,000	$,000
				Aggregate:	$,000	XXXX	XXXX
Contractual-as described below				$,000	$,000	$,000	$,000
Automobile Liability							
Owned Automobiles				$,000	$,000	$,000	XXXX
Hired Automobiles				$,000	$,000	$,000	XXXX
Non-Owned Automobiles				$,000	$,000	$,000	XXXX
Workmen's Compensation and Employers' Liability				Compensation — Statutory Employers' Liability — $ .000			
Umbrella Liability				$,000,000			

Location and description of operations, automobiles, contracts, etc. (For contracts, indicate type of agreement, party and date.)

Town of Farmington named as additional insured in connection with Drilling Permit.

If policy is canceled, 10 Days written notice will be given to:

Morris W. Franks
City Planner
P. O. Box 900
Farmington, New Mexico

Date 2/21/67

SAVAGE & SCANZINI, INC.

By ..... *Authorized Representative*

Form G-2106-3 Printed in U. S. A. 6-'64

LAW OFFICES

TANSEY, ROSEBROUGH & ROBERTS

P.O. BOX 659 • 511 WEST ARRINGTON

FARMINGTON, NEW MEXICO 87401

CHARLES G. TANSEY

PHONE: 325-1801

February 15, 1967

Pubco Petroleum Corporation
Post Office Box 869
Albuquerque, New Mexico 87103

Attention Mr. Orin C Crane
Supervisor, Land Department

RE: Plaza Prospect
Pubco Federal #15
San Juan County, New Mexico

Dear Mr. Crane:

Supplementing our telephone conversation of this date, this will again assure you that the Zoning Commission of the City of Farmington approved an exemption for drilling purposes on behalf of Pubco at a hearing held before the Zoning Commission at 11:00 A.M. today.

The exemption was conditioned upon the location being moved 100 feet north from your previous location, and also provided access to the drilling site during the drilling period would be from the north over the existing right-of-way to the Picture Cliff well now located on Andrews property.

It was also requested that Pubco furnish the City of Farmington a written plan or design showing the width of the proposed permanent right-of-way from the south, any improvements, shrubbery and other related work to be done in the nature of safety factors and otherwise by Pubco, not only during the drilling period but after the well is permanent. Mr. Ramsey will recall the exact wording

of this request since he was present and did concur with said request.

I was informed that Mr. Ramsey would either pick up the license to drill from the City Hall this afternoon or would instruct the city officials to cause the same to be mailed to Pubco's address in Albuquerque as soon as possible. If you have not received the license by next Monday, don't hesitate to contact me up here.

I might add that Mr. Tom Duggan was also present at the Zoning Commission hearing today and was of considerable help in answering various and numerous questions raised by the Zoning Commission members. Also, Mr. Ramsey did a very fine job and I heard several of the Board members mention that they were impressed, not only with his sincerity, but with his knowledge of the subject in question. Howard Henderson was also present in the event we should have needed him.

I have enjoyed very much working with you and Mr. Ramsey and if I may be of any assistance to you with this or any other matters, please do not hesitate to contact me. Also, if you need any of the items in my file, please let me know and I will forward them to you. I have a map of Farmington, a copy of the ordinance, and other related documents.

Enclosed is my statement for services rendered in this matter.

Very truly yours,

TANSEY, ROSEBROUGH & ROBERTS

By _____

AER:sj
Enclosure

February 10th, 1967

AGENDA

.....for the Regular City Council Meeting of February 14th, 1967, at 7:30 P. M., Municipal Building Auditorium, Farmington, New Mexico.

1. Roll Call and convening the meeting.

2. Invocation.

3. Approval of, correction to, addition to or deletion from, the minutes of the Regular Meeting of January 24th, 1967.

4. Business from the Floor:

   A. Mr. Austin Roberts, Attorney, representing Pubco Company, appeal from denial by the Planning and Zoning Commission, for the drilling of a well. (see Planning and Zoning Commission recommendation.)

   B. Any other visitor; or business from the floor.

5. Reports from Commissions, Committees and Departments:

   A. The Public Utility Commission of the City of Farmington, at their Regular Meeting of February 9th, 1967, respectfully submits the following recommendations to the Council for its consideration:

   1. Recommend the City Council approve the cancellation of tree trimming contract between the City of Farmington, and the Mountain States Telephone and Telegraph Company.

   2. Recommend approval of trip to Hendersonville, South Carolina for Grady Williams and Bill Metheny, to attend G. E. Outdoor Lighting school - April 11th though April 13th, 1967.

   3. Recommend the City Council approve the following Customer Contracts:

      Contract #67-32 - Grace Salisbury,
      Farmington Highway, Aztec,
      One (1) - 7,000 Lumen Dusk to Dawn Light,
      Four (4) year contract - monthly minimum $4.75 each.

      Contract #67-34 - Rio Grande Steel,
      Lee Rutledge, Branch Manager,
      628 Maple, Farmington, N. M.
      Two (2) - 20,000 Lumen Dusk to Dawn
      Four (4) year contract - monthly minimum $4.75 each.

      Contract #67-35 - San Juan Auto Sales,
      Robert Papin, 628 W. Main Street, Farmington, N. M.
      One (1) - 20,000 Lumen Dusk to Dawn Light,
      Four (4) year contract - monthly minimum $6.70

   4. Recommend bid for 34 electric transformers, various sizes,

bid opened February 7th, 1967, be awarded to the General Electric Supply Company, Farmington, New Mexico, as the lowest bid received. Delivery - 8 weeks. (see attached bid tally sheet.)

5. Recommended approval of the Electric Utility Department Vouchers Payable as presented up to and including February 9th, 1967.

B. The Planning and Zoning Commission, meeting held January 7th, 1967, considered the application of Pubco Company, to drill, test and complete a well in a proposed location: 1,140 feet from the north line and 360 feet from the east line of Section 1, Township 29 North and Range 13 West.

The following is an excerpt from the unapproved minutes of the Planning and Zoning Commission Meeting held the captioned date:

"A motion was made by Mr. Jones that the request be disapproved on the grounds that the safety and welfare of the adjacent properties would be jeopardized by allowing the drilling in that location. The motion was seconded by Mr. Lipe. The question was called and voting was: Aye: Lipe, Jones, Wray. Nay: Anderson.

C. Any other Commission, Committee or Department Reports.

6. Unfinished Business:

7. New Business:

A. Mayor:

B. Council Members:

C. City Manager:

1. Legally advertised bid opened February 8th, 1967, for one (1) Communication Control Center, (see bid tally sheet for specific equipment) resulted in the receipt of one bid, in the amount of $2,473.07 for the Basic Console Complex and $5,849.00 for the Main Radio Control Position, or a total bid of $8,322.07. The bid meets specifications. It is recommended that the sole bid be accepted.

2. Monthly Paving Estimate Number 9, payable to Asphalt Paving Company, under Farmington Paving District Number 7, in the net amount of $15,136.38. (estimate attached.)

3. Upon recommendation of the Chief of Police, confirmation of appointment of STANCLE B. HICKS, as a patrolman to the Farmington Police Force, Grade 4, salary to start, $408.00.

4. Any other item or report.

D. City Attorney:

E. City Clerk-Treasurer:

1. Presentation of Occupation License Applications up to

and including February 14th, 1967. (issued February 14th, 1967).

2. Presentation of Vouchers Payable, up to and including February 14th, 1967. (issued February 14th, 1967)

3. Any other item or report.

8. Adjournment:

Notes: a. The Farmington Chapter of the New Mexico Water and Sewer Association will hold their meeting on January 13th, 1967, at 7:30 P. M., at the State Health Department, 620 South Lake Street. During the meeting, operators will take their tests for their Operator's Certificates.

Attached hereto are the approved minutes of the January 19th, 1967, Public Utility Commission.

The City Council of the City of Farmington, New Mexico, met in Regular Session on Tuesday, February 14th, 1967, at 7:30 P. M., at the Farmington Municipal Building, being the regular meeting place of said Council, in accordance with the laws and ordinances of the City, at which meeting there were present and answering roll call, the following:

Mayor:	Floyd G. Davis
Councilmen:	Ronald D. Boddy Francis A. Reilly Roedell Schmitt James C. Vandiver
City Attorney:	LaVor W. Burnham
City Clerk-Treasurer:	Wilton D. Pine
City Manager:	C. M. Woodbury.

The meeting was called to order by Mayor Davis. The following proceedings were duly had and taken:

INVOCATION: The Invocation was offered by Mr. Johnny Eaton, a member of the Church of Jesus Christ of the Latter Day Saints.

The Mayor welcomed the Reverend Cloyd, of the Navajo Methodist Mission, and his class of government students, Senior High School level, to the meeting. Stating he hoped the meeting would justify the principles they learn in class, and that they would learn about democratic action with majority rule, he expressed the hope that they would ask questions of the Council during the meeting.

MINUTES: The Mayor offered the minutes of the Regular City Council Meeting of January 24th, 1967, to the Council for its consideration.

Councilman Boddy moved the minutes be approved as written. Seconded by Councilman Schmitt and upon voice vote the motion carried unanimously.

BUSINESS FROM THE FLOOR: Mr. Austin Roberts, Attorney, representing Pubco Company, addressed the Council. Mr. Roberts was appearing on appeal of denial of a request by Pubco Company, by the Planning and Zoning Commission, to drill, test and complete a gas well, 1,140 feet from the north line and 360 feet from the east line of Section 1, Township 29 North, Range 13 West, NMPM; located within the City of Farmington, New Mexico, at a site bounded on the north by Largo Street, onthe south by Gila Street, on the west by Washington Avenue and on the east by English Road.

Mayor Davis disqualified himself from consideration on this matter, stating he was a property owner in the area and requested Councilman Roedell Schmitt to assume the Chair.

Councilman Schmitt assumed the Chair.

Mr. Roberts introduced to the Council, Messrs. Orin Crane, Land Department and George Ramsey, Area Production Manager of Pubco Company, and Mr. Tom Dugan, Consulting Safety Engineer, of Farmington, New Mexico.

The action taken by the Planning and Zoning Commission, relative Pubco's request, considered at its February 17th, 1967 meeting, (excerpt-unapproved minutes) is as follows: "A motion was made by Mr. Jones that the request be disapproved on the grounds that the safety and welfare of the adjacent properties would be

jeopardized by allowing the drilling in that location. The motion was seconded by Mr. Lipe. The question was called and voting was: Aye: Lipe, Jones and Wray. Nay: Anderson."

Mr. Crane addressed the Council. He commended Farmington upon its ordinance requirements under Ordinance Number 391, which sets out provisions for drilling wells within the City limits. Explaining that perhaps the Company had failed to go into detail with its application to the City, he traced the history of the project. The Company began work on the proposed wellsite on March 1st, 1966, considering the possibility of purchase of the land. Among the items considered were the provisions of Farmington Ordinance Number 391, and it was concluded at that time, that the Company could comply with, and had every intention of complying with, Ordinance requirements. Their puchase of land was predicated upon the best general location in the northeast quarter of the Section, geographically and engineeringwise. The interim time has been spent in clearing numerous land titles, and this investment approximates $25,000.00. It is anticipated the well drilling will cost approximately $100,000.00. The property was purchased and anticipated damage settlement made with the owners. In discussion with Mr. Morris Franks, the Planning and Zoning Advisor, he indicated there would be little difficulty in obtaining a waiver to the Zoning Ordinance. At the time of the Planning and Zoning Commission's Meeting, at which the matter was discussed, the denial was based upon a safety hazard, and whether or not Federal Housing Administration commitments would be lessened in this area, by the drilling of the well. A Picture Cliff formation well exists near this property at this time.

The Company has checked with Mr. Roy Walker, Director, Federal Housing Administration in Albuquerque, New Mexico, and the insurance underwriter to the Federal Housing Administration, and they indicated that the Administration will not unduly restrict any property from their commitments; provided the area is as clean and safe as it would be for ordinary housing. He felt the safety provisions the Company intends to take could best be explained to the Council by the Safety Engineer. However, time was of an essence, and he requested prompt action upon the Company's request.

Councilman Vandiver asked if the Company had "Unorthodox Location" permission. Mr. Crane replied that this had not been obtained at the present time, the Company was awaiting a decision from the City of Farmington. Councilman Vandiver asked that Mr. Crane explain the term "Unorthodox Location" to the Council. Mr. Crane explained that State requirements are for location of wells 790 feet from either outside boundary line of a Section. This requirement, in this instance, would place the well in an unsatisfactory site, and the Company will necessarily have to request a permit for "Unorthodox Location" from the State of New Mexico. The Company has no reason to doubt the request will be granted. If the well were placed in the State approved position, the land owner would suffer economic loss. He can be compensated for the requested area, and not suffer further economic loss.

In answer to a question as to whether or not an alternate location has been considered, Mr. Crane stated the location of the Highway made for difficult ingress and egress, if the wellsite was moved to another possible alternate location. Yet another possible alternate location is useless, because to stay within the City ordinance requirement of staying without 200 feet from structures, the well would be positioned in a natural drainage area, and would require fill dirt. Yet a third alternatate site would require the same preparation. Councilman Boddy stated he had viewed the area this afternoon, and was advised by the Company that it would be willing to move the site 100 feet to the North. Mr. Crane stated this was agreeable to the Company, and to Mr. Andrews, the land owner. Further, since discussing the matter with the Planning and Zoning

Commission, a change of plans for the well, will provide for all ingress and egress to the wellsite to be made from the north. Drilling period, approximately 20 days. It was noted that a similar situation exists in Sunset Heights where provisions were made for gas lines in 20 foot alleys, with houses hooked to utilities at the front of the lots. These homes are all FHA insured.

Mr. Ramsey, Area Production Manager, advised the Council the well will be drilled with a drill head prover to give added safety against "blow-outs". The well will be drilled with mud. Chemicals used are safe. The Company's practice for all wells in the Dakota formation, is to cement all of the casing stringers in the well's surface and to protect stringers from the bottom of the hole to the top. Cement will be placed behind the casing from the depth of the well to the surface; and cathodic protection will be provided against corrosion; which is inducing an electric current into the pipes to protect them. All factoring operations will be conducted during the daylight hours, to minimize noise factors; and as a safety precaution. There will be high pressure relief valves on all of the equipment and will release high pressure to the atmosphere. The valves will operate automatically, high or low pressure will automatically shut the valves. In the event of a line break, or excessive pressure, the valves work automatically to shut "in" the operation, until the Company employees can locate the trouble and turn them back on, manually. A fire wall in the form of a moat or dike will be built around the tank, to approximately 1-1/2 to 2 times the capacity of the tank, in case of breakage. For the Company's own protection; and to keep the area as attractive as possible, the area will be enclosed in a chain link fence with a barbed wire top, and landscaped.

Mr. Dugan, Consulting Safety Engineer, stated the Company's drilling procedures are more than adequate to safeguard against any "blow-out" during the drilling operation, the casing protection is really more than adequate; and the cementing operation is very adequate. Surface equipment is similar to most of the other wells being drilled. Testing equipment, and "High-low" shut down equipment being used at the wellhead, if an accident should occur, will immediately shut itself "in". He could see nothing wrong with the planning and the plans for the well.

Councilman Boddy stated that the City has various Boards and Commissions to help the City Council with its work, and it has been his policy in the past, not to overrule any Commission, without first having it reconsider the problem turned down, on which appeal is made to the City Council. In this particular instance, since the plans for the well have been moved 100 feet northward, and the fact that it has been ascertained that FHA will not withhold property commitments for residential buildings in the area; plus the fact that the Company has changed plans for ingress and egress into the wellsite to the north, all being pertinent considerations for the matter to receive restudy, he moved as follows:

Councilman Boddy moved that the City Council ask the Planning and Zoning Commission to reconsider their decision in the matter of the application of Pubco Company to drill a well. Seconded by Councilman Reilly and upon voice vote there being three votes for the motion and one against the motion was declared carried. Councilman Vandiver voted "Nay."

Mr. Roberts requested the minutes reflect that no disinterested party was present at the meeting, to speak either for or against the application. He requested a Special Meeting of the Planning and Zoning Commission and a similar action from the City Council on the matter, because time is of an essence in the matter. The Council concurred in this request.

Councilman Vandiver brought out the fact that the City cannot legally deny the Company a site for drilling, but did have to consider the facts, hazards to life and property, etc., involved in approving a well location. He is of record of almost never overruling the Planning and Zoning Commission. Certainly, in the normal business coming before the Commission, matter of zoning, future planning, platting, etc., their ruling stands. However, in matters such as the one before the Council at the time, they act in an advisory capacity to the City Council.

The Mayor re-assumed the Chair, Councilman Schmitt returned to his place on the Council.

The Mayor stated it was necessary for the City to exercise some control over the location of gas and oil wells, because of their dangerous nature. The Council would discuss the matter with the Planning and Zoning Commission, once more, and then take action upon the appeal.

REPORTS FROM COMMISSIONS, COMMITTEES AND DEPARTMENTS:
A. The Public Utility Commission of the City of Farmington, at their Regular Meeting of February 9th, 1967, respectfully submits the following recommendations to the Council for its consideration:

1. Recommend the City Council approve the cancellation of tree trimming contract between the City of Farmington, and the Mountain States Telephone and Telegraph Company.

2. Recommend approval of trip to Hendersonville, South Carolina for Grady Williams and Bill Metheny, to attend G. E. Outdoor Lighting School - April 11th through April 13th, 1967.

3. Recommend the City Council approve the following Customer Contracts:

   Contract #67-32 - Grace Salisbury,
   Farmington Highway, Aztec,
   One (1) - 7,000 Lumen Dusk to Dawn Light,
   Four (4) year contract - monthly minimum $4.75

   Contract #67-34 - Rio Grande Steel,
   Lee Rutledge, Branch Manager,
   628 Maple, Farmington, N. M.
   Two (2) - 20,000 Lumen Dusk to Dawn Light
   Four (4) year contract - monthly minimum $4.75 each.

   Contract #67-35 - San Juan Auto Sales,
   Robert Papin, 628 W. Main Street, Farmington, N. M
   One (1) - 20,000 Lumen Dusk to Dawn Light,
   Four (4) year contract - monthly minimum $6.70

4. Recommend bid for 34 electric transformers, various sizes, bid opened February 7th, 1967, be awarded to the General Electric Supply Company, Farmington, New Mexico, as the lowest bid received. Delivery - 8 weeks.

5. Recommended approval of the Electric Utility Department Vouchers Payable, as presented up to and including February 9th, 1967.

The City Manager reported the recommendation to cancel the Tree Trimming Contract between the Mountain States Telephone and Telegraph Company and the City, resulted from the finding that the cost was very high for the

BCO PETROLEUM CORPORA ON

"NOTED FDG"

February 8, 1967

Mr. Austin E. Roberts
Tansey, Rosebrough and Roberts
P. O. Box 659
Farmington, New Mexico

Re: Plaza Prospect
Pubco Federal #15
San Juan County, New Mexico

Dear Mr. Roberts:

In accordance with our telephone conversation of this date, I am enclosing a Farmington City Map folded to the red outline of our proposed spacing unit for the drilling of our Dakota test in the NE¼NE¼ of Section 1; and I am also enclosing an unexecuted copy of our proposed Communitization Agreement with the attached Exhibit "A" clearly setting forth all ownership. The Exhibit has attached to it a plat with the tract outlines corresponding to the Exhibit. In comparing the plat with the City Map, you will get a better idea of the situation.

As I told you and as you will note from the Exhibit, the Pubco acreage, for the most part, has been acquired through Mr. Howard E. Henderson, who initially submitted the deal to us in May, 1966. We have been since that time involved in clearing titles to the numerous small interests and have been successful in putting the spacing unit together with the exception of those tracts shown on the Exhibit as 17 (2), 19 and 22 (6). These non-committed tracts amount to slightly in excess of five percent of the total unit area; and as a result, it will be necessary to go before the New Mexico Oil Conservation Commission for forced pooling.

The two small tracts are owned by parties that I could simply "not get through to." The major tract, 17 (2), is the interest belonging to Macnemco, Inc. We were unsuccessful in acquiring a lease on this property since the City has an outstanding paving lien in excess of $11,000.00 against the Macnemco interests. Macnemco effectively no longer exists, and the Corporation Commission informs me it was forfeited on October 28, 1965, for failure to pay their franchise fees, etc. Basically, Macnemco was a trust, and the trust no longer has any funds. Fraud action was taken by principals in California, with the only result being the Order to dissolve the trust and distribute the holdings, mainly comprised of Macnemco stock, to the various principals. Effectively, therefore, there is no one from whom we can acquire a lease at the present, and no one willing to claim title to the lands because of the paving lien. So much for that aspect.

At this point, I might mention that the "uncommitted" tracts are actually "unleased" tracts, with the other working interest owners having consented in the commitment of their leases, or as in two cases, mineral owners have agreed to commit and participate in the well costs.

The tract being within the City Limits we realized would create some problems. We learned that the City had adopted an Ordinance regulating drilling and operation of oil and gas wells within the corporate limits, and I am enclosing a copy of the Ordinance. The bulk of the proposed spacing unit is zoned residential, and particularly our wellsite is in such a zone. Mr. Morris Franks, City Planner, had informed us that it would be necessary to submit a petition to the Planning and Zoning Commission requesting a special exemption for drilling purposes. We submitted the petition along with our request for a drilling permit, and the 15-day publication as required by law was adequate to permit hearing before the Commission on February 7, 1967. I was present at the hearing along with Mr. Charles E. Ramsey, Jr., our Area Production Manager and Engineer, and not anticipating any difficulty, we failed to have counsel present. As it turned out, however, I doubt that this would have made any difference, since as I told you I got the feeling that much of this had been pre-discussed and the decision was pre-determined. I may be in error, however.

We were questioned on, among other things, why our well location could not be moved. At this point, we should go into a little bit of background. Initially, our major reason for locating in the NE¼NE¼ was strictly the result of the best available geologic and engineering data. It has been our practice to pinpoint desirable Dakota acreage based upon deliverabilities as opposed to initial potential. The deliverabilities of nearly all Dakota wells in the basin have been so mapped with the areas of greatest potential being thus established. An area of high deliverabilities exists northeast of Section 1 and continues running southwesterly across the eastern portion of the Section, and the limits have been defined by lower deliverability wells to the northwest and southeast. We are therefore of the opinion that the NE¼NE¼ would provide the most ideally situated well.

With this conclusion, I approached Mr. A. H. Andrews and his wife, who own the surface under the NE¼NE¼, as well as a portion of the minerals. Mr. Andrews' interest is subject to an Oil and Gas Lease owned by F. H. McElvain, et al, and there presently exists on the property a Pictured Cliffs well located 650 feet from the north line and 630 feet from the east line of the Section. This should be kept in mind in the following discussion. This 40-acre tract, I might add, is entirely vacant, with the exception of a small unoccupied shack adjacent to the Pictured Cliffs wellsite; and from this standpoint also provides a more ideal location.

As you probably know, for a Dakota gas well the State has restricted locations to minimum distances of 790 feet from a section line and no nearer to a subdivision line in any section than 130 feet. To meet these requirements would place the well location in the SW¼NE¼NE¼. When attempting to purchase a location from Mr. Andrews within this small area, I learned that he has carried out considerable dirt work and has leveled approximately the western half of the 40-acre tract. It was surveyed and subdivided, presumably with the intention of selling individual lots for housing locations. The survey and subdivision have not been filed as of this date. At any rate, he felt that if we located within the State required limits, we would thus cause him to suffer a severe economic loss and asked a handsome price for his lots. At this point, I contacted two or three realtors for a "rough" appraisal and learned that Mr. Andrews was substantially correct in the apparent worth of his property and felt if we went against his wishes we would surely suffer some rather severe damages through legal action.

The eastern half of the 40-acre tract had not been leveled in and in fact has a small marshy area located in the SE¼NE¼NE¼. Mr. Andrews acknowledged that considerable expenditure would be required to level this property for housing purposes, but that he had intentions of doing so. There was a high area offsetting the marshy spot, which we felt would be best suited for a well location, and after discussion along these lines, Mr. Andrews finally consented to what effectively amounted to an outright purchase of the lands in the wellsite. He was paid $2,500.00 and signed a release. We had considered the possibility of moving the well location across the road south of what is shown on the map as Gila Street, which would be in the SE¼NE¼. Provisions of the City Ordinance prohibit any location nearer than 200 feet to any residential site. Therefore, in order to so locate a well in the SE¼NE¼ in compliance with this restriction, we would be someplace in the middle of a gully, and after reviewing the site with Mr. Atchison, who will be doing the location work, we determined that location costs in the SE¼NE¼ would be at least more than double any costs on the Andrews acreage in the NE¼NE¼.

With these facts in mind, it seemed that we had little alternative but to locate the well in the SE¼NE¼NE¼. We placed the wellsite 180 feet from the road, with the actual location being 1,140 feet from the north line and 360 feet from the east line of Section 1. We had talked with Mr. Emory Arnold with the Oil Conservation Commission in Aztec and learned, of course, that we would have to have an exception location but that since we were to appear before the Commission with the forced pooling action previously mentioned, it would be a simple matter to request the exception location at the same time. In the absence of any protest by any offset leasehold owner, Mr. Arnold indicated that approval would most surely be given since they have approved others for even less distances from a section line. As a matter of information, I am enclosing a copy of the Well Location Plat prepared by Mr. Steve Kinney.

As previously mentioned, we attended the meeting of the Planning and Zoning Commission expecting no problem whatsoever. According to law each of the owners of property adjoining the wellsite were notified by the Commission by registered mail, thus being given the opportunity to protest if so desired. Much to our dismay, Mr. R. D. Golding, who incidentally is employed by El Paso Natural Gas Company and who owns the surface and part of the minerals in the 11-acre tract indicated on the map and from whom we hold an Oil and Gas Lease as to his minor mineral interest, was present to voice considerable objection. Mr. Andrews was also in attendance, although he was not objecting but rather more or less supported our proposed operation.

Mr. Golding's major objection was the danger and safety factor. He implied that regardless of how competently drilling operations were carried out and regardless of how safely continued producing operations may be carried out, danger of fire, explosion, etc. was a constant hazard. When the existence of the Pictured Cliffs well on the property was brought up, he stated that there was no tankage on the property since little associated distillate was ever produced with Pictured Cliffs gas, but that this was not true with the Dakota, and he pointed out that the El Paso Natural Gas Company well, located in El Paso's yard outside the City Limits and in the S½ of the Section, was monthly producing in excess of 1500 barrels of liquid, and that consequently, a comparable amount would be expected at our location, thus increasing danger through the necessity of tankage on the property. He further added that notwithstanding fire and explosion, seepage can always be expected from the best tankage, and he felt that during rainy periods normal drainage would carry seepage over and across his property. We believe and we pointed out that adequate measures can be taken to prevent occurrences of this nature.

Mr. Golding then shifted his line of objections to the safety factor of trespassers on the property in the person of small children, etc. We explained that the City Ordinance requires a six-foot chain link fence surrounding the tankage and wellsite, to be topped by several barbed wire strands and that we had every intention of complying with this portion of the Ordinance. He then stated that notwithstanding all the wire that we wanted to put up, he didn't think that it would keep boys out in any case.

In this connection, Mr. Andrews later informed us that Mr. Golding's two small boys were some of the worst offenders in trespassing and stated that on numerous occasions he had found them on his property and climbing around the existing Pictured Cliffs well.

Mr. James C. Vandiver, who is a member of the City Council as well as being on the Planning and Zoning Commission, was very helpful and appeared to be quite sympathetic with our situation. Being in the oil business, he did abstain from voting, and the resulting vote was three opposed, one for and one abstention. This leaves our recourse now through the City Council at which we are asking for your representation Tuesday night, February 14, 1967.

After the meeting I talked to Mr. Golding outside the municipal building, and he made it quite clear that he intended to fight us "tooth and nail" and that the only reason he had given Mr. Henderson a lease was that he realized he could not prevent the drilling of our well. He further stated that his property had been in use for some period of time as a trailer court and that it was his belief that location of our well at the indicated spot would be offsufficient concern to his tenants as to cause them to move and thus create an economic loss. I also learned that Mr. Andrews had apparently disclosed to him that he had received $2,500.00 for the location and I cannot help but believe there is a measure of jealousy involved in that respect. Mr. Golding walked away asking how much Pubco was prepared to reimburse him for his economic loss; and, of course, I pointed out that he would share in some production from the well which will be quite nominal, but that it was not the customary practice to settle surface damages with all owners in a proposed unit area. I did explain that we were adequately insured and that should actual damages occur to his property, we were certain just compensation would be available.

We talked to Jim Vandiver later and he believed it will be beneficial to have a disinterested engineering authority present to testify as to the safety factors or potential hazards, and our engineer, Mr. Ramsey, will shortly contact Mr. Tom Dugan for this purpose. I presume Mr. Dugan will call you immediately. Meanwhile, Fuzzy Henderson has discussed the matter with Councilman Ron Boddy and Mayor Floyd Davis. Apparently all Councilmen will be in sympathy to our cause and the City Manager has verbally indicated to Fuzzy that he would recommend approval and granting of our permit. I feel certain that Mr. Vandiver will vote his approval. We understand that Councilman Schmitt is employed by El Paso Natural Gas Company, and presumably he would see things our way. Dr. Reilly, we understand, is not too familiar with the oil and gas business, but we understand he usually votes with the majority.

As I mentioned to you on the phone, and as indicated by the Exhibit attached to the enclosed Communitization Agreement, Mayor Davis has an economic interest in the proposed spacing unit and I am not sure of the status this places him in, although I understand he is allowed to vote only in event of a tie.

If you have any questions at all after going over this matter, please give me a call and we can discuss it further. Otherwise, it is our intention to be in Farmington Tuesday morning on the 14th along with our engineer, Mr. Ramsey, and as you suggested, we will visit the wellsite and discuss matters further with Mr. Dugan. I believe I have pretty well covered all circumstances, but as I said, if you have any questions at all, let me know.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosures

IBCO PETROLEUM CORPORATION

January 17, 1967

The Board of Trustees
City of Farmington
P. O. Box 900
Farmington, New Mexico 87401

Re: Ordinance No. 391

Gentlemen:

Subject to the provisions of Title Eleven, Municipal Code of the Town of Farmington, 1959, we submit herewith along with our filing fee check in the amount of $75.00 the following application for a permit to drill, test and complete a well projected to the Dakota Formation:

(1) The date of this application shall be January 17, 1967.

(2) The name of the applicant is Pubco Petroleum Corporation.

(3) The address of the applicant is P. O. Box 869, Bank of New Mexico Building, Albuquerque, New Mexico 87103.

(4) The proposed location is 1170' FNL and 330' FEL of Section 1, Township 29 North, Range 13 West.

The aforementioned location is in Lot 1 (NE¼NE¼) of Section 1, Township 29 North, Range 13 West, and is covered by an Oil and Gas Lease dated May 20, 1947, which was entered into by and between George E. Hutchison, as lessor, and Robert L. Maddox, as lessee, such lease appearing of record in San Juan County, New Mexico, in Book 125, Page 228, and is presently owned by T. H. McElvain, Jr., Catherine Frances McElvain Harvey, Gladys E. Dempsey and Catherine B. McElvain.

The described lease and other lands will be committed to a communitization agreement which will cover the N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M.

The proposed quarter-quarter section drillsite is bounded on the North by Largo Street, on the South by Gila Street, on the West by Washington Avenue and on the East by English Road. The actual well location is on a flat, level surface.

It is anticipated that production from this well will be sold to El Paso Natural Gas Company. Production will be sold at the wellhead, and presumably El Paso will lay a gathering line to the nearest possible point of connection in their system.

(5) A rotary-jackknife derrick will be utilized in the drilling of this well.

(6) The well is projected to a depth of 6,300 feet.

(7) It is proposed to use a 3000# PSI wellhead, and 1000# PSI surface equipment will be installed. El Paso Natural Gas Company's lines are operated at pressures of 500-600# PSI.

(8) Installation of a compresser is not anticipated.

(9) Persons to be notified in case of emergency are:

Glen O. Rhodes	Office:	P. O. Drawer P 316 East Chusta St. Aztec, N.M. 87410 Ph. 334-6157
	Home:	Route 1, Box 63 Aztec, N.M. Ph. 334-2140
Charles E. Ramsey, Jr.	Office:	P. O. Box 869 Bank of N.M. Bldg. Albuquerque, N.M. 87103 Ph. 247-8835
	Home:	1420 Marron Circle, N.E. Albuquerque, N.M. Ph. 298-1507

(10) Operating pressures will exceed 250 PSI. Well equipment will include a Hi-Lo shut-down valve.

We will appreciate early consideration of the foregoing application.

Yours very truly,

Frank D. Gorham, Jr.
President

FDGJr:CCC:sb

City Council:
RONALD D. BODDY
FRANCIS A. REILLY
KOEDELL SCHMITT
JAMES C. VANDIVER

FLOYD G. DAVIS,
Mayor

City of Farmington

Energy Capital of the Southwest

P. O. BOX 900
FARMINGTON, NEW MEXICO 87401

August 17, 1966

Mr. Orin C. Crane
Pubco Petroleum Corporation
P.O.Box 869
Albuquerque, New Mexico 87103

Re: Plaza Prospect
San Juan County,
New Mexico

Dear Sir:

In answer to your request of August 12, 1966 I am enclosing a copy of the City of Farmington Drilling Ordinance.

In addition to compliance with the ordinance, if your proposed location does not fall within an Industrial Zone Area, you will be required to submit a petition to the Planning and Zoning Commission requesting a special exemption to zoning for drilling purposes. This petition should be received in this office in sufficient time for publication 15 days prior to hearing as required by State law. The Planning and Zoning Commission meets the first Tuesday of each month, making it impossible to publish in time for the September 5th meeting. If you will submit your petition to this office, along with appropriate maps of the location showing pipe line and road right of way I will see that proper public notice and legal publication are expedited, and hearing set for the next Planning and Zoning Commission meeting within the legal time limit.

If you have any further questions, or we can be of service to you, please call this office at any time.

Sincerely,

Morris W. Franks
City Planner

MWF:ew

enclosure

ORDINANCE NO. 291

AN ORDINANCE REGULATING THE DRILLING AND OPERATION OF OIL AND GAS WELLS WITHIN THE CORPORATE LIMITS OF THE TOWN OF FARMINGTON, NEW MEXICO, PROVIDING REGULATIONS CONTROLLING THE DRILLING, OPERATION AND PRODUCTION OF SUCH WELLS, REGULATING WATER FLOODING AND GAS INJECTION OF WELLS FOR OIL RECOVERY, REQUIRING A PERMIT OR CERTIFICATE AND PROVIDING FEES TO BE PAID FOR SUCH PERMIT, PROVIDING REVOCATION OR SUSPENSION OF SUCH PERMIT OR CERTIFICATE; PROVIDING SPECIFICATIONS, REQUIRING POSTING OF BONDS TO INDEMNIFY THE TOWN OR INDIVIDUALS FROM LOSS BY VIRTUE OF DRILLING, OPERATING OR PRODUCING OF SAID WELLS, AND FIXING THE AMOUNT OF SUCH BONDS; REQUIRING CERTIFICATES OF INSURANCE IN CONNECTION WITH THE DRILLING, OPERATING AND PRODUCING OF SAID WELLS; LIMITING THE DRILLING OF OIL AND GAS WELLS TO DRILLING DISTRICTS; PROVIDING A PENALTY FOR THE VIOLATION OF THIS ORDINANCE; CREATING A NEW TITLE 11 TO THE TOWN OF FARMINGTON MUNICIPAL CODE, 1959.

BE IT ORDAINED BY THE BOARD OF TRUSTEES OF THE TOWN OF FARMINGTON, NEW MEXICO:

Section 1. That a new Title 11 of the Town of Farmington Municipal Code, 1959, is hereby enacted as follows:

TITLE 11

OIL AND GAS DEVELOPMENT

Chapter 11.1

Definitions

For the purposes of this Title, the following words and terms wherever and whenever used or appearing herein shall have the scope and meaning hereafter defined and set out in connection with each:

11.101. The word "well" shall mean any hole or holes, bore or bores, to any sand, horizon, formation, strata or depth for the purpose of producing any oil, gas, or liquid hydrocarbon, or for use as an injection well for secondary recovery, or any of them.

11.102. The term "drilling district" is defined to be a tract of land comprising a "spacing unit" or proration unit" as determined by the Oil Conservation Commission of the State of New Mexico.

11.103 The word "permittee" shall mean the person to whom is issued a permit or certificate for the drilling, operating and producing of a well under this title, and his heirs, legal representatives, successors and assigns.

11.104. The word "person" whenever used in this Title means and includes any natural person, corporation, association, partnership, receiver, trustee guardian, executor, administratior and a fiduciary or representative of any kind.

11.105. All technical or oil and gas industry words or phrases used herein and not specifically defined shall have that meaning customarily attributable thereto by prudent operators in the oil and gas industry.

11.106. The word "street" is any street, highway, sidewalk, alley, avenue, recessed parking area, or other public right of way, including the entire right of way.

11.107. The phrase "curb line" is the line established by the Town of Farmington for any particular street.

11.108. The phrase "right of way" is expressly limited to all public rights of way or streets or other public property within the Town of Farmington.

11.109. The phrase "gathering lines" as used herein shall mean all pipe lines operated as an incident to the development and operation of oil and/or gas wells.

11.110. "Oil and Gas Inspector" shall mean the Building Inspector of the Town of Farmington, New Mexico.

11.111. When the title of an Town official is used herein, such title shall include any duly authorized representative of such official.

CHAPTER 11.2

Permits: Required; issuing authority, to drill and/or install

11.201. It shall be unlawful and an offense for any person acting either for himself or acting as agent, employee, independent contractor, or servant for any other person to knowingly drill any well or to install any water and/or gas repressurizing or injection facility within the corporate limits of the Town of Farmington without a permit having first been issued by the authority of the Board of Trustees in accordance with the terms of this Title.

11.202. When a permit has been issued for the drilling of a well, such permit shall constitute sufficient authority for drilling, operation, production, gathering of production, maintenance, repair, reworking, testing, plugging and abandonment of the well, and for the construction and use of all facilities reasonably necessary or convenient in connection therewith, including gathering lines and discharge lines by the permittee and its employees, agents, and contractors, any zoning

ordinance to the contrary notwithstanding; provided, however, that a new or supplemental permit shall be obtained before such well may be deepened below the geological formation in which it was originally completed and before it may be used for repressurizing or injection of water and/or gas.

11.203. When a permit has been issued for the installation of any water and/or gas repressurizing or injection facility, such permit shall constitute sufficient authority for the construction, operation, maintenance and conversion of existing wells to injection wells and the repair and abandonment of such facility, and for all facilities reasonably necessary or convenient in connection therewith (including gathering lines), by permittee and its employees, agents and contractors.

11.204. As to all wells and water and/or gas repressurizing or injection facilities and such other facilities as may be covered by this Title existing within the corporate limits of the Town of Farmington on the effective date of this Title and which are in existence at the time the land upon which the same are situated is annexed to the Town of Farmington, no permit or filing fee shall be required; but the oil and gas inspector shall inspect such facilities, and if satisfied that such conform to standards and prectices generally recognized, observed, and followed by the oil and gas industry and can be operated in such a manner to insure public safety, shall issue a certificate in writing that such wells and/or facilities conform to the requirements hereof, provided however, that the operator of such existing well or facilities shall comply with the bond and insurance provisions hereof.

11.205. No permit shall authorize the drilling of more than one well or the installation of more than one water and/or gas repressurizing or injection facility, and no permit shall authorize the drilling of a well to the same horizon or formation in any drilling district where a well is being drilled, operated or producted.

CHAPTER 11.3

Permit: Application; Filing Fee

Every application for a permit to drill a well or to install a water and/or gas repressurizing or injection facility, shall be in writing, signed by the applicant or some person duly authorized to sign on his behalf; and it shall be filed with the Town Clerk. In case a permit is requested for the purpose of drilling a well or re-entering and drilling to a deeper formation, the application shall be

accompanied by a filing fee of $75.00 in cash, Cashier's Check or Certified Check, made payable to the Town of Farmington.

A separate application shall be required for each well and each water and/or gas repressurizing or injection faciltiy. The application shall include full information, including the following:

A. The date of the application.

B. The name of the applicant.

C. The address of the applicant.

D. Proposed site of the well(including proposed location of gathering lines), or water and/or gas repressurizing or injection facility, including:

1. Name of the Lease owner.
2. Accurate description of the land.
3. Location with respect to property lines, right of way boundaries, and the grades.

E. Type of derrick(if any) to be used.

F. The proposed depth of the well.

G. Detailed explanation of operating pressure of all pipelines and facilities.

H. Location of compressor, compressor control, or safety devices with explantion of operating characteristics of each.

I. The name of the person or persons to be notified in case of an emergency.

J. If any pipeline connection with such well is to have pressure in excess of 250 PSI, the application shall include details and specifications of the safety provisions and equipment.

CHAPTER 11.4

Permit: Issuance or Refusal to Issue

The Board of Trustees, within twenty days after the filing of the application for a permit to drill a well or a permit to install water flooding, gas injection, or any primary or secondary recovery system for the production of oil, gas and liquid hydrocarbons shall determine whether or not the application complies in all respects with the provisions of this Title; and if it does and is approved, the Board of Trustees shall then fix the amount of the principal of the bond and insurance provided for herein, and shall issue a permit for the drilling of the well or the installation of the facilities applied for. Each permit shall:

A. By reference have incorporated therein all the provisions of this Title with the same force and effect as if this Title were copied verbatim in such permit.

B. Specify the location of the proposed well or injection facility, with particularity to lot number, block number, name of addition or subdivision, section line or other available correct legal description.

C. Contain and specify that the term of the permit shall be for a period of one year from the date of the permit and so long thereafter as oil or gas is produced or until such time as the permittee has permanently abandoned the operation of such well or facility for which the permit was issued.

D. Contain and specify such other terms and provisions as may be necessary in a particular case to accomplish the purposes of this Title.

E. Specify the total depth to which the well (if any) may be drilled.

F. Contain and specify that no actual operation shall be commenced until the permittee shall file and have approved an indemnity bond in the designated principal amount as so determined by the Board of Trustees or has complied with the bond and insurance provisions of this Title.

Such permit, in duplicate originals, shall be signed by the Mayor of the Town of Farmington, and prior to delivery to permittee shall be signed by the permittee (with one original to be retained by the Town and one by the permittee); and when so signed it shall constitute the permittee's drilling and installation license, as well as the contractual obligation of the permittee to comply with the terms of such permit, bond, and of this Title.

If the permit be refused, or if the applicant notifies the Board of Trustees in writing that he does not elect to accept the permit as tendered and wished to withdraw his application, or if the bond of the applicant be not approved or if the applicant notifies the Board of Trustees in writing that he wished to withdraw his application, then upon the happening of such an event the cash deposit provided for to be filed with the application to drill a well shall be returned to the applicant, except as shall be retained therefrom by the Town $50.00 as a process fee.

CHAPTER 11.5

Permit: Termination

In the event of a failure of a permittee to comply with any provision of this Title, the oil and gas inspector shall issue a written notice to the permittee of the nature of the non-compliance and stating a reasonable time necessary to gain compliance. After lapse of such reasonable time, if compliance has not bee made, the Board of Trustees may suspend the permit for a period of time or cancel the permit.

CHAPTER 11.6

Permit: Supplemental Permit for Deep Drilling

Once any well has either been completed as a producer or abandoned as a dry hole, it shall be unlawful and an offense for any person to drill such well to a deeper geological formation than that reached in the prior drilling operations

without the permittee as to such well obtaining a supplemental permit after filing a supplemental application with the Town Clerk specifying:

A. The condition of the well and the casing therein.

B. The depth to which it is proposed that such well will be deepened.

C. The propsed casing program to be used in connection with proposed deepening operations.

In the event the Board of Trustees is satisfied such well may be deepened with the same degree of safety as existed in the original well, a supplemental permit may be issued without additional filing fee to the permittee authorizing the deepening and operation of the well to such specified depth as applied for. In any deeper drilling or any deeper completion of any deeper production operations the permittee shall comply with all provisions contained in this Title and applicable to drilling, completion, operation and production of a well or wells.

CHAPTER 11.7

Permit: For Conduits on Streets and Alleys

A. No permittee shall make any excavations for any purpose or construct any lines for conveyance of fuel, water, or minerals, on, under, or through the streets and alleys of the Town of Farmington without express permission of the Board of Trustees in writing, and then only in strict compliance with the Ordinances of the Town.

B. The gathering lines and pipelines is hereinafter installed within the corporate limits of the Town of Farmington, for the purpose of transporting oil, gas and/or water in conjection with the operation of any well, tank or tank battery, injection or gathering system, are hereby limited to a maximum operating gage pressure of 250 PSI (pounds per square inch) unless otherwise specifically approved in writing by the oil and gas inspector.

C. The pipeline shall be tested prior to being placed in service.

D. The companies responsible for any and all pipelines now existent or hereinafter installed within the corporate limits are hereby required to furnish the Town of Farmington as "as built" plot plan showing the location of all their facilities for permanent record with the Town of Farmington.

E. All pipelines within the corporate limits, other than utility lines of the Town of Farmington and the franchise distribution system of Southern Union Gas Company, designed or utilized to transport oil, gas, or water in connection with the production and transportation of oil and/or gas or for repressurizing operations shall

hereafter be installed with the minimum of cover or back fill specified by the then applicable ASA Code for such pipe lines. The Oil and Gas Inspector is authorized to approve a lesser cover or specify a greater cover or back fill in special cases where in the opinion of the Oil and Gas Inspector such variation is advisable and/or will not increase the degree of hazard.

F. The digging up, breaking, excavating, tunnelling, undermining, breaking up, or damaging of any street as herein defined, or leaving upon any street any earth or other material or obstruction, shall not be permitted unless such persons shall first have obtained written permission from the Town Engineer.

G. Exceptions:

1. Work done in new developments of the Town by utility and street contractors under and in conformity with the Town's subdivision policy is exempt from the provisions of this Ordinance.

2. Work done by the Town or under Town contract and under directions of the Town of Farmington is exempt from the provisions of this Title.

3. Work done by the Public Utility companies who operate under a current franchise for the Town are exempt from the bond and insurance provisions of this Title, when such work is in connection with the distribution of the product of such utility.

4. Work done by plumbers who are qualified and bonded with a valid license from the State of New Mexico are exempt from the bond and insurance provisions of this Title, but must comply with the balance of the provisions hereof.

No permit for construction within the public right-of-way shall be issued unless the written application be accompanied with plans and descriptions and unless such plans and descriptions are approved by the Town Engineer.

CHAPTER 11.8

Bond and Insurance: Required; Amounts

In the event a permit or certificate of compliance be issued by the Board of Trustees or the oil and gas inspector under the terms of this title for the drilling of a well, or installation of f water flooding project or gas injection project, no actual operations shall be commenced unless the permittee shall file with the Town Clerk a bond and certificate of insurance as follows:

A. A bond in the principal sum of such amount as may be determined by the Board of Trustees, but not to be less than $10,000.00, and the bond shall be executed by a reliable insurance company authorized to do business in the State of New Mexico, as surety, and the applicant as principal, running to the Town for the benefit of the Town and all persons concerned, under the conditon that the permittee shall comply with the terms and conditions of this title in the drilling and operation of the well, water flooding project, or gas injection project.

Such bond shall become effective on or before the date it is filed with the Town Clerk and remain in force and effect for at least a period of six months subsequent to the expiration of the term of the permit issued; and in addition the bond will be conditioned that the permittee will promptly pay all legally imposed fines, penalties, and other assessments imposed upon permittees by reason of his breach of any terms, provisions, and condition of this Title and that the permittee will promptly restore the streets and sidewalks and other public property of the Town, which may be distrubed or damaged in the operations, to their former conditon; that the permittee will promptly clear all premises of all litter trash, waste and other substances used, allowed, or occurring in the operations, and will after abandonment or completion, grade, level, and restore such property to the same surface and conditions as nearly as possible, as existed when operations were first commenced, and that the permittee will indemnify and hold the Town harmless from any and all liability growing out of or attributable to the granting of such a permit. If at any time the Board of Trustees shall, after hearing thereon deem any permittee's bond to be insufficient for any reason, it may require the permittee to file a new bond.

If after the completion of a producing well, gas injection well, water injection well or any facility for which a bond is required by this Title and the permittee has complied with all the provisions of this title, such as removing derrick cleaning the premises, erection of fences, etc., he may apply to the Board of Trustees to have the bond reduced to a sum not less than $5,000 on each well or facility for the remainder of the time the well produces or facility is operated without reworking. During reworking operations, the amount of the bond shall be increased to the original amount.

B. In addition to the bond required in Paragraph A of this Chapter, the permittee shall carry a policy or policies of standard, comprehensive public liability insurance, including contractural liability covering bodily injuries nad property damage, naming the permittee and the Town, in an insurance company authorized to do business in the State of New Mexico. Such policy or policies in the aggregate shall provide for the following minimum coverages:

1. Bodily injuries, $100,000.00 one person, $300,000.00 one accident.

2. Property damage, $200,000.00.

Permittee shall file with the Town Clerk, certificates of such insurance as above stated. The insurance policy or policies shall not be cancelled without written notice to the Town Clerk at least ten days prior to the effective date of such cancellation. In the event such insurance policy or policies are cancelled, the permit granted shall terminate, and the permittee's right to operate under such permit shall cease until permittee files additional insurance as provided herein. If after the completion of a well, water flooding project, or gas injection project, permittee has complied with all the provisions of this Title, such as removing derrick, completion of the pipeline, cleaning the premises, etc., he may apply to the Board of Trustees to have such insurance policy or policies reduced as follows:

a. Bodily Injuries, $50,000.00 one person; $100,000.00 one accident.

b. Property damage, $50,000.00 for the remainder of the time such well is produced without reworking. During the reworking operations the amount of the insurance policy or policies shall be increased to the original amount.

C. Exceptions. The Board of Trustees may elect to make an exception to requirements of this chapter when in their opinion the intent and purpose for the requirements of the bond and insurance can be assured by any of the following means:

1. Acceptance of a Guarantee or Indemnity to the Town in lieu of bond and a plan of self insurance in a case of financially responsible operators.

2. Acceptance of a blanket bond and a single policy of insurance to cover all operations of the permittee within the corporate limits of the Town.

3. Application of bond and insurance requirements acceptable to the Board of Trustees.

CHAPTER 11.9

Streets and Alleys; Obstructions; Permits

No well shall be drilled and no permit shall be issued for any well to be drilled at any location which is within any of the streets or alleys of the Town, and no street or alley shall be blocked or encumbered or closed in any drilling, production or pipeline operation except by written permission of the oil and gas inspector and Town Engineer, and then only temporarily.

CHAPTER 11.10

Proximity of well, tanks, or pipelines to building; Permission

No well shall be drilled and no permit shall be issued for any well to be drilled at any location or storage tank to be located which is nearer than 200 feet to any residence or commercial building without the applicant having first secured the written permission of the Board of Trustees.

No high pressure gas injection well or a compressor used in conjunction with the gas injection well shall be located nearer than 200 feet to any residential, commercial, or industrial structure, except by permission of the Board of Trustees. In exceptional cases for reasons of safety, the Board of Trustees may require that any such facility shall be located at a greater distance than 200 feet to any such structure.

No residential, commercial or industrial structure other than structures necessary to operate the pipeline shall be erected or moved to a location nearer than 30 feet to any pipeline transporting gas when the pipeline operating pressure is greater than 250 PSI unless a greater or lesser distance is recommended by the then applicable ASA Code.

CHAPTER 11.11

Derrick and Rig Types Prohibited; Not Allowing To Remain Watchmen

It shall be unlawful and an offense for any person to use or operate in connection with the drilling or reworking of any well within the corporate limits of the Town of Farmington, any wooden derrick or any steam-powered rig. The drilling rig or derrick shall be removed from the premises within thirty (30) days from the date of completion of the well, and thereafter, when necessary, such completed well shall be served by portable rigs, which shall be removed from the premises within fifteen (15) days from the completion of the servicing operation. At all times from the start of errection of a derrick, or a mast, or a ginpole, until the well is abandoned and plugged or completed as a producer and enclosed as herein proveded, the permittee shall keep a watchman on duty on the premises at all times when other workmen of permittee not on such premises.

CHAPTER 11.12

Pits Required

Steel slush and reserve pits shall be used in connection with all drilling and reworking operations. Such pits and contents shall be removed from the premises and drilling sites within 30 days after completion of the well, and all waste substances such as drilling muds, oil, brine or acids produced or used in connection with drilling operations or oil production shall be retained in water tight receptors from which they may be disposed of outside of the corporate limits. No earthen slush pits shall be used.

CHAPTER 11.13

Operations and Equipment; Practices and Standards

All drilling and operations at any well performed by a permittee under this Title shall be conducted in accordance with the practices of a reasonable and prudent operator in the San Juan Basin area. All casing, valves and blow-out preventors, drilling fluid, tubing, bradenhead, christmas tree, and well head connections shall be of a type and quality consistent with such practice. Setting and cementing casing and running drill stem tests shall be performed in a manner and at a time consistent with the practices of a reasonable and prudent operator. Each permittee under this chapter shall observe and follow the regulations of the Oil Conservation Commission of the State of New Mexico.

All operations relative to the design, installation, maintenance, and operation of pipelines shall conform to the requirements of this Title and the applicable ASA Codes and the standards of performance of the reasonable and prudent operators of the trades involved.

All pipelines hereafter constructed shall be tested prior to being placed in operation and the standard for testing will be the ASA standard test. Valves shall be installed on all pipelines at such locations and spacing to safely and adequately control the operation of the line and to minimize the quantity of gas, oil or water that would be released from the line in case of line failure or rupture. The types and locations of all valves shall be indicated on a plan layout and approved by the Oil and Gas Inspector.

Internal combustion engines or electrical equipment may be used in the drilling or pumping operation of the well, and if internal combustion engines are used, mufiers shall be installed on the mud pumps and on the engines so as to reduce noise to minimum, all of said installations to be done in a manner satisfactory to the Oil

and Gas Inspector and all electrical installations shall be made in conformity with the applicable electrical code. Drilling operations must be conducted in such a manner that percolating or ground water will not be adversely effected, including the prevention of vertical movement of percolating water.

Pipeline location markers shall be approved, as to type of location, by the Oil and Gas Inspector and the removal of any pipeline marker without the express permission of the Oil and Gas Inspector shall constitute a violation of the provisions of this Title.

Pipeline crossing certain thoroughfares, designated by the Oil and Gas Inspector, shall be cased and vented in accordance with accepted practice of the pipeline industry.

That except in case of emergency, no materials, equipment, tools or pipe used for production operations shall be delivered to or removed from the drilling site except between the hours of 9:00 A.M. and 8:00 P.M. on any day.

That adequate fire fighting appartus and supplies as approved by the Fire Department shall be maintained on the drilling site at all times during drilling and production operations. That no refining process or any process for the extraction of products from natural gas shall be carried on at the drilling site, except that separators may be maintained on the drilling site for the separation of liquids from natural gas. Any such separator shall serve only one well.

That all production equipment used shall be so constructed and operated so that no noise, vibration, dust, odor or other harmful or annoying substances or effect which can be eliminated or diminished by the operations carried on at any drilling site or from anything incident thereto, to the injury or annoyance of persons living in the vicinity; nor shall the site or structures thereon be permitted to become delapidated, unsightly or unsafe. Proven technilogical improvements in methods of production shall be adopted as they, from time to time, become available if capable of reducing factors of nuisance or annoyance. There shall be no venting of gas into the open air. In the event of pumping units, no internal combustion engines are to be used.

The well site shall not be used for the storage of pipe, equipment or materials except during the drilling or servicing of the well or pipelines from the well or the production facilities allowed on the site.

CHAPTER 11.14

Cleanliness and Sanitation

The premises shall be kept in a clean and sanitary condition, satisfactory to the Oil and Gas Inspector of the Town. The permittee shall take reasonable precautions to prevent any mud, waste water, oil, slush, or other waste matters from flowing into the alleys, streets, lots, or leases within the corporate limits of the Town. Suitable and adequate tolit facilities shall be made avilable in a clean and sanitary conditions at all times during drilling operations.

CHAPTER 11.15

Fences Required - Landscaping

All drilling and production sites shall be enclosed on all sides by a minimum 6 foot chain link fence with double stands of barb wire across the top. The chain link fence shall have a minimum of two gates or exit ways, remotely located, on the site and the gates shall be kept locked at all times when the permittee or his employees are not within the enclosure. At such time as residential developments may come within 300 feet of the well site, the site shall be landscaped as reasonably prescribed by the Board of Trustees for purposes of screening from outside view the production facilities bing maintained on the premises.

CHAPTER 11.16

Fire Prevention-Burning and Escape of Gas

Any permittee engaged in the drilling operation of an oil and/or gas well or the operation of any facility used in conjunction with the production of oil and/or gas within the corporate limits of the Town shall take reasonable precautions to prevent gas from escaping into the air, shall not flare or burn gas from any torch or any similar means within the corporate limits of the Town; provided, gas may be burned for a limited time when necessary to complete any oil and/or gas well upon the original completion or upon a recompletion of work-over jobs upon oil and/or gas wells, so long as the same does not constitute a fire hazard to the property of others within the vicinity of such oil and/or gas wells. Emergency fire fighting apparatus and supplies, subject to approval by the Fire Department of the Town, shall be maintained on the drilling site at all times during the drilling operations, and of the site of each compressor used for gas injection operations. The permittee shall place a sign at each well location or site to identify the well.

CHAPTER 11.17

Abandonment; Plugging; Precautionary Measures

Whenever any well is abandoned, it shall be the obligation of the permittee and the operator of the well to comply with the regulations of the Oil Conservation Commission of the State of New Mexico in connection with the abandonment and plugging of a well. A copy of the plugging and abandonment form shall be furnished the Oil and Gas Inspector.

CHAPTER 11.18

Federal and State Laws Apply

Any violation of the laws of the State of New Mexico or any rules, regulations, or requirements of any state or federal regulatory body having jurisdiction in reference to drilling, completing, equipping, operating, producing, installing, maintaining or abandoning any oil and/or gas wells, pipelines, or related appurtenances, equipment, or facilities therein or in reference to fire walls, fire protection, blowout protection, safety protection or convenience of persons or property, shall also be a violation of this Title and shall be punishable in accordance with the provisions hereof.

CHAPTER 11.19

Hearing

No application, permit or certificate shall be refused, revoked or suspended without due cause having been shown for such refusal, revocation or suspension, and in no event until such applicant or permittee has been given a hearing thereon and has been given at least ten(10) days notice of such hearing to be held at any regular or special session or meeting of the Board of Trustees that such refusal, revocation or suspension is to be considered.

CHAPTER 11.20

Planning and Zoning Commission

In all matters pertaining to Title 11 of the Town of Farmington Municipal Code, 1959, the Planning and Zoning Commission of the Town of Farmington, New Mexico shall act as an advisory commission to the Oil and Gas Inspector and to the Board of Trustees of the Town of Farmington, New Mexico, and shall make recommendations concerning all matters pertaining to this Title.

CHAPTER 11.21

Penalties

It shall be unlawful and an offense for any person to violate or fail to

comply with any provision hereof. Any person who shall violate any of the provisions of this Title, or any of the provisions of a permit issued pursuant hereto, or to fail to comply with the terms hereof, shall, upon conviction hereof, be fined in any sum not less than $5.00 nor more than $300.00, and the violation of each separate provision of this title, and of such permit, shall be considered a separate offense, and each day the violation shall be allowed to continue shall be considered a separate offense.

In addition to the foregoing penalties, it is further provided that the Board of Trustees of the Town of Farmington, New Mexico may revoke or suspend any permit or certificate issued under this Title in accordance with the provisions of the Chapter 11.19.

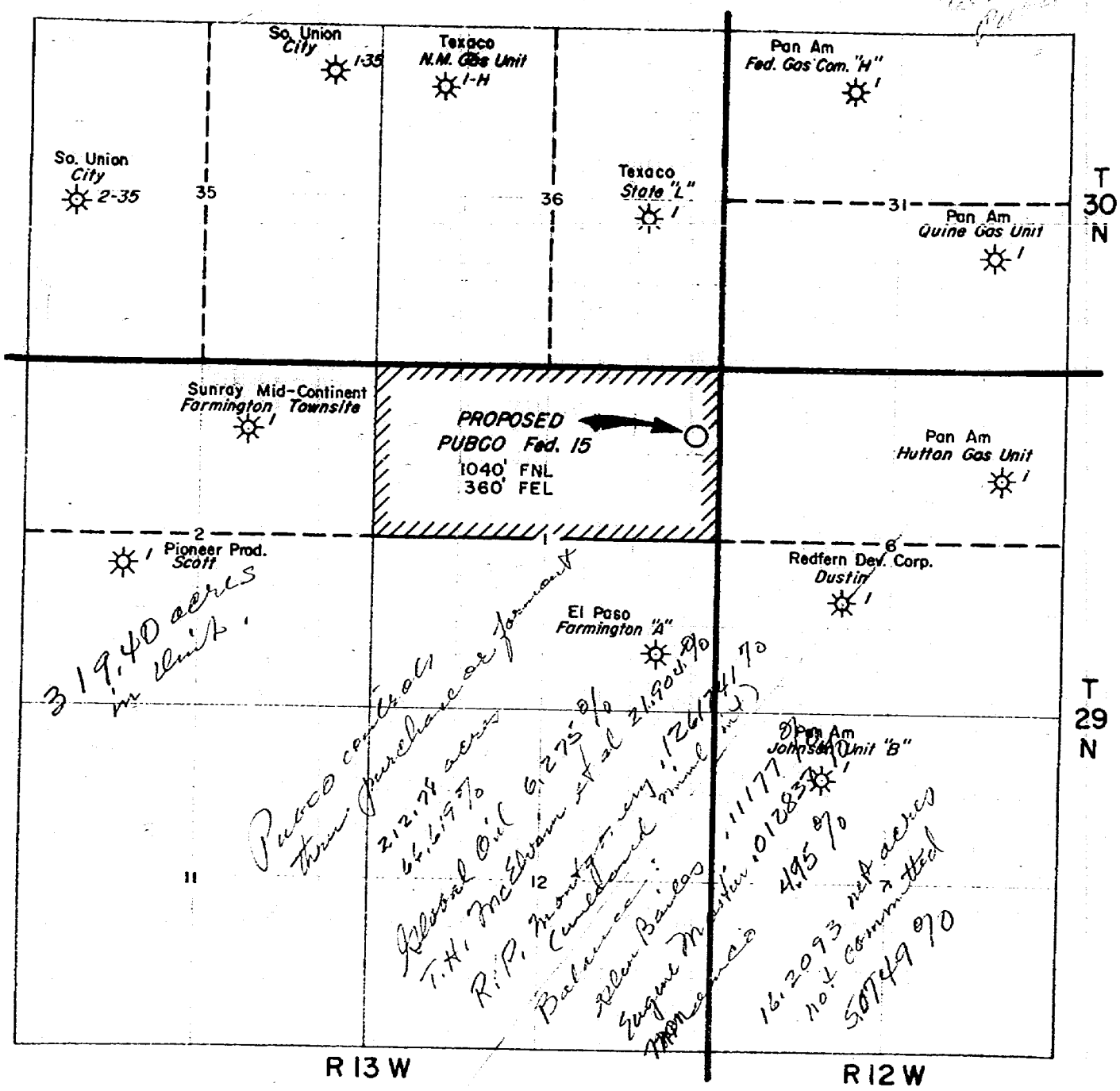
PASSED, APPROVED AND ADOPTED this 27th day of November, 1962.

_____
MAYOR

ATTEST:

_____
TOWN CLERK

Est cost $95,000
Operating costs $10.00/mo



WELL LOCATION PLAT

(SHOWING ALL OFFSET OPERATORS TO PUBCO'S PROPOSED UNORTHODOX LOCATION)

SAN JUAN COUNTY, NEW MEXICO

SCALE: 1" = 2200'

APRIL 1967

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 1
CASE NO. 3568

Orig.

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

All distances must be from the outer boundaries of the Section

Operator	Lease	Well No
PURCO PETROLEUM CORP.	FEDERAL	15

Unit Letter	Section	Township	Range	County
A	1	29 N	13 W	SAN JUAN

Actual Footage Location of Well: 1040 feet from the NORTH line and 360 feet from the EAST line

Ground Level Elev.	Producing Formation	Pool	Dedicated Avereage:
5440	DAKOTA	BASIN	NORTH ½ (319.4) Acres

1. Outline the acerage dedicated to the subject well by colored pencil or hachure marks on the plat below.

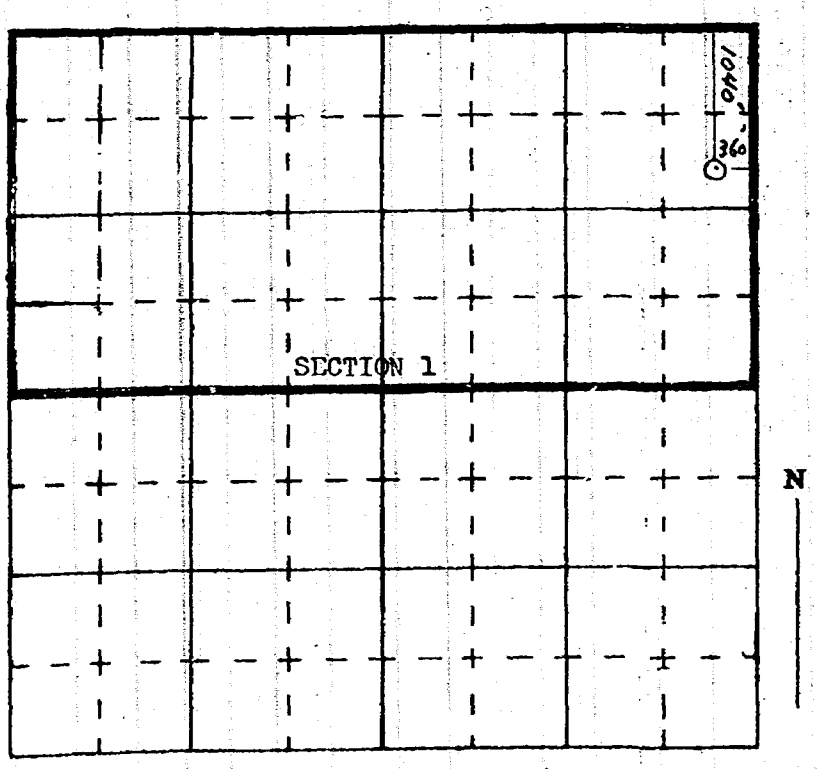
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling. etc?

( ) Yes ( ) No If answer is "yes," type of consolidation .....

If answer is "no," list the owners and tract descriptions which have actually consolidated. (Use reverse side of this form if necessary.) .....

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name .....

Position .....

Company PURCO PETROLEUM CO.
BOX 869
ALBUQUERQUE, NEW MEXICO

Date .....

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

FEBRUARY 16, 1967

Date Surveyed Stephen H Kinney
STEPHEN H. KINNEY

Registered Professional Engineer and/or Land Surveyor

N. M. 803

Certificate No.

DX

April 14, 1967

Pubco Petroleum Corporation
P. O. Box 869
Albuquerque, New Mexico 87103

Attention: Mr. Orin C. Crane

Gentlemen:

Re: Unorthodox Location
Pubco Federal No. 15
Basin Dakota Gas Pool
San Juan County, New Mexico

This letter is in reference to your application for an unorthodox well location for your Federal No. 15 well to be located 1040' FNL and 360' FEL of Section 1, T-29-N, R-13-W, San Juan County, New Mexico.

It is our understanding that this well falls within the city of Farmington, and the unorthodox location is required because of the presence of houses in the immediate vicinity of the standard location. We also understand that the city of Farmington has no objection to granting the unorthodox location.

We generally feel that in the interest of conservation all wells should be drilled as per approved field rules. We realize, however, that in certain instances it is not possible to comply with regular spacing rules and in these cases unorthodox locations should be permitted.

Under the stipulations as set out above, we believe that you have a valid reason for requesting an unorthodox location, and under these circumstances Sunray DX Oil Company offers no objection to approving your application.

Very truly yours,

SUNRAY DX OIL COMPANY

E. H. Ramsey
Division Manager

JBH:brd

cc: C. T. McClanahan

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Applic EXHIBIT NO. 4
CASE NO. 3568

FORM 1397 1-66

PAN AMERICAN PETROLEUM CORPORATION

SECURITY LIFE BUILDING
DENVER, COLORADO 80202

PRODUCING DEPARTMENT
H. T. HUNTER
DIVISION PRODUCTION MANAGER

DISTRICT SUPERINTENDENTS
W. M. JONES
A. E. PIPER
T. M. CURTIS

JOINT INTEREST SUPERINTENDENT
S. B. RICHARDS

April 13, 1967

File: AMR-893-986.511

Re: Well Location Exception
San Juan County, New Mexico

Mr. Orin C. Crane
Records Supervisor
Pubco Petroleum Corporation
P. O. Box 869
Albuquerque, New Mexico 87103

Dear Sir:

In response to your request by letter of April 7, 1967, this is to advise that Pan American has no objection to the request by Pubco Petroleum Corporation for New Mexico Commission approval to drill a Dakota test well at an unorthodox location 1,040 feet from the north line and 360 feet from the east line of Section 1, T29N-R13W, San Juan County, New Mexico.

Yours very truly,

J. M. Curtis

PIONEER PRODUCTION CORPORATION
P. O. BOX 2542
AMARILLO, TEXAS

April 12, 1967

Pubco Petroleum Corporation
P. O. Box 869
Albuquerque, New Mexico 87103

Re: Pubco Federal #15
Basin Dakota Gas Pool
San Juan County,
New Mexico

Gentlemen:

This letter will serve to advise you that Pioneer Production Corporation does not object to the unorthodox location made by your company as shown on the plat 1040' from the North line and 360' from the East line of Section 1, Twp 29 North, Rge 13 West, N.M.P.M., San Juan County, New Mexico.

Very truly yours,

J. A. Tipton

JAT/ch

TEXACO
INC.

PETROLEUM PRODUCTS

P. O. Box 2100
Denver, Colorado 80201

April 12, 1967

PUBCO FEDERAL NO. 15

Pubco Petroleum Corporation
P. O. Box 869
Albuquerque, New Mexico 87103

Attention: Mr. Orin C. Crane

Gentlemen:

Please refer to your letter of April 7, 1967 in regard to your intent to drill a Basin Dakota Test Well at an unorthodox location 1,040 feet from the north line and 360 feet from the east line of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico.

This is to advise that TEXACO Inc. has no objection to this unorthodox location.

Yours very truly,

N. G. Kittrell

JMG-LC

El Paso Natural Gas Company

El Paso, Texas

April 11, 1967

ADDRESS REPLY TO
POST OFFICE BOX 990
FARMINGTON, NEW MEXICO

Mr. Orin C. Crane, Records Supervisor
Pubco Petroleum Corporation
P. O. Box 869
Albuquerque, New Mexico - 87103

Re: Pubco Federal #15
Basin Dakota Gas Pool
San Juan County, New Mexico

Dear Sir:

This is to advise that El Paso Natural Gas Company has no objections to your unorthodox location of the above captioned well.

Yours very truly,

W. G. Cutler,
Regional Production Manager

WGC:dgb
cc: D. N. Canfield

REDFERN DEVELOPMENT CORPORATION
1200 WILCO BUILDING
MIDLAND, TEXAS

POST OFFICE BOX 1747
ZIP CODE 79701
TELEPHONE MUTUAL 3-5184
AREA CODE 915

April 11, 1967

IN REPLY REFER TO
FILE: San Juan Co., N.M.

Re: Pubco Federal #15
Basin Dakota Gas Pool
San Juan County, New Mexico

Pubco Petroleum Corporation
P. O. Box 869
Albuquerque, New Mexico 87103

Attention: Mr. Orin C. Crane

Gentlemen:

With reference to your letter of April 7, 1967, concerning the unorthodox location of the above well, this is to advise that we have no objection.

Very truly yours,

John Redfern, Jr.

John J. Redfern, Jr.

JJR:lk

No. 364187

RECEIPT FOR CERTIFIED MAIL—30¢

SENT TO
Southern Union Production Co.

STREET AND NO.
Fidelity Union Tower Bldg.

P. O., STATE, AND ZIP CODE
Dallas, Tex. - L.S. Muennink

POSTMARK OR DATE
4-7-67
Req. for app. of unorthodox location-Pubco Fed. #15

EXTRA SERVICES FOR ADDITIONAL FEES

Return Receipt: Shows to whom and date delivered	Return Receipt: Shows to whom, date, and where delivered	Deliver to Addressee Only
☐ 10¢ fee	☐ 35¢ fee	☐ 50¢ fee

POD Form 3800 Mar. 1966 **NO INSURANCE COVERAGE PROVIDED— NOT FOR INTERNATIONAL MAIL** *(See other side)*

INSTRUCTIONS TO DELIVERING EMPLOYEE

☐ Show to whom and when delivered ☐ Show to whom, when, and address where delivered ☐ Deliver ONLY to addressee

(Additional charges required for these services)

RECEIPT

Received the numbered article described below.

REGISTERED NO.

CERTIFIED NO.
364187

INSURED NO.

DATE DELIVERED
APR 10 1967

1 SIGNATURE OR NAME OF ADDRESSEE (*Must always be filled in*)
Southern Union Gas

2 SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
Carlie Malcomb

SHOW WHERE DELIVERED (*only if requested*)

c55-10-71548-8 GPO

PUBCO PETROLEUM CORPORATION

April 7, 1967

Pioneer Production Corporation
P. O. Box 2542
Amarillo, Texas

Attention: Mr. E. S. Morris

Re: Pubco Federal #15
Basin Dakota Gas Pool
San Juan County, New Mexico

Gentlemen:

Rule 104, Section D II, Sub-Paragraph F of the New Mexico Oil Conservation Commission requires that all offset operators be notified by registered mail of Pubco Petroleum Corporation's intent to drill a Dakota test well at an unorthodox location 1,040 feet from the North line and 360 feet from the East line of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico. A copy of a well location plat is attached.

If you have no objection to this unorthodox location, we ask that you so advise as soon as possible.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosure

CERTIFIED
AIR MAIL

PUBCO PETROLEUM CORPORATION

April 7, 1967

Sunray DX Oil Company
P. O. Box 1416
Roswell, New Mexico 88201

Attention: Mr. Pete Marianos

Re: Pubco Federal #15
Basin Dakota Gas Pool
San Juan County, New Mexico

Gentlemen:

Rule 104, Section D II, Sub-Paragraph F of the New Mexico Oil Conservation Commission requires that all offset operators be notified by registered mail of Pubco Petroleum Corporation's intent to drill a Dakota test well at an unorthodox location 1,040 feet from the North line and 360 feet from the East line of Section 1, Township 29 North Range 13 West, N.M.P.M., San Juan County, New Mexico. A copy of a well location plat is attached.

If you have no objection to this unorthodox location, we ask that you so advise as soon as possible.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosure

CERTIFIED
AIR MAIL

PUBCO PETROLEUM CORPORATION

April 7, 1967

Redfern Development Corporation
P. O. Box 1747
Midland, Texas

Attention: Mr. Wm. B. Johnson

Re: Pubco Federal #15
Basin Dakota Gas Pool
San Juan County, New Mexico

Gentlemen:

Rule 104, Section D II, Sub-Paragraph F of the New Mexico Oil Conservation Commission requires that all offset operators be notified by registered mail of Pubco Petroleum Corporation's intent to drill a Dakota test well at an unorthodox location 1,040 feet from the North line and 360 feet from the East line of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico. A copy of a well location plat is attached.

If you have no objection to this unorthodox location, we ask that you so advise as soon as possible.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosure

CERTIFIED
AIR MAIL

PUBCO PETROLEUM CORPORATION

April 7, 1967

Texaco, Inc.
P. O. Box 810
Farmington, New Mexico

Attention: Mr. C. P. Farmer

Re: Pubco Federal #15
Basin Dakota Gas Pool
San Juan County, New Mexico

Gentlemen:

Rule 104, Section D II, Sub-Paragraph F of the New Mexico Oil Conservation Commission requires that all offset operators be notified by registered mail of Pubco Petroleum Corporation's intent to drill a Dakota test well at an unorthodox location 1,040 feet from the North line and 800 feet from the East line of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico. A copy of a well location plat is attached.

If you have no objection to this unorthodox location, we ask that you so advise as soon as possible.

Yours very truly,

Orin C. Crone
Records Supervisor

OCC:sb

Enclosure

CERTIFIED
AIR MAIL

COPY

PUBCO PETROLEUM CORPORATION

April 7, 1967

COPY

Southern Union Production Company
Fidelity Union Tower Building
Dallas, Texas

Attention: Mr. L. S. Muennink

Re: Pubco Federal #15
Basin Dakota Gas Pool
San Juan County, New Mexico

Gentlemen:

Rule 104, Section D II, Sub-Paragraph F of the New Mexico Oil Conservation Commission requires that all offset operators be notified by registered mail of Pubco Petroleum Corporation's intent to drill a Dakota test well at an unorthodox location 1,040 feet from the North line and 360 feet from the East line of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico. A copy of a well location plat is attached.

If you have no objection to this unorthodox location, we ask that you so advise as soon as possible.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosure

CERTIFIED
AIR MAIL

PUBCO PETROLEUM CORPORATION

April 7, 1967

COPY

Pan American Petroleum Corporation
Security Life Building
Denver, Colorado 80202

Attention: Mr. J. M. Curtis

Re: Pubco Federal #15
Basin Dakota Gas Pool
San Juan County, New Mexico

Gentlemen:

Rule 104, Section D II, Sub-Paragraph F of the New Mexico Oil Conservation Commission requires that all offset operators be notified by registered mail of Pubco Petroleum Corporation's intent to drill a Dakota test well at an unorthodox location 1,040 feet from the North line and 360 feet from the East line of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico. A copy of a well location plat is attached.

If you have no objection to this unorthodox location, we ask that you so advise as soon as possible.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosure

CERTIFIED
AIR MAIL

PUBCO PETROLEUM CORPORATION

April 7, 1967

El Paso Natural Gas Company
P. O. Box 990
Farmington, New Mexico

Attention: Mr. W. G. Cutler

Re: Pubco Federal #15
Basin Dakota Gas Pool
San Juan County, New Mexico

Gentlemen:

Rule 104, Section D II, Sub-Paragraph F of the New Mexico Oil Conservation Commission requires that all offset operators be notified by registered mail of Pubco Petroleum Corporation's intent to drill a Dakota test well at an unorthodox location 1,040 feet from the North line and 360 feet from the East line of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico. A copy of a well location plat is attached.

If you have no objection to this unorthodox location, we ask that you so advise as soon as possible.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosure

CERTIFIED
AIR MAIL

COPY

[illegible] PETROLEUM CORPORATION

March 2, 1967

Mr. Eugene Martin
409 North Acacia
Whittier, Califocnia

Re: Plaza Prospect
Proposed Pubco Federal #15 Well
San Juan County, New Mexico

Dear Mr. Martin:

On February 17 we forwarded copies of our Communitization and Operating Agreement for our proposed Dakota test well in which you have previously indicated your desire to participate as a working interest owner, paying your proportionate share of the costs involved. We also submitted for your consideration a copy of our detailed Well Cost Estimate along with 22 copies of a Ratification Agreement which we requested that you sign and return, such to enable us to finalize all preliminary matters relating to the drilling of this test well.

As of this date, we have not received a reply. All other parties involved in this spacing unit have responded as requested and we await only your concurrence. Please let us hear from you as soon as possible; and again as I previously mentioned, in the interest of expediency, please contact me by telephone collect if you feel it advisable to do so.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Applt. EXHIBIT NO. 2
CASE NO. 3568

PU[illegible]O PETROLEUM CORPORATIC[illegible]

March 2, 1967

Mr. Robert E. Hutchison
R. R. #1, Box 200
Hayden Lake, Idaho

Re: Plaza Prospect
Proposed Pubco Federal #15 Well
San Juan County, New Mexico

Dear Mr. Hutchison:

On January 13, 1967, we forwarded for your approval and signature an Amendment to the existing lease from George E. Hutchison to Robert L. Maddox dated May 20, 1947, this lease now being owned by Mr. T. H. McElvain and others.

You are, of course, the owner of the mineral interest under the leased acreage, and the effect of the Amendment which we asked you to sign would be to allow Mr. McElvain to properly commit the oil and gas lease to the spacing unit which we propose to form for the drilling of a Dakota Formation gas well. We also provided you with a $10.00 check to cover any expenses you might have such as notary fees.

We again wrote to you on February 9 requesting your attention to this matter, and you evidenced receipt of our letter by signing the certified mailing slip which has been returned to us. We are most anxious for your prompt cooperation, and we again ask that you sign and return the documents previously provided. We have offered to discuss this matter by telephone or have offered to answer any inquiries you might have. Perhaps you may wish to communicate directly with Mr. McElvain or his attorney in Santa Fe, and they could advise you accordingly.

In any case, your cooperation is needed and most respectfully requested.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

cc: Mr. Richard S. Morris
Seth, Montgomery, Federici & Andrews
P. O. Box 2307
Santa Fe, New Mexico 87501

COPY

PUBCO PETROLEUM CORPORATION

February 17, 1967

Mr. Eugene Martin
409 North Acacia
Whittier, California

Re: Plaza Prospect
Pubco Federal #15 Well
San Juan County, New Mexico

Dear Mr. Martin:

In accordance with your consent to join in the drilling of our proposed test well in the N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M., as evidenced in your response of January 21, 1967, we are enclosing a copy of the United States Geological Survey approved form Communitization Agreement and a copy of an Operating Agreement which is basically the generally accepted form utilized in the San Juan Basin. Both agreements have been executed on behalf of Pubco Petroleum Corporation as operator, and these copies may be retained for your files.

We are also enclosing 22 copies of an instrument entitled "Working Interest Owner Agreement to Become a Party to Communitization Agreement and to Operating Agreement," the execution of which will effectively commit your interest to this spacing unit. We ask that you sign 20 copies before a Notary Public and return them to us as soon as possible for filing with the United States Geological Survey.

In addition to the mentioned enclosures, we are also furnishing two copies of our detailed Well Cost Estimate which specifically sets forth your share of the costs of this well. We ask that you date, sign and return one copy of the Well Cost Estimate along with the 20 copies of the Ratification Agreement.

You will observe the Estimate for a producing well is $4,100 in excess of the figure quoted in our letter of January 18, 1967. This increased cost is a result of the stringent restrictions imposed by the Farmington City Ordinance having to do with drilling within the corporate limits. This includes fencing of location, extra safety precautions, and ultimate beautification, etc. Your tract is shown on Exhibit "A" as 22 (8), this number correspondingly shown on the Plat attached to the Exhibit.

Normally, it would be necessary for you to enter into a Natural Gas Purchase Agreement for the sale of your proportionate share of production from the well, and subsequently apply to the Federal Power Commission for a Certificate of Convenience and Necessity to permit you to sell gas from the property. However, in view of your small interest and presuming that you do not wish the extra expense and trouble of carrying out these procedures, we will gladly dispose of your share of production under the terms of Article VII of the Operating Agreement and will file with the Federal Power Commission in your behalf as a non-signatory co-owner under our gas purchase contract with El Paso Natural Gas Company. If you wish to the contrary, we ask that you so advise us at the time you return the enclosed ratifications.

Since we are anxious to finalize the paperwork required before commencement of the well, we urge you to call us by telephone, collect, at the number indicated in our letterhead if you have any questions concerning this matter. It will be necessary for us to go before the New Mexico Oil Conservation Commission to request an exception location, since we plan to drill closer to the east section line than is normally required by regulation. It is also necessary for us to ask the Commission to "force pool" those interests whose cooperation we have been unsuccessful in obtaining, as indicated on the Exhibit "A" to the agreement under the Recapitulation showing "Uncommitted Acreage." In view of the need for a hearing on these matters, we ask your prompt handling and cooperation.

Please understand that the enclosures are in the forms commonly used and have general industry acceptance. Other parties to this agreement, particularly Global Oils and the Gladys E. Langroise, et al, interests, have already approved these agreements, and we cannot presently deviate from them without considerable difficulty and additional delay. Again, as mentioned above, I will be glad to attempt an explanation for any item which you may not be familiar with provided you will telephone me.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosures

February 17, 1967

Mr. R. P. Montgomery
4101 Avenue Q
Lubbock, Texas

Re: Plaza Prospect
Pubco Federal #15 Well
San Juan County, New Mexico

Dear Mr. Montgomery:

In accordance with your consent to join in the drilling of our proposed test well in the N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M., as evidenced in your response of January 20, 1967, we are enclosing a copy of the United States Geological Survey approved form Communitization Agreement and a copy of an Operating Agreement which is basically the generally accepted form utilized in the San Juan Basin. Both agreements have been executed on behalf of Pubco Petroleum Corporation as operator, and these copies may be retained for your files.

We are also enclosing 22 copies of an instrument entitled "Working Interest Owner Agreement to Become a Party to Communitization Agreement and to Operating Agreement," the execution of which will effectively commit your interest to this spacing unit. We ask that you sign 20 copies before a Notary Public and return them to us as soon as possible for filing with the United States Geological Survey.

In addition to the mentioned enclosures, we are also furnishing two copies of our detailed Well Cost Estimate which specifically sets forth your share of the costs of this well. We ask that you date, sign and return one copy of the Well Cost Estimate along with the 20 copies of the Ratification Agreement.

You will observe the Estimate for a producing well is $4,100 in excess of the figure quoted in our letter of January 18, 1967. This increased cost is a result of the stringent restrictions imposed by the Farmington City Ordinance having to do with drilling within the corporate limits. This includes fencing of location, extra safety precautions, and ultimate beautification, etc. Your tract is shown on Exhibit "A" as 22 (7), this number correspondingly shown on the Plat attached to the Exhibit.

Normally, it would be necessary for you to enter into a Natural Gas Purchase Agreement for the sale of your proportionate share of production from the well, and subsequently apply to the Federal Power Commission for a Certificate of Convenience and Necessity to permit you to sell gas from the property. However, in view of your small interest and presuming that you do not wish the extra expense and trouble of carrying out these procedures, we will gladly dispose of your share of production under the terms of Article VII of the Operating Agreement and will file with the Federal Power Commission in your behalf as a non-signatory co-owner under our gas purchase contract with El Paso Natural Gas Company. If you wish to the contrary, we ask that you so advise us at the time you return the enclosed ratifications.

Since we are anxious to finalize the paperwork required before commencement of the well, we urge you to call us by telephone, collect, at the number indicated in our letterhead if you have any questions concerning this matter. It will be necessary for us to go before the New Mexico Oil Conservation Commission to request an exception location, since we plan to drill closer to the east section line than is normally required by regulation. It is also necessary for us to ask the Commission to "force pool" those interests whose cooperation we have been unsuccessful in obtaining, as indicated on the Exhibit "A" to the agreement under the Recapitulation showing "Uncommitted Acreage." In view of the need for a hearing on these matters, we ask your prompt handling and cooperation.

Please understand that the enclosures are in the forms commonly used and have general industry acceptance. Other parties to this agreement, particularly Global Oils and the Gladys E. Langroise, et al, interests, have already approved these agreements, and we cannot presently deviate from them without considerable difficulty and additional delay. Again, as mentioned above, I will be glad to attempt an explanation for any item which you may not be familiar with provided you will telephone me.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosures

February 9, 1967

Mr. Robert E. Hutchison
R. R. #1, Box 200
Hayden Lake, Idaho

Re: Plaza Prospect
Proposed Pubco Federal #15 Well
San Juan County, New Mexico

Dear Mr. Hutchison:

On January 13, 1967, we forwarded to you for approval and execution an Amendment to the existing lease under which you are a mineral owner, this being the original lease from George E. Hutchison to Robert L. Maddox dated May 20, 1947. At that time we also forwarded similar documents to Helen H. Wagner, Mary M. Westfall and Joanna Nickles. They have all accepted and agreed to the terms of the Amendment. We also provided you and the other persons with $10.00 checks to cover your notary fees and similar minor expenses.

We would like to make it clear that your advantages in signing the agreement would be substantially increased monthly royalty payments from our proposed well. We understand your monthly payments from Southern Union Gas Company from the existing Pictured Cliffs well on the property are of fairly small amounts. In this particular vicinity a Dakota Formation gas well is expected to produce quantities far in excess of the present well, and your royalty payments would go up accordingly. By signing the lease amendment you will merely help us comply with our attorney's requirements which will provide a more workable condition for our drilling program, and as mentioned, you will also be benefitting yourself.

You will have our sincere gratitude for your cooperation in this matter, and we will be glad to answer any questions you may have. If you would prefer to discuss this matter verbally, please do not hesitate to call me collect at the number indicated in our letterhead. We are anxious to commence our drilling operations, and your prompt attention to this matter is respectfully requested.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb
CERTIFIED
AIR MAIL

PU CO PETROLEUM CORPORA ON

Interoffice Correspondence

February 9, 1967

TO : File

FROM : Orin C. Crane

SUBJECT: Information that may be required during forced pooling action.

Data obtained from Corporation Commission, State of New Mexico:

Macnemco, Inc. forfeited October 28, 1965 - Reason: Failure to file annual return with required franchise fees, etc.

Officers named: Paul C. Newell, Agent and Secretary.

Jack Shoot, President (Last known address: 1 Oakwood Place, Oklahoma City, Okla.)

John Fleming, Vice President (Last known address: 5150 Wilshire Blvd. Los Angeles, Calif.)

Three officers above named were also directors plus one Morris V. Burchfield, whose last known address was 120 South Robertson Blvd., Los Angeles, Calif.

Last known legal address for Macnemco: 3535 East 30th Street, Farmington, New Mexico.

OCC:sb

Mr Platt - Chief Mechanic Fee F.H.A.
Ray Walker - FHA Supervisor

JESCO PETROLEUM CORPORATION

January 18, 1967

Mr. Eugene Martin
409 North Acacia
Whittier, California

Re: Plaza Prospect
San Juan County, New Mexico

Dear Mr. Martin:

Having been unable to arrive at a satisfactory agreement with you in leasing of your .041-acre tract located in the SW¼NE¼ of Section 1, Township 29 North, Range 13 West, N.M.P.M., we now propose that you join us in the drilling of the Dakota Formation test well which is to be located in the NE¼NE¼ of Section 1.

As previously explained to you, your tract lies within the boundaries of our proposed spacing unit, being the N½ of Section 1, containing 319.40 acres. Your tract is thus .0128365% of the total drillsite; and if you join with us, you would be required to pay the aforementioned tract percentage of the completed well cost, estimated to be $95,000.00. Your percentage of such cost, then, would amount to $12.19. You would, of course, be required to pay your proportionate part of all operating costs throughout the life of the well; such costs in total on a monthly basis would approximate $70.00, of which your share would approximate 9 tenths of one cent.

If you wish to join us, it will be necessary that you sign the communitization agreement in the standard form approved by the United States Geological Survey as well as our operating agreement, which specifically sets forth the basis of all charges and manner of operation. Providing that this is your desire, we will immediately prepare the appropriate documents for your signature and forward them to you without delay. We have provided space for your reply on the attached carbon copy of this letter, and we ask that you indicate your preferences and return the copy in the enclosed, self-addressed, stamped envelope.

Yours very truly,

Orin C. Crane

Orin C. Crane
Records Supervisor

OCC:sb
Enclosure
CERTIFIED AIR MAIL

I Will ~~Will Not~~ JOIN IN DRILLING OF THE PROPOSED DAKOTA TEST WELL.

Eugene Martin

Eugene Martin

Date: 1/21/67

UBCO PETROLEUM CORPORATION

January 19, 1967

Mr. Glen W. Bales
1260 John Street, Apt. 8
Salinas, California

Re: Plaza Prospect
San Juan County, New Mexico

Dear Mr. Bales:

By your January 16, 1967, letter you returned our check and unexecuted lease, informing us that you had "a similar situation in Los Angeles with Texaco and got $100.00 a year for the same lease you want." You further stated that you would sign a lease for $100.00 a year for each year we keep it.

Mr. Bales, understand that with the exception of a very few isolated cases would a mineral lease under those terms be of any value to anyone. Perhaps the Los Angeles situation was one of those exceptions. It is quite true that your interest is small and the royalty you would receive would be accordingly small; but according to the records you own less than one-half an acre, actually .357 acres, and it would be impossible to even set a drilling rig on such a small tract.

The community lease which we requested that you sign contained no provision for future rental payments, since we intended to commit the lease to a required spacing unit for immediate drilling, and since royalty usually is paid in lieu of rental, there was obviously little need for such a clause. Also, with only exceptional cases, is the annual rental more than $1.00 per net acre, which would net you only 38¢ per year.

On the basis of $50.00 total consideration which we offered, you would be receiving the equivalent of $140.00 per acre. If we paid a consideration of $100.00 plus an annual rental of $100.00, naturally this would be $280.00 per acre per year rental. I can think of no case in this part of the country where such lease terms are reached.

As you informed me during our telephone conversation, you cannot see a reason to lease to us under any circumstances. As I told you, we intend to commit the entire N½ of Section 1, containing 319.40 acres, to the drilling of a single Dakota Formation test well. We intend to go before the New Mexico Oil and Gas Conservation Commission to request approval. Since you refuse to lease, we must ask you to join us in the drilling of the proposed well with you paying your proportionate share of all costs related to the drilling, completing and equipping of such well. We estimate costs in the neighborhood of $95,000.00, of which your share would amount to $106.18. We anticipate monthly operating

JBCO PETROLEUM CORPORATION

charges of approximately $70.00, of which your share would approximate 8¢. Your share of total production from the well would be .11177 percent. If you agree to joining in the drilling of the well, paying your proportionate share of all costs as outlined above, we will prepare and furnish for your signature a communitization agreement on the standard United States Geological Survey approved form, along with what we believe to be an acceptable operating agreement which will govern the basis of all charges and operations. We ask that you indicate your acceptance or rejection of this proposal on the attached carbon copy of this letter, which should be returned to us in the enclosed, self-addressed, stamped envelope. We will be most grateful for a prompt reply.

Yours very truly,

Orin C. Crane

Orin C. Crane
Records Supervisor

OCC:sb

Enclosure

CERTIFIED
AIR MAIL

I "Do Not" DESIRE TO JOIN IN THE DRILLING OF THE PROPOSED WELL.
Do/Do Not

Glen W. Bales

Date; 1-23-67

JUPCO PETROLEUM CORPORATION

January 18, 1967

Mr. R. P. Montgomery
4101 Avenue Q
Lubbock, Texas

Re: Plaza Prospect
San Juan County, New Mexico

Dear Mr. Montgomery:

We understand that you have been corresponding with Mr. Howard S. Henderson, who has been representing Pubco Petroleum Corporation in attempts to acquire an oil and gas lease from you which we intended to commit to a spacing unit for the drilling of a Dakota Formation test well within the N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M. Mr. Henderson has now informed us of your reply of January 10, 1967, stating that you are not interested in leasing at the present time.

It is our intention to commence drilling operations within the next few weeks; and since you have refused to lease, we now ask that you join us as a working interest owner, paying your proportionate share of the cost of the proposed well, which we estimate to be $95,000.00. Your share of such cost would be computed on an acreage basis. The San Juan County records show you to own a .403-acre tract, and our proposed communitized area contains 319.40 acres; thus your percentage is .403/319.40 = .1261741%, resulting in a cost of $119.87 to you. You would, of course, be required to bear your proportionate part of all monthly operating expenses, which we would estimate at $70.00, your portion being approximately 9 cents per month. Of course, you would receive your monthly share of all revenues from the well which would more than offset your monthly charge.

If you desire to join us in drilling of this well, it will be necessary that you execute a communitization agreement in the standard form approved by the United States Geological Survey and that we enter into a mutually acceptable operating agreement which will govern the basis of all charges and future operation of the well. We ask that you indicate your wishes on the attached carbon copy of this letter, and if in the affirmative, we will prepare the appropriate documents for your signature. Please utilize the enclosed, self-addressed, stamped envelope for your convenience in replying.

Yours very truly,

Orin C. Crane

Orin C. Crane
Records Supervisor

OCC:sb
Enclosure
CERTIFIED AIR MAIL

I will/will not JOIN IN DRILLING OF THE PROPOSED DAKOTA TEST WELL.

R. P. Montgomery

Date: Jan. 20, 1967

January 16, 1967
1260 John Street, Apt. 8
Salinas, California

Pubco Petroleum Co.
Orin C. Crane
Box 869
Albuquerque, New Mexico 87105

Dear Sir:

In looking over your lease I find that for the sum of $50.00 and a very small royalty you could keep my mineral right leased as long as you might desire. As I am not interested in this sort of lease, I am returning your lease and check. However, I did look back on my records and found I had a similiar situation in Los Angeles with Texaco and I got $100.00 a year for the same lease you want.

If you are interested in leasing my mineral rights for $100.00 a year for each & every year, you keep it, I will lease it, otherwise, I will not sign this lease under no consideration.

Glen W. Bales

3-7

Producers (Revised) With 640 Acre Pooling Provision--N. M. Standard Form

COMMUNITY OIL AND GAS MINING LEASE

(Five Year Paid Up Lease)

THIS AGREEMENT, made and entered into this 1st day of May, 19 66, to be known as a Community Oil and Gas Mining Lease, between the undersigned parties, hereinafter called "Lessors", (whether one or more), and

Howard E. Hendorson, P. O. Box 1751, Farmington, New Mexico

hereinafter called "Lessee",

WITNESSETH:

WHEREAS, Lessors believe that their interests will be best furthered and conserved by joining their respective properties in this Community Oil and Gas Mining Lease, under the terms of which their said property may be jointly explored and developed for oil, gas and associated liquid hydrocarbons, and all Lessors may share in the royalties from the wells wherever drilled on the land described in Section 1 hereof, and they now desire to pool their interests in such manner.

1. NOW, THEREFORE, the Lessors, for and in consideration of One Dollar ($1.00) in hand paid to them, of the royalties herein provided, and of the agreements of Lessee herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby confessed and acknowledged, hereby grant, lease and let exclusively unto Lessee, his heirs and assigns, for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas and associated liquid hydrocarbons and laying pipe lines, (but Lessee shall not build roads, tanks, power stations or other structures on the leased premises without the written consent of the respective Lessors owning the particular tracts involved), on, over and across lands owned or claimed by Lessors, and to produce, save, take care of, treat, transport, and own said products, together with every other right and privilege incidental to the use of said land in connection with such drilling, operating and producing operations, the following described land in the County of San Juan, State of New Mexico; to-wit:

Township 29 North, Range 13 West, N.M.P.M.

Section 1: Beginning at a point on the North boundary line of the $SW\frac{1}{4}NE\frac{1}{4}$, which point is 404 feet East of the Northwest corner thereof; Thence West 404 feet along the North line of the $SW\frac{1}{4}NE\frac{1}{4}$ to the Northwest corner; Thence South on the West line to the Southwest corner of the $SW\frac{1}{4}NE\frac{1}{4}$; Thence East on the South line of the said $SW\frac{1}{4}NE\frac{1}{4}$ 256 feet to the center line of Highway; Thence in a Northeasterly direction (Variation North 6° 46' East) to the point of beginning on the North line of the said $SW\frac{1}{4}NE\frac{1}{4}$, containing 10 acres, more or less.

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations, and/or to the discovery, development or cessation at any time of production of oil or gas and associated liquid hydrocarbons, and without further payments other than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of five years from the date hereof, (hereinafter called "primary term"), and as long thereafter as oil or gas and associated liquid hydrocarbons is produced from any portion of the above described land or land with which the above described land or any portion thereof is pooled hereunder.

3. Lessee, his successors or assigns, may at any time, either before or after the discovery of oil or gas and associated liquid hydrocarbons, or the commencement of drilling operations on any portion of the hereinabove described lands, surrender all or any part of said lands by recording a good and sufficient release therefor, and thereupon all rights and obligations of Lessee as to the parcels of land so surrendered shall cease and terminate as between Lessee and the respective Lessors owning the property so surrendered, and the covenants of this lease, whether express or implied, shall cease with respect to the owners of the surrendered acreage.

4. Other than as to the oil and gas which Lessee may use free of charge in Lessee's operations, and Lessee is hereby given and shall have free use of oil, gas, coal and water from said land, except water from a Lessor's well, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any production so used, Lessee agrees to pay to the respective Lessors their "royalty share" of the oil, gas and associated liquid hydrocarbons produced, saved and sold from the above described lands. As used herein the term "royalty" or "royalty share" shall mean that proportion of the production which bears the same ratio to all production as the amount of acreage contributed to this lease by the respective Lessors bears to the entire amount of acreage under the above described lands. The royalty share paid by Lessee shall be:

(a) On oil, 1/8 of the value of that produced and saved from said land, the same to be calculated at the wells or at the point delivered to the pipeline to which the wells may be connected.

(b) On gas, including casinghead gas or other gaseous substances, produced from the above described land, and sold or used off the premises, or for the extraction of gasoline or other products available, the market value at the well of 1/8 of gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/8 of the amount realized from such sale;

(c) While there is a gas well, classified or capable of being classified as such by the appropriate regulatory authorities of the State of New Mexico, on any portion of the above described acreage or acreage pooled therewith, but gas is not being sold or used, Lessee may pay as shut-in royalty deposited to the credit of the Lessors, the sum of One Dollar ($1.00) per acre, and if such payment is made or tendered, this lease shall not terminate, but to the contrary it will be considered for all intents and purposes that gas is being produced from this lease in paying quantities, it being understood that the first such shut-in royalty payment, if made, shall be made on or before the anniversary date of the lease next ensuing after the expiration of twelve (12) months from the shutting in of such well, it being the intention hereof that this lease shall remain in full force and effect without any payment until the anniversary date next following the expiration of twelve (12) months from the date such well shall have been shut-in, and that each such advance annual payment shall have the effect of maintaining this lease in effect for the succeeding year, and that the right to make such payment shall recur annually from the date of such shut in royalty payment, whether before, on, or after the expiration of the primary term of this lease.

(d) Should a well be commenced during the primary term, but completed after the end of the primary term, under the extension provisions of Section 6 set forth below, then the Lessee, his successors or assigns, may have a reasonable length of time in which to commence the sale of products from such well and which reasonable time shall, for all purposes, give the Lessee at least six months in which to commence the sale of such products; provided, in the event the well is considered by the Lessee as a shut-in gas well, Lessee shall likewise have the right to commence the payment of shut-in royalty in the amount and within the time specified in sub-section (c) above.

(e) The royalty provided for above shall be ascertained, computed and paid monthly, except as to shut-in royalty payments, and for this purpose Lessee shall keep true and correct books of account showing the production of such substances from the above described lands and, subject to the provisions of sub-section (f) below, these records shall be open to inspection of the Lessors at all reasonable times.

(f) All of the Lessors shall elect or appoint an agent on their behalf by a majority vote of two-thirds of the acreage included in this lease, and within thirty days after such appointment Lessors shall notify Lessee in writing, of the person so appointed, and such agent shall have full power and authority in the name of and in behalf of Lessors, and each of them, to inspect the books and records of Lessee relating to production, receive and examine all statements of production, give any and all notices which may be required to be given or which Lessors may desire to give hereunder, and to transact and perform every act which Lessors or any one or more of them might do under this lease or in any manner relating thereto. Lessors from time to time, and by like vote may discharge or obtain a new or different agent to be vested with such powers on their behalf, but Lessee shall not be bound thereby until written notice has been delivered to Lessee, his successors or assigns, designating said agent and his address. Any notice which may be given by Lessee to Lessors hereunder shall be directed to said agent and notice to said agent shall be deemed sufficient notice to each Lessor. Said agent, if he so desires, may change the depository for royalty payments hereunder, but such change shall not be binding upon Lessee until receipt of written notice thereof.

(g) All payments due hereunder to Lessors shall be made by paying the same into The Citizens Bank, Town of Farmington, San Juan County, New Mexico, and such deposits shall relieve Lessee, his successors and assigns, from seeing to the proper distribution thereof among the several Lessors or among any parties owning any interest under Lessors.

(h) Royalties under this lease shall be divided among and owned by the respective Lessors according to the proportion which the area of the lots herein leased bears to the total area embraced by this lease as set forth in Section 1 above.

5. Lessee, and at its option, is hereby given the power to pool or combine the acreage covered by this lease, or any portion thereof, as to oil and gas or associated liquid hydrocarbons, or either of them, with other land, lease or leases in the immediate vicinity thereof, to the extent hereinafter stipulated, when in Lessee's judgment, it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises. The units pooled for oil and/or gas hereunder shall not substantially exceed 640 acres in areas, provided that should governmental authority having jurisdiction thereof prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee, his successors or assigns, under the provisions hereof, may pool or combine acreage covered by this lease, or any portion thereof, as above provided as to oil and/or gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit unto which the lease is pooled or combined as to any other stratum or strata, and oil units need not necessarily conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or any portion thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated, an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at his election, exercise his pooling option after commencing operations for, or completing an oil or gas well on the leased premises or on lands pooled therewith, and the pooled unit may include, but it is not required to include, land or leases on which a well capable of producing oil or gas and associated liquid hydrocarbons in paying quantities has theretofore been completed, or upon which operations for the drilling of a well for oil or gas has theretofore been commenced. Operations for drilling on or production of oil or gas and associated liquid hydrocarbons from any part of the pooled area which includes all or a portion of the land covered by this lease as described in Section 1 above, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument, or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease, whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and/or gas and associated liquid hydrocarbons as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease, and such operations or production from the pooled unit shall inure to all of this lease both as to the portions within the unit and without the unit for the purpose of maintaining this lease in force upon production. For the purpose of computing the royalties to which owners of royalties and payments out of production, and each of them, shall be entitled on production of oil and gas and associated liquid hydrocarbons, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit, a pro rata portion of the oil and gas and associated liquid hydrocarbons, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such pro rata share which is attributable to the acreage or portions of this lease included in such pooled unit shall then be owned and shared by all the parties to this lease in accordance with their proportionate interest owned in this lease. Such allocation of production from the pooled unit to this lease shall be on an acreage basis—that is to say, there shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas and associated liquid hydrocarbons, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit, bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas and associated liquid hydrocarbons, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land.

[illegible] unit designated by Lessee in accordance with the terms hereof, may be extended by Lessee by instrument filed for record in the appropriate records of the county in which the above described lands are situated at any time after the completion of a dry hole or the cessation of commercial production in the direction of Lessee, on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent lands within 660 feet of and draining the leased premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances, or in the alternative, should the Lessee desire not to drill such an offset well, he may pay compensatory royalty equal to $1.00 per acre, attributable to the normal spacing unit being drained, to the Lessors in lieu of drilling such offset well. Lessee may, at any time, execute and deliver to Lessors, or their agent as above provided, or place of record a release or releases covering any portion or portions of any formation or part of a formation of the above described lands and thereby surrender this lease as to such portion or portions, and be relieved of all obligations as to the acreage so surrendered.

Lessee, its successors or assigns, shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee, his successors or assigns, on said land including the right to draw and remove all casing. When required by Lessors, Lessee will bury all pipelines below ordinary plow depth, and no well shall be drilled within 200 feet of any residence or barn now on said land without the written consent of the respective Lessors owning such residence or barn.

7. The drilling and operating requirements of this lease and the expiration of the primary term hereof, shall be suspended while, but only so long as Lessee, his successors or assigns, is prevented from complying therewith, in whole or in part, by strikes, war, lock-outs, Acts of God, inability of Lessee to obtain materials or supplies from manufacturers, or dealers in reasonable time after a bona fide attempt and order, delays in transportation, interference by or any delay in obtaining necessary permits from Federal, State, County, City or Town or other governmental authority, and accidents or other matters beyond the control of Lessee. Lessee agrees to conduct all drilling operations, and locate all wells on the above described lands, in accordance with the rules and regulations of the municipality or other governmental authority having proper jurisdiction thereof.

The rights of any party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, his successors or assigns, and no change or division in such ownership shall be binding on Lessee, his successors or assigns, until thirty (30) days after Lessee shall have been furnished by Registered or Certified United States mail at Lessee's principal place of business with a certified copy or recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commences such breach. Lessee may withhold payment of royalty due hereunder unless and until furnished with a recordable instrument designating an agent for the Lessors in accordance with Section 4 (c) above.

8. The breach by Lessee of any obligation arising hereunder, shall not work a forfeiture or termination of this Lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessors consider that operations are not at any time being conducted in compliance with this lease, as evidenced by a majority of two-thirds of the Lessors, Lessors shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in fact in default, based upon a judicial determination, shall have sixty (60) days after receipt of such notice to commence the compliance with obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on the above described lands, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator, but in the discharge of this obligation, he shall in no event be required to drill more than one well to each normal spacing unit designated by the Oil Conservation Commission of the State of New Mexico or the spacing pattern then adopted and followed by a majority of the operators in the area. After the discovery of oil or gas in paying quantities, Lessee shall as heretofore mentioned, reasonably develop the above described lands but in no event shall he be required to conduct any exploratory operations unless he so desires and in his sole discretion considers it economically feasible to do so.

9. Lessors hereby warrant and agree to defend the title to the land contributed to this lease by the respective Lessors and agree that Lessee, his successors and assigns, at his option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, he shall be subrogated to such lien with the right to enforce same and may apply royalties accruing hereunder toward satisfying the same, but only insofar as such royalties are attributable to the particular tract involved. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if any Lessor owns an interest in the lands contributed to this oil and gas lease or the oil or gas on, in or under said lands less than the entire fee simple estate, then the royalties to be paid such Lessor, as to their respective tracts, shall be reduced proportionately. Should any one or more of the parties hereinafter named as one of the Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Obligations of Lessors to Lessee, his successors or assigns, hereunder, shall be several and not joint, and the obligations of the respective Lessors shall be only such as directly arise from the parcel or parcels here leased by the respective Lessors.

11. Should the respective Lessors own more land contained within the above described lands than that which is shown opposite their respective names at the time of execution of this agreement, such additional lands shall nevertheless be considered as a part of this agreement and subject hereto and upon determination of such ownership said Lessor's interest shall be adjusted accordingly. Should the respective Lessors at any time after the execution of this agreement acquire other interests as to ownership of lands or minerals thereunder in, on or under the above described lands, such Lessors for the same consideration, hereby grant unto Lessee, his successors or assigns, an option to acquire a lease on such interests in accordance with the terms and provisions of this community lease which option must be exercised by Lessee, his successors or assigns, within thirty (30) days after Lessee has been given written proof of the acquisition of such ownership by the respective Lessor.

12. This lease may be executed in any number of counterparts, all of which may be considered as duplicate originals, or may be ratified by separate instrument properly signed and acknowledged by Lessors which ratifications shall have the full force and effect as if such signing parties had executed this lease agreement and such ratification will be made by reference to this lease.

IN WITNESS WHEREOF, the undersigned owner or owners of a lot, piece or parcel of land within the above described lands have caused this community lease to be executed by attaching their signatures hereto on the day and date set opposite their respective signatures, and in like manner have set opposite their name or names the description of the lot, piece or parcel of land owned by them and thereby joined in this lease, and notwithstanding the date of execution hereof, such parties agree that this community lease shall be effective as of the day and year first above written.

XXX

Name and Address	XXXXXXXXX
Glen W. Bales, 1320 Bonita Avenue, Las Vegas, Nevada	
Mary J. Bales	

LESSORS

LESSEE

THE STATE OF Nevada
COUNTY OF

The foregoing instrument was acknowledged before me this ..... day of July ....., 1956 by Glen W. Bales .....
and ..... Mary J. Bales, his wife. ..... his wife.

My Commission Expires: _____ Notary Public

THE STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this ..... day of ....., 19.. by .....
and ..... his wife.

My Commission Expires: _____ Notary Public

WHEN RECORDED RETURN TO:

This instrument was filed for record on the ..... day of
....., 19..... at ..... o'clock ..... M.,
and duly recorded in Book ....., Page ....., of the
..... records of this office.

County Clerk ..... County, ...

PUBCO PETROLEUM CORPORATION

January 13, 1967

Mrs. Helen H. Wagner
Box 1642
Las Vegas, Nevada

Mrs. Mary M. Westfall
R. R. #1, Box 965
Juneau, Alaska

Mrs. Joanne Nickles
R. R.
Kettle Falls, Washington

Mr. Robert E. Hutchison
R. R. #1, Box 200
Hayden Lake, Idaho

Re: Plaza Prospect
San Juan County, New Mexico

Dear Ladies and Gentlemen:

In accordance with the spacing regulations of the New Mexico Oil and Gas Conservation Commission, Pubco Petroleum Corporation is forming a 317.40-acre drilling unit for a Dakota Formation test well, which unit will be comprised of all lands in the N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M.

According to the records of San Juan County, New Mexico, you are an interest owner under the NE¼NE¼ and approximately the East 30 acres of the SW¼NE¼ of Section 1, your interest being subject to an Oil and Gas Lease dated May 20, 1947, from George E. Hutchison to Robert L. Maddox, which lease appears of record in Book 125 at Page 228. The lease is presently held by production from the J. J. Dempsey Trustee-Hutchison Well No. 1 which is completed in the Pictured Cliffs Formation, and we understand you are presently receiving royalty payments from Southern Union Gas Company.

The working interest owners under this lease, Gladys E. Langrolse, Catherine B. McElvain, T. H. McElvain, Jr. and Catherine Frances McElvain Harvey, have consented to commitment of the lease to our spacing unit and it will share in approximately 21.9 percent of total production from our proposed well. Although we have the consent of the working interest owners, it is necessary that we have the consent of the royalty owners inasmuch as the original lease did not have a standard pooling provision in it. We have therefore prepared and enclose two copies of an Amendment for each royalty owner, and we ask that you sign one copy of the Amendment before a Notary Public and return it to us in the enclosed, self-addressed, stamped envelope. The extra copy may be retained for your file.

f BCO PETROLEUM CORPORA N

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Y

We are anxious to complete our paperwork preliminary to commencement of the well and we ask that you handle this matter as quickly as possible. Checks in the amount of $10.00 payable to each royalty owner are also being transmitted with the Amendments. Your prompt cooperation will be most appreciated.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosures

IBCO PETROLEUM CORPORATION

January 11, 1967

COPY

Mr. Glen W. Bales
1260 John Street
Salinas, California

Dear Mr. Bales:

As discussed with you during our telephone conversation this date, I am enclosing two copies of the Community Oil and Gas Mining Lease as originally furnished to you by Mr. Henderson.

I am also enclosing a copy of my letter of November 28, 1966, addressed to Standard Oil Company of Texas, and their reply of December 9, 1966, which indicates they maintain no claim on the mineral rights under their service station lease.

Also enclosed is our check in the amount of $50.00 representing the full consideration for execution of the lease. We ask that you and your wife join in signing the lease before a Notary Public and that you return the fully executed copy in the enclosed, self-addressed, stamped envelope. We ask that you handle this matter at your very earliest convenience as we are anxious to finalize our paperwork for commencement of our proposed well. We thank you very much for your cooperation in this matter.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosures

G. BENTLEY RYAN
SIDNEY TRAXLER
JAMES C. FOSTER, JR.

LAW OFFICES
RYAN AND TRAXLER
EIGHTH FLOOR UNION BANK BUILDING
9460 WILSHIRE BOULEVARD
BEVERLY HILLS, CALIFORNIA 90212

CRestview 4-0111
BRadshaw 2-4404

January 4, 1967

Mr. Orin C. Crane
Records Supervisor
Pubco
Post Office Box 869
Albuquerque, New Mexico

Re: Macnemco, Inc.

Dear Mr. Crane:

This will acknowledge your letter of December 30th and advise that substantially you are correct in your "chain of events".

The Macnemco stock was held by four individuals, as trustees, for the benefit of about twenty beneficiaries who became entitled thereto on the death of J. Ross Clark II in February, 1962. The termination of the trust was in Court until last year, at which time the Court ordered the stock turned over to the beneficiaries as their interest may appear. Consequently, the owners of the stock are approximately twenty beneficiaries

I am not familiar with the New Mexico law but I assume there have been no franchise fees paid on behalf of this corporation and it is doubtful whether we are authorized to act at this time. In line with your letter of December 30th, we are returning your check in the amount of $150.00 although, if you wish, I will secure a signed statement of all of the beneficiaries that they will assign all of their rights to you for this sum. As you can understand, this would take some time.

Yours very truly,

JAMES C. FOSTER of
Ryan & Traxler

JCF/le
Encl.

Producers 88 (Revised) With 640-Acre Pooling Provision—N. M. Standard Form

COMMUNITY OIL AND GAS MINING LEASE

(Five Year Paid Up Lease)

THIS AGREEMENT, made and entered into this 1ST day of November, 19 66, to be known as a Community Oil and Gas Mining Lease, between the undersigned parties, hereinafter called "Lessors", (whether one or more), and Howard E. Henderson, P. O. Box 1751, Farmington, New Mexico hereinafter called "Lessee".

WITNESSETH:

WHEREAS, Lessors believe that their interests will be best furthered and conserved by joining their respective properties in this Community Oil and Gas Mining Lease, under the terms of which their said property may be jointly explored and developed for oil, gas and associated liquid hydrocarbons, and all Lessors may share in the royalties from the wells wherever drilled on the land described in Section 1 hereof, and they now desire to pool their interests in such manner.

1. NOW, THEREFORE, the Lessors, for and in consideration of One Dollar ($1.00) in hand paid to them, of the royalties herein provided, and of the agreements of Lessee herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby confessed and acknowledged, hereby grant, lease and let exclusively unto Lessee, his heirs and assigns, for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas and associated liquid hydrocarbons and laying pipe lines, (but Lessee shall not build roads, tanks, power stations or other structures on the leased premises without the written consent of the respective Lessors owning the particular tracts involved), on, over and across lands owned or claimed by Lessors, and to produce, save, take care of, treat, transport, and own said products, together with every other right and privilege incidental to the use of said land in connection with such drilling, operating and producing operations, the following described land in the County of San Juan, State of New Mexico, to-wit:

Township 29 North, Range 13 West, N.M.P.M.

Section 1: E/2 NW/4 and SW/4 NW/4

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations, and/or to the discovery, development or cessation at any time of production of oil or gas and associated liquid hydrocarbons, and without further payments other than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of five years from the date hereof, (hereinafter called "primary term"), and as long thereafter as oil or gas and associated liquid hydrocarbons is produced from any portion of the above described land or land with which the above described land or any portion thereof is pooled hereunder.

3. Lessee, his successors or assigns, may at any time, either before or after the discovery of oil or gas and associated liquid hydrocarbons, or the commencement of drilling operations on any portion of the hereinabove described lands, surrender all or any part of said lands by recording a good and sufficient release therefor, and thereupon all rights and obligations of Lessee as to the parcels of land so surrendered shall cease and terminate as between Lessee and the respective Lessors owning the property so surrendered, and the covenants of this lease, whether express or implied, shall cease with respect to the owners of the surrendered acreage.

4. Other than as to the oil and gas which Lessee may use free of charge in Lessee's operations, and Lessee is hereby given and shall have free use of oil, gas, coal and water from said land, except water from a Lessor's well, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any production so used, Lessee agrees to pay to the respective Lessors their "royalty share" of the oil, gas and associated liquid hydrocarbons produced, saved and sold from the above described lands. As used herein the term "royalty" or "royalty share" shall mean that proportion of the production which bears the same ratio to all production as the amount of acreage contributed to this lease by the respective Lessors bears to the entire amount of acreage under the above described lands. The royalty share paid by Lessee shall be:

(a) On oil, 1/8 of the value of that produced and saved from said land, the same to be calculated at the wells or at the point delivered to the pipeline to which the wells may be connected.

(b) On gas, including casinghead gas or other gaseous substances, produced from the above described land, and sold or used off the premises, or for the extraction of gasoline or other products available, the market value at the well of 1/8 of gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/8 of the amount realized from such sale;

(c) While there is a gas well, classified or capable of being classified as such by the appropriate regulatory authorities of the State of New Mexico, on any portion of the above described acreage or acreage pool I therewith, but gas is not being sold or used, Lessee may pay as shut-in royalty deposited to the credit of the Lessors, the sum of One Dollar ($1.00) per acre, and if such payment is made or tendered, this lease shall not terminate, but to the contrary it will be considered for all intents and purposes that gas is being produced from this lease in paying quantities, it being understood that the first such shut-in royalty payment, if made, shall be made on or before the anniversary date of the lease next ensuing after the expiration of twelve (12) months from the shutting in of such well, it being the intention hereof that this lease shall remain in full force and effect without any payment until the anniversary date next following the expiration of twelve (12) months from the date such well shall have been shut-in, and that each such advance annual payment shall have the effect of maintaining this lease in effect for the succeeding year, and that the right to make such payment shall recur annually from the date of such shut in royalty payment, whether before, on, or after the expiration of the primary term of this lease.

(d) Should a well be commenced during the primary term, but completed after the end of the primary term, under the extension provisions of Section 6 set forth below, then the Lessee, his successors or assigns, may have a reasonable length of time in which to commence the sale of products from such well and which reasonable time shall, for all purposes, give the Lessee at least six months in which to commence the sale of such products; provided, in the event the well is considered by the Lessee as a shut-in gas well, Lessee shall likewise have the right to commence the payment of shut-in royalty in the amount and within the time specified in sub-section (c) above.

(e) The royalty provided for above shall be ascertained, computed and paid monthly, except as to shut-in royalty payments, and for this purpose Lessee shall keep true and correct books of account showing the production of such substances from the above described lands and, subject to the provisions of sub-section (f) below, these records shall be open to inspection of the Lessors at all reasonable times.

(f) All of the Lessors shall elect or appoint an agent on their behalf by a majority vote of two-thirds of the acreage included in this lease, and within thirty days after such appointment Lessors shall notify Lessee in writing, of the person so appointed, and such agent shall have full power and authority in the name of and in behalf of Lessors, and each of them, to inspect the books and records of Lessee relating to production, receive and examine all statements of production, give any and all notices which may be required to be given or which Lessors may desire to give hereunder, and to transact and perform every act which Lessors or any one or more of them might do under this Lease or in any manner relating thereto. Lessors from time to time, and by like vote may discharge or obtain a new or different agent to be vested with such powers on their behalf, but Lessee shall not be bound thereby until written notice has been delivered to Lessee, his successors or assigns, designating said agent and his address. Any notice which may be given by Lessee to Lessors hereunder shall be directed to said agent and notice to said agent shall be deemed sufficient notice to each Lessor. Said agent, if he so desires, may change the depository for royalty payments hereunder, but such change shall not be binding upon Lessee until receipt of written notice thereof.

(g) All payments due hereunder to Lessors shall be made by paying the same into The Citizens Bank, Town of Farmington, San Juan County, New Mexico, and such deposits shall relieve Lessee, his successors and assigns, from seeing to the proper distribution thereof among the several Lessors or among any parties owning any interest under Lessors.

(h) Royalties under this lease shall be divided among and owned by the respective Lessors according to the proportion which the area of the lots herein leased bears to the total area embraced by this lease as set forth in Section 1 above.

5. Lessee, and at its option, is hereby given the power to pool or combine the acreage covered by this lease, or any portion thereof, as to oil and gas and associated liquid hydrocarbons, or either of them, with other land, lease or leases in the immediate vicinity thereof, to the extent, hereinafter stipulated, when in Lessee's judgment, it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises. The units pooled for oil and/or gas hereunder shall not substantially exceed 640 acres in areas, provided that should governmental authority having jurisdiction thereof prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee, his successors or assigns, under the provisions hereof, may pool or combine acreage covered by this lease, or any portion thereof, as above provided as to oil and/or gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit unto which the lease is pooled or combined as to any other stratum or strata, and oil units need not necessarily conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or any portion thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated, an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at his election, exercise his pooling option after commencing operations for, or completing an oil or gas well on the leased premises or on lands pooled therewith, and the pooled unit may include, but it is not required to include, land or leases on which a well capable of producing oil or gas and associated liquid hydrocarbons in paying quantities has theretofore been completed, or upon which operations for the drilling of a well for oil or gas has theretofore been commenced. Operations for drilling on or production of oil or gas and associated liquid hydrocarbons from any part of the pooled area which includes all or a portion of the land covered by this lease as described in Section 1 above, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument, or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease, whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and/or gas and associated liquid hydrocarbons as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease, and such operations or production from the pooled unit shall inure to all of this lease both as to the portions within the unit and without the unit for the purpose of holding the lease based upon production. For the purpose of computing the royalties to which owners of royalties and payments out of production, and each of them, shall be entitled on production of oil and gas and associated liquid hydrocarbons, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit, a pro rata portion of the oil and gas and associated liquid hydrocarbons, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such pro rata share which is attributable to the portion or portions of this lease included in such pooled unit shall then be owned and shared by all the parties to this lease in accordance with their proportionate interest owned in this lease. Such allocation of production from the pooled unit to this lease shall be on an acreage basis—that is to say, that it shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas and associated liquid hydrocarbons, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit, bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas and associated liquid hydrocarbons, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land.

6. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, or if shut-in royalty is not being paid in lieu of such production, but Lessee is then engaged in drilling or re-working operations thereon, or shall have completed a dry hole thereon within sixty (60) days prior to the end of the primary term, the lease shall remain in force so long as operations on said well or for the drilling or reworking of any additional well are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in production of oil or gas and associated liquid hydrocarbons, the lease shall remain in force so long thereafter as oil or gas is produced from said land, or from land pooled therewith, or so long as shut-in royalty, if applicable, is paid. If, after the expiration of the primary term of this lease and after oil or gas is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for the drilling or reworking of any well within sixty (60) days after the cessation of such production, but shall remain in full force and effect so long as such operations are prosecuted with no cessation of more than sixty (60) days, and should such operations result in a shut-in gas well then Lessee shall, in accordance with Section 4 (c) above, have the right to commence the payment of shut-in royalties. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the above described lands are situated at any time after the completion of a dry hole or the cessation of commercial production, in the discretion of Lessee, on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 660 feet of and draining the leased premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances, or in the alternative, should the Lessee desire not to drill such an offset well, he may pay compensatory royalty equal to $1.00 per acre, attributable to the normal spacing unit being drained, to the Lessors in lieu of drilling such offset well. Lessee may, at any time, execute and deliver to Lessors, or their agent as above provided, or place of record a release or releases covering any portion or portions of any formation or part of a formation of the above described lands and thereby surrender this lease as to such portion or portions, and be relieved of all obligations as to the acreage so surrendered.

Lessee, its successors or assigns, shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee, his successors or assigns, on said land including the right to draw and remove all casing. When required by Lessors, Lessee will bury all pipelines below ordinary plow depth, and no well shall be drilled within 200 feet of any residence or barn now on said land without the written consent of the respective Lessors owning such residence or barn.

7. The drilling and operating requirements of this lease and the expiration of the primary term hereof, shall be suspended while, but only so long as Lessee, his successors or assigns, is prevented from complying therewith, in whole or in part, by strike, war, lock-outs, Acts of God, inability of Lessee to obtain materials or supplies from manufacturers, or dealers in reasonable time after a bona fide attempt and order, delays in transportation, interference by or any delay in obtaining necessary permits from Federal, State, County, City or Town or other governmental authority, and accidents or other matters beyond the control of Lessee. Lessee agrees to conduct all drilling operations, and locate all wells on the above described lands, in accordance with the rules and regulations of the municipality or other governmental authority having proper jurisdiction thereof.

The rights of any party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, his successors or assigns, and no change or division in such ownership shall be binding on Lessee, his successors or assigns, until thirty (30) days after Lessee shall have been furnished by Registered or Certified United States mail at Lessee's principal place of business with a certified copy or recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commences such breach. Lessee may withhold payment of royalty due hereunder unless and until furnished with a recordable instrument designating an agent for the Lessors in accordance with Section 4 (f) above.

8. The breach by Lessee of any obligation arising hereunder, shall not work a forfeiture or termination of this Lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessors consider that operations are not at any time being conducted in compliance with this lease, as evidenced by a majority of two-thirds of the Lessors, Lessors shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in fact in default, based upon a judicial determination, shall have sixty (60) days after receipt of such notice to commence the compliance with obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on the above described lands, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator, but in the discharge of this obligation, he shall in no event be required to drill more than one well to each normal spacing unit designated by the Oil Conservation Commission of the State of New Mexico or the spacing pattern then adopted and followed by a majority of the operators in the area. After the discovery of oil or gas in paying quantities, Lessee shall as heretofore mentioned, reasonably develop the above described lands but in no event shall he be required to conduct any exploratory operations unless he so desires and in his sole discretion considers it economically feasible to do so.

9. Lessors hereby warrant and agree to defend the title to the land contributed to this lease by the respective Lessors and agree that Lessee, his successors and assigns, at his option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, he shall be subrogated to such lien with the right to enforce same and may apply royalties accruing hereunder toward satisfying the same, but only insofar as such royalties are attributable to the particular tract involved. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if any Lessor owns an interest in the lands contributed to this oil and gas lease or the oil or gas on, in or under said lands less than the entire fee simple estate, then the royalties to be paid such Lessor, as to their respective tracts, shall be reduced proportionately. Should any one or more of the parties hereinafter named as one of the Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Obligations of Lessors to Lessee, his successors or assigns, hereunder, shall be several and not joint, and the obligations of the respective Lessors shall be only such as directly arise from the parcel or parcels here leased by the respective Lessors.

11. Should the respective Lessors own more land contained within the above described lands than that which is shown opposite their respective names at the time of execution of this agreement, such additional lands shall nevertheless be considered as a part of this agreement and subject hereto and upon determination of such ownership said Lessor's interest shall be adjusted accordingly. Should the respective Lessors at any time after the execution of this agreement acquire other interests as to ownership of lands or minerals thereunder in, on or under the above described lands, such Lessors for the same consideration, hereby grant unto Lessee, his successors or assigns, an option to acquire a lease on such interests in accordance with the terms and provisions of this community lease which option must be exercised by Lessee, his successors or assigns, within thirty (30) days after Lessee has been given written proof of the acquisition of such ownership by the respective Lessor.

12. This lease may be executed in any number of counterparts, all of which may be considered as duplicate originals, or may be ratified by separate instrument properly signed and acknowledged by Lessors which ratifications shall have the full force and effect as if such signing parties had executed this lease agreement and such ratification will be made by reference to this lease.

IN WITNESS WHEREOF, the undersigned owner or owners of a lot, piece or parcel of land within the above described lands have caused this community lease to be executed by attaching their signatures hereto on the day and date set opposite their respective signatures, and in like manner have set opposite their name or names the description of the lot, piece or parcel of land owned by them and thereby joined in this lease, and notwithstanding the date of execution hereof, such parties agree that this community lease shall be effective as of the day and year first above written.

Date	Name and Address	
November ,1966		
	MACNEMCO, INC., A NEW MEXICO CORPORATION	
	BY: Vice President - Jack Shoot	
	ATTEST: Paul C. Newell Secretary	

LESSORS

Howard E. Henderson

LESSEE

THE STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this 1st day of November, 1966 by Howard E. Henderson

My Commission Expires: My Commission expires September 11, 1967

Notary Public

THE STATE OF
COUNTY OF

CORPORATE ACKNOWLEDGMENT

STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of November, 19 66,
by Jack Shoot, Vice President of
Macnemco, Inc., a New Mexico Corporation,
on behalf of said Corporation.

My Commission Expires _____

Notary Public in and for _____ County,

County Clerk _____ County.

IBCO PETROLEUM CORPORATION

December 30, 1966

Mr. James C. Foster
9460 Wilshire Boulevard
Beverly Hills, California

Dear Mr. Foster:

After our recent telephone conversation and your earlier discussions with Mr. Henderson pertaining to the Macnemco interests which we were attempting to lease for the purpose of including same in a spacing unit for the drilling of a Dakota test well, I discussed the matter with our attorney, and as we understand the situation, a lease such as Mr. Henderson furnished to you would be virtually of no value.

The Macnemco situation was explained to our attorney as follows:

(1) The Clark Trust advanced money to Macnemco. Macnemco was incorporated with the total stock being held by four parties.

(2) The advance monies were expended and various liens in substantial amounts were filed against Macnemco.

(3) Foreclosure action was taken in certain instances, with the major lien in excess of $21,000.00 filed by the City of Farmington for paving having not been finalized.

(4) The Trust demanded repayment and in lieu thereof the four stockholders (officers?) conveyed the entire stock to the Trust, leaving a company in ill standing with no officers or authorized parties to act.

A valid lease could be signed only by authorized officers elected by the board of directors in accordance with the company's by-laws. It would seem, therefore, that the stockholders represented by the trustees could hold a meeting if properly called and elect a board of directors who could elect officers. We believe this is still possible even though Macnemco for all practical purposes is non-existant as we understand there has been no action for dissolution of the corporation. If this is incorrect and if in fact Macnemco is in a receivership status, or has filed for reorganization, then such actions would be invalid.

In short, even though the foregoing procedures were carried to conclusion, it would be highly impractical for the sole purpose of executing a lease which would be even then of questionable worth because of the pending foreclosure actions. We therefore have elected to decline further negotiation along these lines since this interest will be force pooled under the appropriate New Mexico statutes. Once our well is completed, revenues applicable to the Macnemco interests would be held in suspense until a legal determination is made of the ownership.

We are sorry we cannot be of assistance in clearing some of these matters up, but it does not seem possible from our standpoint. In the event we are incorrect in the above mentioned chain of events and if there are conditions which could provide a workable atmosphere, please let us know and we will discuss the matter further.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

cc: Mr. Howard M. Henderson
P. O. Box 1751
Farmington, New Mexico

Paving Lien
MacNemco Inc

Tract Number Six

Account No. 5-543

Defendant-Owner: Deb Manufacturing Co.

Legal Description: Lot 1, Block 2, Riverside Addition

Amount Due (including principal, interest, and penalties to date of judgment): $223.42

Attorney's fee: $ 25.00

Total: $ 248.42

Tract Number Seven

Account Number 5-544

Defendant-Owner: Deb Manufacturing

Legal Description: Lot 2, Block 2, Riverside Addition.

Amount Due (including principal, interest, and penalties to date of judgment): $223.42

Attorney's fee: $ 25.00

Total: $ 248.42

Tract Number Eight

Account Number 6-475

Defendant-Owner: Clayton Ellis & Dick Paulsen

Legal Description: Lot 4, Block 1, Knudsen Subdivision.

Amount Due (including principal, interest, and penalties to date of judgment): $685.24

Attorney's fee: $ 70.00

Total: $ 755.24

Tract Number Nine

Account Number 6-935

Defendant-Owner: Macnemco, Inc.

Legal Description: That part of the NE¼ of the NW¼ of Section 1, T29N, R13W, N.M.P.M., described as Beginning at a point in the West line of said NE¼NW¼ which is North 1° 18' West 208.1 feet from the SW Corner of said NE¼NW¼ of said Section 1; THENCE North 1° 18' West along the West line of said NE¼NW¼ 231.45 feet;

LAW OFFICES OF
TANSEY, WOOD,
ROSEBROUGH &
ROBERTS
FARMINGTON, N. M.

4/4/of

Account Number 6-935
Cont'd.

THENCE South 66°01' East 246.05 feet;
THENCE South 40°32' West 33.7 feet;
THENCE South 61°28' West 157.4 feet;
THENCE South 62°17' West 66.7 feet;
more or less, to the beginning, containing 0.621 acre, more or less; and
20.56 acres, more or less, in the SW¼ NW¼ and in the E½ NW¼ of Section 1, T29N, R13W, N.M.P.M., described as follows:
BEGINNING at the NW Corner of the SE¼ NW¼ of said Section 1;
THENCE North 1°18' West 47.3 feet;
THENCE North 79°09' East 156.2 feet;
THENCE North 63°52' East 100.6 feet;
THENCE North 53°06' East 337.8 feet;
to a point on the East bank of the Halford Independent Ditch;
THENCE South 63°32' East 36.4 feet;
THENCE South 57°13' East 244.0 feet;
THENCE South 18°04' East 134.4 feet;
THENCE South 46°25' East 291.0 feet;
THENCE South 35°11' East 145.0 feet;
THENCE South 53°52' East 144.3 feet;
THENCE South 72°28' East 66.8 feet;
THENCE South 0°38' West 494.7 feet;
THENCE South 21°12' West 107 feet;
THENCE South 49°06' West 160.0 feet;
THENCE South 56°34' West 160.8 feet;
THENCE North 0°56' West 301.0 feet;
THENCE North 50°56' West 241.0 feet;
THENCE North 58°56' West 600.0 feet;
THENCE North 58°20' West 350.0 feet;
THENCE North 5°06' West 216.8 feet;
more or less, to the Northeast Corner of Lot 90 in Block 6 of Cherry Hills Subdivision;
THENCE South 89°34' East 72 feet, more or less, to the point of beginning; and
15.87 acres, more or less, in the East one-half of the NW¼, Section 1, in T29N, R13W, N.M.P.M., described as follows:
BEGINNING at a point which is North 89° 16' West 200 feet and South 234.9 feet from the Northeast Corner of said NW¼;
THENCE South 1092 feet;
THENCE North 89°52' East 200 feet;
THENCE South 0°45' West 342 feet;
THENCE North 73°43' West 63.4 feet;
THENCE North 53°51' West 144.3 feet;
THENCE North 35°11' West 144.9 feet;
THENCE North 46°24' West 291.4 feet;
THENCE North 18°03' West 133.5 feet;
THENCE North 57°19' West 244 feet;
THENCE North 46°54' West 163.8 feet;
THENCE North 16°10' West 186.4 feet;
THENCE North 3°47' West 140.5 feet;
THENCE North 6°16' East 332.5 feet;
THENCE South 89°16' East 667.2 feet;
to the point of beginning.

LAW OFFICES OF
TANSEY, WOOD,
ROSEBROUGH &
ROBERTS
FARMINGTON, N. M.

Amount Due (including principal, interest, and penalties to date of judgment): $21,265.91

Attorney's fee: $ 2,126.00

Total: $ 23,391.91

Tract Number Ten

Account Number 6-935.2

Defendant-Owner: Macnemco, Inc.

Legal Description: Same as for Tract Number Nine, Account Number 6-935.

Amount Due (including principal, interest,and penalties to date of judgment): $697.05

Attorney's fee: $ 70.00

Total: $ 767.05

together with interest thereon at 6% percent per annum from the date of Judgment, until paid, costs and expenses of the Plaintiff herein in the amount of $258.25, as follows: Filing Fees $16.00; Service Fee $72.50; Filing of Lis Pendens $19.75; and Title and Lien Search $150.00.

10. That the Defendants named below all claim some right, title, or interest in and to the respective properties described in paragraph number nine above, or some part thereof, to-wit:

Tract Number	Account Number	Parties claiming right,title or interest
1	5-261	State Capitol Bank Madlyn Rathbun
2	5-487	State Capitol Bank Madlyn Rathbun
5	5-488	State Capitol Bank Madlyn Rathbun
9	6-935	J. Ross Clark, II, John A. Fleming, Paul Newell, M. V. Burchfield, Trustees of the Trust Estate of Miriam A. Clark; and Vera Watson, Trustee for Hunter-Hayes Elevator Company, Industrial Electric Company, Harmon Construction Co., Inc., James H. Greer, Wattie Wolfe Co., and Sorey, Hill, and Sorey.

Tract Number Six

Account Number 5-543

Defendant-Owner : Deb Manufacturing Co.

Legal Description: Lot 1, Block 2, Riverside Addition

Amount Due (including principal, interest, and penalties to date of judgment): $223.42

Attorney's fee: $ 25.00

Total: $ 248.42

Tract Number Seven

Account Number 5-544

Defendant-Owner: Deb Manufacturing

Legal Description: Lot 2, Block 2, Riverside Addition.

Amount Due (including principal, interest, and penalties to date of judgment): $223.42

Attorney's fee: $ 25.00

Total: $ 248.42

Tract Number Eight

Account Number 6-475

Defendant-Owner: Clayton Ellis & Dick Paulsen

Legal Description: Lot 4, Block 1, Knudsen Subdivision.

Amount Due (including principal, interest, and penalties to date of judgment): $685.24

Attorney's fee: $ 70.00

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Tract Number Nine

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Defendant-Owner: Macnemco, Inc.

Legal Description: That part of the NE¼ of the NW¼ of Section 1, T29N, R13W, N.M.P.M., described as Beginning at a point in the West line of said NE¼NW¼ which is North 1°18' West 208.1 feet from the SW Corner of said NE¼NW¼ of said Section 1; THENCE North 1° 18' West along the West line of said NE¼NW¼ 231.45 feet;

LAW OFFICES OF TANSEY, WOOD, ROSEBROUGH & ROBERTS FARMINGTON, N. M.

4/4/9

Account Number 6-935
Cont'd.

THENCE South 66°01' East 246.05 feet;
THENCE South 40°32' West 33.7 feet;
THENCE South 61°28' West 157.4 feet;
THENCE South 62°17' West 66.7 feet;
more or less, to the beginning, containing 0.621 acre, more or less; and 20.56 acres, more or less, in the SW¼ NW¼ and in the E½ NW¼ of Section 1, T29N, R13W, N.M.P.M., described as follows:
BEGINNING at the NW Corner of the SE¼ NW¼ of said Section 1;
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THENCE North 58°56' West 600.0 feet;
THENCE North 58°20' West 350.0 feet;
THENCE North 5°06' West 216.8 feet;
more or less, to the Northeast Corner of Lot 90 in Block 6 of Cherry Hills Subdivision;
THENCE South 89°34' East 72 feet, more or less, to the point of beginning; and 15.87 acres, more or less, in the East one-half of the NW¼, Section 1, in T29N, R13W, N.M.P.M., described as follows:
BEGINNING at a point which is North 89° 16' West 200 feet and South 234.9 feet from the Northeast Corner of said NW¼;
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THENCE North 73°43' West 63.4 feet;
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THENCE North 16°10' West 186.4 feet;
THENCE North 3°47' West 140.5 feet;
THENCE North 6°16' East 332.5 feet;
THENCE South 89°16' East 667.2 feet;
to the point of beginning.

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ROSEBROUGH &
ROBERTS
FARMINGTON, N. M.

4/49 j

Howard E. Henderson

OIL AND GAS PROPERTIES

P. O. BOX 1751 • PETROLEUM CLUB PLAZA • PHONE: 325-4111

FARMINGTON, NEW MEXICO

87401

December 27, 1966

Mr. R. P. Montgomery
4101 Avenue Q
Lubbock, Texas

Dear Mr. Montgomery:

Pursuant to our recent telephone converstation, I am enclosing Oil and Gas Lease, for your approval and execution. You will note that I placed a paragraph under the decription, that states "that no drilling operations for the recovery of oil and/or gas may be conducted physically upon the above described lands without the written consent of the lessors."

It would be appreciated if you and your wife would execute the enclosed Oil and Gas Lease, having your signatures properly notorized, and return the Oil and Gas Lease to me in the stamped, self-addressed evelope.

Happy New Year.

Yours truly,

Howard E. Henderson

Howard E. Henderson

1-10-67

Mr Henderson:

I do not believe that I am
interested at this time

R P Montgomery

COMMUNITY OIL AND GAS MINING LEASE

(Five Year Paid Up Lease)

THIS AGREEMENT, made and entered into this 1st day of May, 19 66, to be known as a Community Oil and Gas Mining Lease, between the undersigned parties, hereinafter called "Lessors", (whether one or more), and Howard E. Henderson, P. O. Box 1751, Farmington, New Mexico hereinafter called "Lessee".

WITNESSETH:

WHEREAS, Lessors believe that their interests will be best furthered and conserved by joining their respective properties in this Community Oil and Gas Mining Lease, under the terms of which their said property may be jointly explored and developed for oil, gas and associated liquid hydrocarbons, and all Lessors may share in the royalties from the wells wherever drilled on the land described in Section 1 hereof, and they now desire to pool their interests in such manner.

1. NOW, THEREFORE, the Lessors, for and in consideration of One Dollar ($1.00) in hand paid to them, of the royalties herein provided, and of the agreements of Lessee herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby confessed and acknowledged, hereby grant, lease and let exclusively unto Lessee, his heirs and assigns, for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas and associated liquid hydrocarbons and laying pipe lines, (but Lessee shall not build roads, tanks, power stations or other structures on the leased premises without the written consent of the respective Lessors owning the particular tracts involved), on, over and across lands owned or claimed by Lessors, and to produce, save, take care of, treat, transport, and own said products, together with every other right and privilege incidental to the use of said land in connection with such drilling, operating and producing operations, the following described land in the County of San Juan, State of New Mexico, to-wit:

TOWNSHIP 29 NORTH, RANGE 13 WEST, N.M.P.M.,

SECTION 1: Beginning at a point on the North boundary line of the SW¼ NE¼, which point is 404 feet East of the Northwest corner thereof; Thence West 404 feet along the North line of the SW¼ NE¼ to the Northwest corner; Thence South on the West line to the Southwest corner of the said SW¼ NE¼; Thence East on the South line of the said SW¼ NE¼ 256 feet to the center line of the Highway; Thence in a Northeasterly direction (Variation North 6° 46' East) to the point of beginning on the North line of the said SW¼ NE¼, containing 10 acres, more or less.

Notwithstanding anything to the contrary contained herein, it is understood and agreed by and between the parties hereto, that no drilling operations for the recovery of oil and/or gas may be conducted physically upon the above described lands without the written consent of the lessors.

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations, and/or to the discovery, development or cessation at any time of production of oil or gas and associated liquid hydrocarbons, and without further payments other than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of five years from the date hereof, (hereinafter called "primary term"), and as long thereafter as oil or gas and associated liquid hydrocarbons is produced from any portion of the above described land or land with which the above described land or any portion thereof is pooled hereunder.

3. Lessee, his successors or assigns, may at any time, either before or after the discovery of oil or gas and associated liquid hydrocarbons, or the commencement of drilling operations on any portion of the hereinabove described lands, surrender all or any part of said lands by recording a good and sufficient release therefor, and thereupon all rights and obligations of Lessee as to the parcels of land so surrendered shall cease and terminate as between Lessee and the respective Lessors owning the property so surrendered, and the covenants of this lease, whether express or implied, shall cease with respect to the owners of the surrendered acreage.

4. Other than as to the oil and gas which Lessee may use free of charge in Lessee's operations, and Lessee is hereby given and shall have free use of oil, gas, coal and water from said land, except water from a Lessor's well, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any production so used, Lessee agrees to pay to the respective Lessors their "royalty share" of the oil, gas and associated liquid hydrocarbons produced, saved and sold from the above described lands. As used herein the term "royalty" or "royalty share" shall mean that proportion of the production which bears the same ratio to all production as the amount of acreage contributed to this lease by the respective Lessors bears to the entire amount of acreage under the above described lands. The royalty share paid by Lessee shall be:

(a) On oil, 1/8 of the value of that produced and saved from said land, the same to be calculated at the wells or at the point delivered to the pipeline to which the wells may be connected.

(b) On gas, including casinghead gas or other gaseous substances, produced from the above described land, and sold or used off the premises, or for the extraction of gasoline or other products available, the market value at the well of 1/8 of gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/8 of the amount realized from such sale;

(c) While there is a gas well, classified or capable of being classified as such by the appropriate regulatory authorities of the State of New Mexico, on any portion of the above described acreage or acreage pooled therewith, but gas is not being sold or used, Lessee may pay as shut-in royalty deposited to the credit of the Lessors, the sum of One Dollar ($1.00) per acre, and if such payment is made or tendered, this lease shall not terminate, but to the contrary it will be considered for all intents and purposes that gas is being produced from this lease in paying quantities, it being understood that the first such shut-in royalty payment, if made, shall be made on or before the anniversary date of the lease next ensuing after the expiration of twelve (12) months from the shutting in of such well, it being the intention hereof that this lease shall remain in full force and effect without any payment until the anniversary date next following the expiration of twelve (12) months from the date such well shall have been shut-in, and that each such advance annual payment shall have the effect of maintaining this lease in effect for the succeeding year, and that the right to make such payment shall recur annually from the date of such shut in royalty payment, whether before, on, or after the expiration of the primary term of this lease.

(d) Should a well be commenced during the primary term, but completed after the end of the primary term, under the extension provisions of Section 6 set forth below, then the Lessee, his successors or assigns, may have a reasonable length of time in which to commence the sale of products from such well and which reasonable time shall, for all purposes, give the Lessee at least six months in which to commence the sale of such products; provided, in the event the well is considered by the Lessee as a shut-in gas well, Lessee shall likewise have the right to commence the payment of shut-in royalty in the amount and within the time specified in sub-section (c) above.

(e) The royalty provided for above shall be ascertained, computed and paid monthly, except as to shut-in royalty payments, and for this purpose Lessee shall keep true and correct books of account showing the production of such substances from the above described lands and, subject to the provisions of sub-section (f) below, these records shall be open to inspection of the Lessors at all reasonable times.

(f) All of the Lessors shall elect or appoint an agent on their behalf by a majority vote of two-thirds of the acreage included in this lease, and within thirty days after such appointment Lessors shall notify Lessee in writing, of the person so appointed, and such agent shall have full power and authority in the name of and in behalf of Lessors, and each of them, to inspect the books and records of Lessee relating to production, receive and examine all statements of production, give any and all notices which may be required to be given or which Lessors may desire to give hereunder, and to transact and perform every act which Lessors or any one or more of them might do under this Lease or in any manner relating thereto. Lessors from time to time, and by like vote may discharge or obtain a new or different agent to be vested with such powers on their behalf, but Lessee shall not be bound thereby until written notice has been delivered to Lessee, his successors or assigns, designating said agent and his address. Any notice which may be given by Lessee to Lessors hereunder shall be directed to said agent and notice to said agent shall be deemed sufficient notice to each Lessor. Said agent, if he so desires, may change the depository for royalty payments hereunder, but such change shall not be binding upon Lessee until receipt of written notice thereof.

(g) All payments due hereunder to Lessors shall be made by paying the same into The Citizens Bank, Town of Farmington, San Juan County, New Mexico, and such deposits shall relieve Lessee, his successors and assigns, from seeing to the proper distribution thereof among the several Lessors or among any parties owning any interest under Lessors.

(h) Royalties under this lease shall be divided among and owned by the respective Lessors according to the proportion which the area of the lots herein leased bears to the total area embraced by this lease as set forth in Section 1 above.

5. Lessee, and at its option, is hereby given the power to pool or combine the acreage covered by this lease, or any portion thereof, as to oil and gas and associated liquid hydrocarbons, or either of them, with other land, lease or leases in the immediate vicinity thereof, to the extent hereinafter stipulated, when in Lessee's judgment, it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises. The units pooled for oil and/or gas hereunder shall not substantially exceed 640 acres in areas, provided that should governmental authority having jurisdiction thereof prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee, his successors or assigns, under the provisions hereof, may pool or combine acreage covered by this lease, or any portion thereof, as above provided as to oil and/or gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit unto which the lease is pooled or combined as to any other stratum or strata, and oil units need not necessarily conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or any portion thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated, an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at his election, exercise his pooling option after commencing operations for, or completing an oil or gas well on the leased premises or on lands pooled therewith, and the pooled unit may include, but it is not required to include, land or leases on which a well capable of producing oil or gas and associated liquid hydrocarbons in paying quantities has theretofore been completed, or upon which operations for the drilling of a well for oil or gas has theretofore been commenced. Operations for drilling on or production of oil or gas and associated liquid hydrocarbons from any part of the pooled area which includes all or a portion of the land covered by this lease as described in Section 1 above, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument, or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease, whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and/or gas and associated liquid hydrocarbons as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease, and such operations or production from the pooled unit shall inure to all of this lease both as to the portions within the unit and without the unit for the purpose of holding the lease based upon production. For the purpose of computing the royalties to which owners of royalties and payments out of production, and each of them, shall be entitled on production of oil and gas and associated liquid hydrocarbons, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit, a pro rata portion of the oil and gas and associated liquid hydrocarbons, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such pro rata share which is attributable to the portion or portions of this lease included in such pooled unit shall then be owned and shared by all the parties to this lease in accordance with their proportionate interest owned in this lease. Such allocation of production from the pooled unit to this lease shall be on an acreage basis—that is to say, that it shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas and associated liquid hydrocarbons, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit, bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas and associated liquid hydrocarbons, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land.

7. If at the expiration of the primary ter[illegible] being produced [illegible] paid in lieu of such production, but [illegible] within sixty (60) days prior to the end of the primary term, the [illegible] working of any additional well are prosecuted with [illegible] and completed [illegible] thereafter, or as long as shut-in royalty, if applicable, is paid it, after [illegible] produced from said land, or from land pooled therewith, the production thereof [illegible] means, operations in the drilling or reworking of [illegible] within sixty (60) days, and should such operations result [illegible] shut-in gas well upon it as to which Lessee shall, in accordance with Section 4 (c) above, have the right to commence the payment of shut-in royalties. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the above described lands are situated at any time after the completion of a dry hole or the cessation of commercial production, in the discretion of Lessee, on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on an adjacent land and within 660 feet of and draining the leased premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances, or in the alternative, should the Lessee desire not to drill such an offset well, he may pay compensatory royalty equal to $1.00 per acre, attributable to the normal spacing unit being drained, to the Lessors in lieu of drilling such offset well. Lessee may, at any time, execute and deliver to Lessors, or their agent as above provided, or place of record a release or releases covering any portion or portions of any formation or part of a formation of the above described lands and thereby surrender this lease as to such portion or portions, and be relieved of all obligations as to the acreage so surrendered.

Lessee, its successors or assigns, shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee, his successors or assigns, on said land including the right to draw and remove all casing. When required by Lessors, Lessee will bury all pipelines below ordinary plow depth, and no well shall be drilled within 200 feet of any residence or barn now on said land without the written consent of the respective Lessors owning such residence or barn.

7. The drilling and operating requirements of this lease and the expiration of the primary term hereof, shall be suspended while, but only so long as Lessee, his successors or assigns, is prevented from complying therewith, in whole or in part, by strikes, war, lock-outs, Acts of God, inability of Lessee to obtain materials or supplies from manufacturers, or dealers in reasonable time after a bona fide attempt and order, delays in transportation, interference by or any delay in obtaining necessary permits from Federal, State, County, City or Town or other governmental authority, and accidents or other matters beyond the control of Lessee. Lessee agrees to conduct all drilling operations, and locate all wells on the above described lands, in accordance with the rules and regulations of the municipality or other governmental authority having proper jurisdiction thereof.

The rights of any party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, his successors or assigns, and no change or division in such ownership shall be binding on Lessee, his successors or assigns, until thirty (30) days after Lessee shall have been furnished by Registered or Certified United States mail at Lessee's principal place of business with a certified copy or recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commences such breach. Lessee may withhold payment of royalty due hereunder unless and until furnished with a recordable instrument designating an agent for the Lessors in accordance with Section 4 (f) above.

8. The breach by Lessee of any obligation arising hereunder, shall not work a forfeiture or termination of this Lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessors consider that operations are not at any time being conducted in compliance with this lease, as evidenced by a majority of two-thirds of the Lessors, Lessors shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in fact in default, based upon a judicial determination, shall have sixty (60) days after receipt of such notice to commence the compliance with obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on the above described lands, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator, but in the discharge of this obligation, he shall in no event be required to drill more than one well to each normal spacing unit designated by the Oil Conservation Commission of the State of New Mexico or the spacing pattern then adopted and followed by a majority of the operators in the area. After the discovery of oil or gas in paying quantities, Lessee shall as heretofore mentioned, reasonably develop the above described lands but in no event shall he be required to conduct any exploratory operations unless he so desires and in his sole discretion considers it economically feasible to do so.

9. Lessors hereby warrant and agree to defend the title to the land contributed to this lease by the respective Lessors and agree that Lessee, his successors and assigns, at his option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, he shall be subrogated to such lien with the right to enforce same and may apply royalties accruing hereunder toward satisfying the same, but only insofar as such royalties are attributable to the particular tract involved. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if any Lessor owns an interest in the lands contributed to this oil and gas lease or the oil or gas on, in or under said lands less than the entire fee simple estate, then the royalties to be paid such Lessor, as to their respective tracts, shall be reduced proportionately. Should any one or more of the parties hereinafter named as one of the Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Obligations of Lessors to Lessee, his successors or assigns, hereunder, shall be several and not joint, and the obligations of the respective Lessors shall be only such as directly arise from the parcel or parcels here leased by the respective Lessors.

11. Should the respective Lessors own more land contained within the above described lands than that which is shown opposite their respective names at the time of execution of this agreement, such additional lands shall nevertheless be considered as a part of this agreement and subject hereto and upon determination of such ownership said Lessor's interest shall be adjusted accordingly. Should the respective Lessors at any time after the execution of this agreement acquire other interests as to ownership of lands or minerals thereunder in, on or under the above described lands, such Lessors, for the same consideration, hereby grant unto Lessee, his successors or assigns, an option to acquire a lease on such interests in accordance with the terms and provisions of this community lease which option must be exercised by Lessee, his successors or assigns, within thirty (30) days after Lessee has been given written proof of the acquisition of such ownership by the respective Lessor.

12. This lease may be executed in any number of counterparts, all of which may be considered as duplicate originals, or may be ratified by separate instrument properly signed and acknowledged by Lessors which ratifications shall have the full force and effect as if such signing parties had executed this lease agreement and such ratification will be made by reference to this lease.

IN WITNESS WHEREOF, the undersigned owner or owners of a lot, piece or parcel of land within the above described lands have caused this community lease to be executed by attaching their signatures hereto on the day and date set opposite their respective signatures, and in like manner have set opposite their name or names the description of the lot, piece or parcel of land owned by them and thereby joined in this lease, and notwithstanding the date of execution hereof, such parties agree that this community lease shall be effective as of the day and year first above written.

Date	Name and Address	XXXXXXXXXX

6. If at the expiration of the primary ter[illegible] ... being produced [illegible] ... [illegible] ... thereafter ... or ... [illegible] ... for the purpose of ... [illegible] ... [illegible] ... [illegible]

PUBCO

POST OFFICE BOX 861 • ALBUQUERQUE, NEW MEXICO 87103 • TELEPHONE (505) 247-8835

December 15, 1966

Mr. Eugene Martin
742 Via Altamira, #15
Montebello, California 90640

Re: Plaza Prospect
San Juan County, New Mexico

Dear Mr. Martin:

As you know by this time, we refused payment on the $50.00 draft which was sighted through our bank on December 7, 1966.

I felt that I should explain to you that our offer of $50.00 was in consideration for an oil and gas lease as we had prepared, and with your additions, deletions and alterations, the net result was a completely worthless document insofar as we were concerned. In effect, the purpose of a lease in the first place was entirely negated.

Your actual interest in our proposed spacing unit is virtually insignificant, and we feel that we have been considerably more than fair in our offers and proposals to you, so we must consider further negotiation beyond our limits. Sorry we could not make a deal.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

From back of this page:

prefer trying to take from me what is mine, I shall defend my property; in fact, I have already taken the first steps towards this defense.

E. Martin

I very much appreciate the letter on the reverse, although the use of the word "insignificant" is unfortunate. My property is not insignificant to me.

I sincerely believe that our problem is one of communication. I have tried to express my desire to cooperate with you people, that I am not out to make a maximum amount of money on this small holding, but am merely interested in not signing a lease which will decrease the value of my property. My objections, by the way, are based not only on my small knowledge of the law (I am an accountant by trade) but on the advice of my lawyer, a man with a great deal of experience in this field because, among other things, he is the president of a building and loan association.

I am enclosing a copy of the lease which you rejected. If you will take the time to point out what parts I have changed are impossible for you to accept and why and will point out to me why my agreeing to these parts which I have rejected, will not harm me, I can see no reason in the world why we can't reach agreement. Needless to say, the price of good lawyers being what it is, I will not make enough out of this, even with the $50, to make it worth my time. I just want to get the thing settled in a businesslike manner; I guess it is the accountant in me.

If you are unwilling to go to the bother of explaining to me why the lease is not acceptable to you and why the parts I have marked out would do my property no harm valuewise, I guess there is no possible way for us to reach an agreement. All I ask is a fair contract for both of us, one which will not endanger the value of my property; I am realistic enough not to expect to make anything out of my small mineral holding. Actually I wish I had never heard of all of this; it has taken up more of my time than it is worth, and it has cost me $23 in cash thusfar.

If you do not feel it worth your time to work with me on this, and take other action, I feel you should know that I am not one who likes having something belonging to him taken away from him without his permission. I have money and I have contacts in Farmington and Albuquerque, and I am sure that I can make contacts in Santa Fe if this proves necessary. I am one of these outmoded persons who will fight for his rights just on the principal of the thing; the value of the rights are not important; what is important is that they belong to me, and I will not easily see them taken away from me. They may be "insignificant" to you (How much property do you own in Farmington?), but they happen to belong to me, not you.

I hope I have made myself plain: With a little help, patience, and explanation from you, we can easily reach agreement. If you

STANDARD OIL COMPANY OF TEXAS
6501 TROWBRIDGE P. O. BOX 20002 EL PASO TEXAS 79998
TELEPHONE 772-1411

December 9, 1966

W. L. KNOX
REGIONAL SALES MANAGER
J. G. QUIGG
ASST. REGIONAL SALES MANAGER

Mr. Orin C. Crane
Records Supervisor
PUBCO
P. O. Box 869
Albuquerque, New Mexico 87103

Dear Mr.Crane:

Your letter of November 28, 1966 addressed to the attention of Mr. N. H. Black at Albuquerque, has been referred to this office.

Our lease dated January 12, 1960 covering property now owned by Glen W. Bales and wife Mary J. Bales, and located in Farmington, New Mexico, in our opinion covers the surface rights only. Since the property was used for service station purposes, it was never this Company's intention that the lease also cover mineral rights.

We trust the foregoing information will serve your purpose. If not, let us know what is required in the form of a legal document.

Very truly yours,

N. Tafoya, Supervisor
Analytical & Services

NT:hb

742 Via Altamira, #15
Montebello, California
ZIP: 90640
December 6, 1966

Pubco Petroleum Corporation
Albuquerque, New Mexico

Sirs:

As you will note, I have made certain changes in the enclosed lease.

I am a reasonable person but am not trained in the law. If some of these changes are unreasonable this is because of my lack of legal sophistication and not due to any desire to make life more difficult for you.

For example, I do not want my land tied up more than 10 years. However, if there is still production on the wells after this period of time, I would have no reason not to cooperate with you on the basis of the terms of the lease.

Please send any payments to me at the whittier address noted in the lease. I am living presently at the above-noted address in Montebello, however, and can be most quickly contacted there. My phone number is 728-6162. The Whittier phone number is 699-7415.

Very truly yours,

E. Martin

No. 950CP-1 Rev. --Bradford-Robinson Printing Company, 1524-46 Stout treet, Denver, Colorado

FORM 88 UNIT-WYO.-COLO.

OIL AND GAS LEASE

AGREEMENT, Made and entered into this 28th day of November, 1966, by and between Eugene Martin, a single man, whose address is 409 North Acacia, Whittier, California, party of the first part, hereinafter called lessor, (whether one or more) and Pubco Petroleum Corporation, P. O. Box 869, Albuquerque, New Mexico, party of the second part, lessee.

WITNESSETH: That the lessor for and in consideration of Ten and more ($10.00 and more) Dollars in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided, and of the agreements of lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas, casinghead gas, and all other minerals, ~~laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport, and own said products, and housing its employees,~~ the following described land in San Juan County, State of New Mexico, to-wit: Beginning at a point which is North 0°58' West 84.82 feet from the Southwest corner of the NE¼ of Sec. 1, T-29-N, R-13-W, NMPM; Thence North 0°58' West 41.68 feet; Thence North 87°54' East 144.66 feet to a point on the West r/o/w line of U.S.Highway 550; Thence South 5°11' West 42 feet along said r/o/w line; Thence South 87°54' West 140.16 feet to the point of beginning, all in the NE¼ of said Sec. 1.

Notwithstanding anything to the contrary contained herein, it is understood and agreed by and between the parties hereto, that no drilling operations for the recovery of oil and/or gas may be conducted physically upon the above described lands without the written consent of the lessor.

including all minerals underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said lands, which minerals are owned or claimed by lessor or rights to which minerals may hereafter be established in lessor; and also, in addition to the above-described land, all land adjoining the same and owned or claimed by lessor and containing Forty-one Thousandths (.041) acres, more or less.

TO HAVE AND TO HOLD the same (subject to the other provisions herein contained) for a term of ten years from this date (called "primary term") and as long thereafter as oil or gas or casinghead gas or either or any of them, is produced therefrom; or as much longer thereafter as the lessee in good faith shall conduct drilling operations thereon and should production result from such operations, this lease shall remain in full force and effect as long as oil or gas or casinghead gas, shall be produced therefrom.

In consideration of the premises it is hereby mutually agreed as follows:

1. 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 (⅛) 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 (⅛) royalty the market price for oil of like grade and gravity prevailing in the field where produced on the day such oil is run into the pipe line, or into storage tanks.

2. The lessee shall pay lessor, as royalty, one-eighth (⅛) of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not used or sold shall pay Fifty Dollars ($50.00) per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well. 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 said gas to be at the lessor's sole risk and expense.

3. To pay lessor for gas produced from any oil well and used off the premises or in the manufacturing of gasoline or any other product a royalty of one-eighth (⅛) of the market value, at the mouth of the well, payable monthly at the prevailing market price.

~~4. If operations for the drilling of a well for oil or gas are not commenced on said land on or before one year from this date, this lease shall~~ terminate as to both parties, unless the lessee shall, on or before one year from this date, pay or tender to the lessor or for the lessor's credit in _____ Bank at _____ or its successor or successors, which bank and its successors are lessor's agents and which shall continue as the depository regardless of changes in the ownership of the land, the sum of _____ Dollars which shall operate as a rental and cover the privilege of deferring the commencement of operations for the drilling of a well one year from said date. In like manner and upon payments or tenders the commencement of operations for the drilling of a well may be further deferred for like periods successively during the primary term of this lease. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the date when said rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred. 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. Lessee may at any time execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered herein is reduced by said release or releases. 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 persons.

5. 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 above herein provided; and in this event the preceding paragraphs hereof governing the ~~payment of rental and the manner and effect thereof shall continue in force.~~

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

~~7. Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operation thereon, except water from wells of lessor.~~

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

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

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

Lessee shall have the right at any time to remove all improvements, machinery, and fixtures placed or erected by lessee on said premises, including the ~~right to pull and remove casings.~~

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

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 their 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, and in case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

10. 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, on an acreage basis, 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 payments of said rentals.

11. If at any time there be as many as six parties (or more) entitled to receive royalties under this lease, lessee may withhold payment thereof unless and until all parties designate in writing in a recordable instrument to be filed with the lessee, a Trustee to receive all royalty payments due hereunder and to execute division and transfer orders on behalf of said parties and their respective successors in title.

12. Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessee and approved by any governmental agency by executing the same upon request of lessee.

13. In addition to and not in limitation of the rights granted in paragraph 12 hereof, lessee is hereby granted the right and option to consolidate, pool or combine the lands covered by this lease, or any portion or portions thereof or any stratum or strata thereunder, with other lands or like strata thereunder for the development thereof or for the production therefrom of oil, gas, casinghead gas or other hydrocarbons, or any or all of said products, when in lessee's discretion and judgment it is advisable so to do for proper development or operation of the premises, or to conform to spacing or zoning rules of any lawful authority, such consolidation, pooling or combining to be into units of such shape and dimensions as lessee may elect provided that all lands in any such unit shall be contiguous (either adjoining or cornering) but for this purpose contiguity shall not be deemed to be destroyed by reason of the existence of any excluded street, alley, road, railroad, canal, stream, right of way or other similar strip or parcel of land. Any unit formed under this paragraph for production of oil and casinghead gas shall not exceed forty-three (43) acres in surface area, for production of dry or gas well shall not exceed six hundred and sixty (660) acres in surface area, and for production of condensate or distillate shall not exceed three hundred and thirty (330) acres in surface area unless some larger unit for condensate or distillate is permitted or prescribed by lawful authority, in which event such larger unit shall control, provided that, if governmental survey units be irregular in size in the area of this lease, the size of any of the units mentioned herein may be increased to the size of the there existing governmental survey unit nearest in size to the unit acreage prescribed herein. The right and option herein granted to lessee may be exercised at any time or from time to time, whether before or after production is secured and whether or not a unit may theretofore have been created for some other product, by executing in writing an instrument identifying and describing the unit created, and by delivering a copy thereof to lessor or by recording a copy thereof in the county where the land is located. The lands in any such unit shall be developed or operated as one tract and any drilling on or production from such unit, whether or not from lands described in this lease, shall be deemed to be drilling done or production secured on the lands subject to this lease for all purposes except for the purpose of payment of royalty hereunder. In such event, and in lieu of the royalties elsewhere herein specified, the lessor shall receive from production on any such unit only such portion of the royalty, at the rate stipulated elsewhere herein, as lessor's acreage in the unit (for his royalty interest therein) bears to the total acreage of the unit. Formation of any unit as herein provided shall in no manner affect the ownership or amount of any rental which may be payable under the terms of this lease.

14. In the interest of conservation, the protection of reservoir pressures and recovery of the greatest ultimate yield of oil, gas and other minerals, lessee shall have the right to combine the leased premises with other premises in the same general area for the purpose of operating and maintaining repressuring and recycling facilities, and for such purpose may locate such facilities, including input wells, upon the leased premises, and no royalties shall be payable hereunder upon any gas used for repressuring and recycling operations benefiting the leased premises.

15. 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, mortgage, 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.

16. ~~All rental payments which may fall due under this lease may be made to one of the above named lessors, in the manner herein stated.~~

17. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well 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. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) 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.

18. It is agreed that this lease shall never be forfeited or cancelled for failure to perform in whole or in part any of its implied covenants, conditions or stipulations until it shall have first been finally judicially determined that such failure exists, and after such final determination, lessee is given a reasonable time thereafter to comply with any such covenants, conditions, or stipulations.

19. All express and implied covenants of this lease shall be subject to all federal and state laws, executive orders, rules and regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damages for failure to comply therewith if compliance is prevented by or if such failure is the result of any such law, order, rule or regulation, or if such compliance is prevented by or failure is the result of inability of lessee through no fault of its own, to obtain sufficient and satisfactory material and equipment to justify the commencement of drilling operations or to continue production of oil or gas from the leased premises.

20. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.

21. With respect to and for the purpose of this lease lessor, and each of them if there be more than one, hereby release and waive the right of homestead.

WHEREOF witness our hands as of the day and year first above written.

Eugene Martin, a single man

ACKNOWLEDGMENT

STATE OF California }
County of ..... } ss.

On this ..... day of ....., 19 66, before me personally appeared Eugene Martin, a single man to me known to be the person described in and who executed the foregoing instrument and acknowledged that he executed the same as his free act and deed.

Given under my hand and seal this ..... day of ....., 19 66

My Commission Expires .....

Notary Public.

ACKNOWLEDGMENT—MAN AND WIFE

STATE OF ..... }
County of ..... } ss.

On this ..... day of ....., 19....., before me personally appeared .....

..... to me known to be the person described in and who executed the foregoing instrument and acknowledged that ..... executed the same as ..... free act and deed, including the release and waiver of the right of homestead; the said wife having been by me fully apprised of her right and the effect of signing and acknowledging the said instrument.

Given under my hand and seal this ..... day of ....., 19.....

My Commission Expires .....

Notary Public.

No.....

OIL AND GAS LEASE

FROM .....

TO .....

State of ..... }
..... County } ss.

This instrument was filed for record on the ..... day of ....., 19....., at ..... o'clock, ...M., and duly recorded in Book....., Page....., of the records of this office.

..... County Clerk—Register of Deeds.

By .....

..... Deputy.

When recorded return to

4-61 THE MARSHALL-ADDISON STA. CO., DENVER

COLORADO ACKNOWLEDGMENT

STATE OF ..... }
County of ..... } ss.

The foregoing instrument was acknowledged before me this ..... day of ....., 19....., by .....

WITNESS my hand and official seal

My Commission Expires .....

Notary Public.

P. O. .....

15. It is understood that the standard type of 1/8th royalty as noted elsewhere in this lease also applies to casinghead gas, etc.

No. 9[illegible]-P Rev. --Bradford-Robinson Printing Co. [illegible], 1824-[illegible] Stout St., Denver, Colorado

FORM 89 UNIT-WYO.-COLO.

OIL AND GAS LEASE

AGREEMENT, Made and entered into this 28th day of November, 1966, by and between Eugene Martin, a single man, whose address is [redacted] Acacia, Whittier, California 6247 South ZIP: 90601, party of the first part, hereinafter called lessor, (whether one or more) and Pubco Petroleum Corporation, P. O. Box 869, Albuquerque, New Mexico, party of the second part, lessee.

WITNESSETH: That the lessor for and in consideration of Ten and more ($10.00 and more) Dollars in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided, and of the agreements of lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas, casinghead gas, [redacted] the following described land in San Juan County, State of New Mexico, to wit: Beginning at a point which is North 0°58' West 84.82 feet from the Southwest corner of the NE¼ of Sec. 1, T-29-N, R-13-W, NMPM; Thence North 0°58' West 41.68 feet; Thence North 87°54' East 144.66 feet to a point on the West r/o/w line of U.S.Highway 550; Thence South 5°11' West 42 feet along said r/o/w line; Thence South 87°54' West 140.16 feet to the point of beginning, all in the NE¼ of said Sec. 1.

Notwithstanding anything to the contrary contained herein, it is understood and agreed by and between the parties hereto, that no drilling operations for the recovery of oil and/or gas may be conducted physically upon the above described lands without the written consent of the lessor.

including all minerals underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said lands, which minerals are owned or claimed by lessor or rights to which minerals may hereafter be established in lessor; and also, in addition to the above-described land, all land adjoining the same and owned or claimed by lessor and containing Forty-one Thousandths (.041) acres, more or less.

TO HAVE AND TO HOLD the same (subject to the other provisions herein contained) for a term of ten years from this date (called "primary term") [redacted]

In consideration of the premises it is hereby mutually agreed as follows:

1. 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 (⅛) 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 (⅛) royalty the market price for oil of like grade and gravity prevailing in the field where produced on the day such oil is run into the pipe line, or into storage tanks.

2. The lessee shall pay lessor, as royalty, one-eighth (⅛) of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not used or sold shall pay Fifty Dollars ($50.00) per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well. 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 said gas to be at the lessor's sole risk and expense.

3. To pay lessor for gas produced from any oil well and used off the premises or in the manufacturing of gasoline or any other product a royalty of one-eighth (⅛) of the market value, at the mouth of the well, payable monthly at the prevailing market price.

[redacted] terminate as to both parties, unless the lessee shall, on or before one year from this date, pay or tender to the lessor or for the lessor's credit in [redacted] Bank at [redacted] or its successor or successors, which bank and its successors are lessor's agents and which shall continue as the depository regardless of changes in the ownership of the land, the sum of [redacted] Dollars which shall operate as a rental and cover the privilege of deferring the commencement of operations for the drilling of a well one year from said date. In like manner and upon payments or tenders the commencement of operations for the drilling of a well may be further deferred for like periods successively during the primary term of this lease. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the date when said rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred. 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. Lessee may at any time execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered herein is reduced by said release or releases. 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 persons.

5. 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 [redacted] commenced by the next ensuing rental paying date, or provided the lessee begins or resumes the payment of rentals in the manner and amount above herein provided; and in this event the preceding paragraphs hereof governing the [redacted]

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

[redacted]

When requested by lessor, lessee shall bury his pipe lines below plow depth.
No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the lessor.
Lessee shall pay for damages caused by its operations to growing crops on said land.
Lessee shall have the right at any time to remove all improvements, machinery, and fixtures placed or erected by lessee on said premises, including the [redacted]

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

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 their 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, [redacted] this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

10. 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, on an acreage basis, 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 payments of said rentals.

11. If at any time there be as many as six parties (or more) entitled to receive royalties under this lease, lessee may withhold payment thereof unless and until all parties designate in writing in a recordable instrument to be filed with the lessee, a Trustee to receive all royalty payments due hereunder and to execute division and transfer orders on behalf of said parties and their respective successors in title.

12. Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement [redacted] conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any [redacted]

13. In addition to and not in limitation of the rights granted in paragraph 12 hereof, lessee is hereby granted the right and option to consolidate, pool or combine the lands covered by this lease or any portion or portions thereof or any stratum or strata thereunder, with other lands or like strata thereunder for the development thereof or for the production therefrom of oil, gas, casinghead gas or other hydrocarbons, or any or all of said products, when in lessee's discretion and judgment it is advisable so to do for proper development or operation of the premises, or to conform to spacing or zoning rules of any lawful authority, such consolidation, pooling or combining to be into units of such shape and dimensions as lessee may elect provided that all lands in any such unit shall be contiguous (either adjoining or cornering) but for this purpose contiguity shall not be deemed to be destroyed by reason of the existence of any excluded street, alley, road, railroad, canal, stream, right of way or other similar strip or parcel of land. Any unit formed under this paragraph for production of oil and casinghead gas shall not exceed forty-three (43) acres in surface area, for production of dry or gas well shall not exceed six hundred and sixty (660) acres in surface area, and for production of condensate or distillate shall not exceed three hundred and thirty (330) acres in surface area unless some larger unit for condensate or distillate is permitted or prescribed by lawful authority, in which event such larger unit shall control, provided that, if governmental survey units be irregular in size in the area of this lease, the size of any of the units mentioned herein may be increased to the size of the then existing governmental survey unit nearest in size to the unit acreage prescribed herein. The right and option herein granted to lessee may be exercised at any time or from time to time, whether before or after production is secured and whether or not a unit may theretofore have been created for some other product, by executing in writing an instrument identifying and describing the unit created, and by delivering a copy thereof to lessor or by recording a copy thereof in the county where the land is located. The lands in any such unit shall be developed or operated as one tract and any drilling on or production from such unit, whether or not from lands described in this lease, shall be deemed to be drilling done or production secured on the lands subject to this lease for all purposes except for the purpose of payment of royalty hereunder. In such event, and in lieu of the royalties elsewhere herein specified, the lessor shall receive from production on any such unit only such portion of the royalty, at the rate stipulated elsewhere herein, as lessor's acreage in the unit (or his royalty interest therein) bears to the total acreage of the unit. Formation of any unit as herein provided shall in no manner affect the ownership or amount of any rental which may be payable under the terms of this lease.

14. In the interest of conservation, the protection of reservoir pressures and recovery of the greatest ultimate yield of oil, gas and other minerals, lessee shall have the right to combine the leased premises with other premises in the same general area for the purpose of operating and maintaining repressuring and recycling facilities, and for such purpose may locate such facilities, including input wells, upon the leased premises, and no royalties shall be payable hereunder upon any gas used for repressuring and recycling operations benefiting the leased premises.

15. 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, mortgage, 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.

16. [redacted]

17. If within the primary term of this lease production or the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well 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 herein provided after the expiration of the primary term of this lease, production on the leased premises shall cease for any cause, this lease shall not terminate provided [redacted] within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such [redacted]

* 18 The 1/8th royalty noted in #1 above refers to all oil produced and saved from this leased premises

...CO PETROLEUM CORPORATION

November 28, 1966

Standard Oil Company of Texas
P. O. Box 1776
Albuquerque, New Mexico

Attention: Mr. M. H. Black
Division Sales Manager

Gentlemen:

In following with our telephone conversation last week concerning your Service Station Lease #SS5672, I am writing to request that you provide me with a letter indicating that you claim no right under your lease as to the minerals.

As I told you, the present owner, Mr. Glen W. Bales, believes that your lease, while probably intended to cover only the surface rights, has also included the minerals under his tract.

We are attempting to acquire a mineral lease from Mr. Bales which we intend to commit to a communitization for a spacing unit on which will be drilled a Dakota Formation gas well. The actual well location will be considerably removed from Mr. Bales' lands, such intended to be far in the northeast corner of Section 1. Mr. Bales' tract is located in the NW¼SW¼NE¼, almost one-half mile from the intended wellsite. No actual operations of any nature will be conducted on the surface of such lands.

I am sure that a letter from you indicating your lease covers only surface rights will be sufficient for our purposes. Thank you very much for your cooperation in this matter.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

P CO PETROLEUM CORPORAT N

November 28, 1966

Mr. Eugene Martin
409 North Acacia
Whittier, California

Dear Mr. Martin:

We have reviewed past correspondence concerning an Oil and Gas Lease on your property, and as you have suggested we have given thorough considerations to the comments cited in your letter addressed to Mr. Henderson.

First of all, there is absolutely no way we could meet the terms you proposed in your letter to Mr. Henderson for a specified rental per month, because quite frankly, your total interest in our proposed drillsite tract is so minute it would hardly be worth the effort to make any such arrangements. The lease which Mr. Henderson submitted for your consideration contains no "trick clauses" nor would any lease in which we would participate.

We are enclosing a lease which we believe should be entirely acceptable, it being on a form widely used in the petroleum industry throughout the Rocky Mountain states. We have deleted certain items which we believe were apparently objectionable in reference to the lease form Mr. Henderson used. We have, however, eliminated all provisions concerning the payment of rentals, since the draft we are enclosing should be more than adequate to cover any rental payments during the term of the lease.

The enclosed draft in the amount of $50.00 constitutes our final firm offer. We are sorry it cannot be more, but the facts are that you simply do not have enough acreage to warrant greater expenditure nor does it behoove us to consider any further negotiations with you.

Please understand that your small tract is to be a part of a 319.40- acre spacing unit on which only one well will be drilled at a cost of around $100,000.00. We have no desire to misrepresent or otherwise create an untenable situation for you. Obtaining a lease from you is more a matter of convenience so far as we are concerned, since regardless of your small interest, the same amount of records must be kept as is necessary for a substantial interest.

P CO PETROLEUM CORPORAT N

If you desire to assist us in accepting our offer, we ask that you sign the original of the enclosed lease, having it properly acknowledged before a Notary Public. You should also initial four places in the right-hand margin opposite each of the deletions. You may then attach the original lease to the draft and deposit it in your bank for collection. As soon as we are notified by our bank that the draft has been presented, we shall honor payment thereof.

This offer remains open until December 9, 1966, and if the draft has not been presented for payment, it shall be conclusively presumed that you decline to accept our offer. If our offer is so declined, we must go before the New Mexico Oil Conservation Commission in request of an order to force pool all interests in our proposed drillsite. Upon the granting of such order by the Commission, you will be allowed to participate in production from our well only after we have recovered our entire costs of drilling, completing and equipping our well plus whatever penalties (usually 25 percent) that may be permitted in the order. It is estimated that our recovery period would be in the neighborhood of six to eight years.

We certainly hope that you will see fit to accept our offer to lease so that we may avoid inclusion of your interest under this forced pooling action.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

Enclosures

I 3CO PETROLEUM CORPORA')N

November 21, 1966

Mr. Eugene Martin
409 North Acacia
Whittier, California

Dear Mr. Martin:

Earlier this year you were contacted by Mr. Howard E. Henderson of Farmington, New Mexico, in his efforts to secure your agreement to execution of an Oil and Gas Lease on a small piece of property which you own in the SW¼NE¼ of Section 1, Township 29 North, Range 13 West, San Juan County, New Mexico. Mr. Henderson was attempting to acquire your tract on behalf of this Company, and we are presently at a point where virtually all parties owning interests in the N½ of Section 1 are now committed to leases.

It is necessary that we comply with the conservation rules and regulations of the State of New Mexico in forming a 320-acre drilling unit, that which we propose being the N½ of Section 1 which includes your tract.

We propose to drill a well in the NE¼NE¼, which will be almost one-quarter mile from the acreage you own; and therefore, as to one of your objections to the lease submitted by Mr. Henderson, absolutely no portion of the surface of your land would be involved in any actual physical operations. Appropriate provisions of the lease could be so limited, though, if that would be your desire.

It is true that your net interest in any production from our proposed well would be quite small, but unfortunately there is no way to adjust for greater royalty amounts that would be of any major significance to you.

Your only real value would be in the initial bonus consideration which we would give you in return for an executed lease. Even at the present maximum prices offered for leases in the area, being $105.00 per acre, your .041 acres would result in an initial consideration of $4.31. However, we are willing to offer you $25.00 plus your costs for a Notary Public, if you decide to accept our offer.

P CO PETROLEUM CORPORAT N

Mr. Eugene Martin
405 North Acacia
Whittier, California

November 21, 1966

We feel that we are being more than fair and it occurs to us that if a higher price is demanded, we would be better off to purchase the mineral rights from you, which would give us slightly more latitude in price.

If you will indicate your acceptance on the attached carbon copy of this letter and return it to us, we shall prepare the appropriate lease or deed, whichever is to your liking.

Yours very truly,

Orin C. Crane
Records Supervisor

OCC:sb

I _____ ACCEPT YOUR OFFER.
(Will/Will Not)

REMARKS: _____

Sirs:

I am sure that this matter can be easily taken care of:

1. Put yourself mentally in my position. Decide what would be fair to yourself -- if you were I.
   a. My list of objections to the previous lease will help you in this.
   b. Trick clauses which take a lawyer to understand would be out, of course.
2. With the above in mind, make up a contract and send it to me. If the contract is clear and clean-cut and obviously reasonable, I will sign it. No big deal; all I ask is simplicity, concreteness, and no trick language. Everything for you with maybe a little something for me is not my idea of a fair contract; what do you think?

E Martin

409 North Acacia
Whittier, California
July 23, 1966

Howard E. Henderson
P.W. Box 1751
Farmington, New Mexico

Sir:

I am returning your lease unsigned for the following reasons:

Under paragraph #2 even if only a very small amount is produced after the initial five-year term, the land could be tied up almost indefinitely even though my share of the royalties might be nominal.

Under paragraph three and paragraph six I could find myself with no rights to royalties almost at your whim.

The lease gives you the right to surface drill, lay pipe, etc., on my land.

You may lease this lot outright for the sum of $50 per month, this amount being increased 6% each year, i.e., the second year the rent would be $53 per month, the third year would be $56.18 per month, etc. At the end of the term of the lease the property is to be placed back in the condition your company originally found it. This offer expires August 15, 1966.

Very truly yours,

E Martin

Eugene Martin

Producers 88 (Revised) With 640-Acre Pool Provision—N. M. Standard Form

COMMUNITY OIL AND GAS MINING LEASE

(Five Year Paid Up Lease)

THIS AGREEMENT, made and entered into this 1st day of May, 19 66, to be known as a Community Oil and Gas Mining Lease, between the undersigned parties, hereinafter called "Lessors", (whether one or more), and Howard E. Henderson, P. O. Box 1751, Farmington, New Mexico hereinafter called "Lessee",

WITNESSETH:

WHEREAS, Lessors believe that their interests will be best furthered and conserved by joining their respective properties in this Community Oil and Gas Mining Lease, under the terms of which their said property may be jointly explored and developed for oil, gas and associated liquid hydrocarbons, and all Lessors may share in the royalties from the wells wherever drilled on the land described in Section 1 hereof, and they now desire to pool their interests in such manner.

1. NOW, THEREFORE, the Lessors, for and in consideration of One Dollar ($1.00) in hand paid to them, of the royalties herein provided, and of the agreements of Lessee herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby confessed and acknowledged, hereby grant, lease and let exclusively unto Lessee, his heirs and assigns, for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil and gas and associated liquid hydrocarbons and laying pipe lines, (but Lessee shall not build roads, tanks, power stations or other structures on the leased premises without the written consent of the respective Lessors owning the particular tracts involved), on, over and across lands owned or claimed by Lessors, and to produce, save, take care of, treat, transport, and own said products, together with every other right and privilege incidental to the use of said land in connection with such drilling, operating and producing operations, the following described land in the County of San Juan, State of New Mexico, to-wit:

Township 29 North, Range 13 West, N.M.P.M.

Section 1: Beginning at a point on the North boundary line of the $SW\frac{1}{4}NE\frac{1}{4}$, which point is 404 feet East of the Northwest corner thereof; Thence West 404 feet along the North line of the $SW\frac{1}{4}NE\frac{1}{4}$ to the Northwest corner; Thence South on the West line to the Southwest corner of the $SW\frac{1}{4}NE\frac{1}{4}$; Thence East on the South line of the said $SW\frac{1}{4}NE\frac{1}{4}$ 256 feet to the center line of Highway; Thence in a Northeasterly direction (Variation North 6° 46' East) to the point of beginning on the North line of the said $SW\frac{1}{4}NE\frac{1}{4}$, containing 10 acres, more or less.

2. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations, and/or to the discovery, development or cessation at any time of production of oil or gas and associated liquid hydrocarbons, and without further payments other than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of five years from the date hereof, (hereinafter called "primary term"), and as long thereafter as oil or gas and associated liquid hydrocarbons is produced from any portion of the above described land or land with which the above described land or any portion thereof is pooled hereunder.

3. Lessee, his successors or assigns, may at any time, either before or after the discovery of oil or gas and associated liquid hydrocarbons, or the commencement of drilling operations on any portion of the hereinabove described lands, surrender all or any part of said lands by recording a good and sufficient release therefor, and thereupon all rights and obligations of Lessee as to the parcels of land so surrendered shall cease and terminate as between Lessee and the respective Lessors owning the property so surrendered, and the covenants of this lease, whether express or implied, shall cease with respect to the owners of the surrendered acreage.

4. Other than as to the oil and gas which Lessee may use free of charge in Lessee's operations, and Lessee is hereby given and shall have free use of oil, gas, coal and water from said land, except water from a Lessor's well, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any production so used, Lessee agrees to pay to the respective Lessors their "royalty share" of the oil, gas and associated liquid hydrocarbons produced, saved and sold from the above described lands. As used herein the term "royalty" or "royalty share" shall mean that proportion of the production which bears the same ratio to all production as the amount of acreage contributed to this lease by the respective Lessors bears to the entire amount of acreage under the above described lands. The royalty share paid by Lessee shall be:

(a) On oil, 1/8 of the value of that produced and saved from said land, the same to be calculated at the wells or at the point delivered to the pipeline to which the wells may be connected.

(b) On gas, including casinghead gas or other gaseous substances, produced from the above described land, and sold or used off the premises, or for the extraction of gasoline or other products available, the market value at the well of 1/8 of gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/8 of the amount realized from such sale;

(c) While there is a gas well, classified or capable of being classified as such by the appropriate regulatory authorities of the State of New Mexico, on any portion of the above described acreage or acreage pooled therewith, but gas is not being sold or used, Lessee may pay as shut-in royalty deposited to the credit of the Lessors, the sum of One Dollar ($1.00) per acre, and if such payment is made or tendered, this lease shall not terminate, but to the contrary it will be considered for all intents and purposes that gas is being produced from this lease in paying quantities, it being understood that the first such shut-in royalty payment, if made, shall be made on or before the anniversary date of the lease next ensuing after the expiration of twelve (12) months from the shutting in of such well, it being the intention hereof that this lease shall remain in full force and effect without any payment until the anniversary date next following the expiration of twelve (12) months from the date such well shall have been shut-in, and that each such advance annual payment shall have the effect of maintaining this lease in effect for the succeeding year, and that the right to make such payment shall recur annually from the date of such shut in royalty payment, whether before, on, or after the expiration of the primary term of this lease.

(d) Should a well be commenced during the primary term, but completed after the end of the primary term, under the extension provisions of Section 6 set forth below, then the Lessee, his successors or assigns, may have a reasonable length of time in which to commence the sale of products from such well and which reasonable time shall, for all purposes, give the Lessee at least six months in which to commence the sale of such products; provided, in the event the well is considered by the Lessee as a shut-in gas well, Lessee shall likewise have the right to commence the payment of shut-in royalty in the amount and within the time specified in sub-section (c) above.

(e) The royalty provided for above shall be ascertained, computed and paid monthly, except as to shut-in royalty payments, and for this purpose Lessee shall keep true and correct books of account showing the production of such substances from the above described lands and, subject to the provisions of sub-section (f) below, these records shall be open to inspection of the Lessors at reasonable times.

(f) All of the Lessors shall elect or appoint an agent on their behalf by a majority vote of two-thirds of the acreage included in this lease, and within thirty days after such appointment Lessors shall notify Lessee in writing, of the person so appointed and such agent shall have full power and authority in the name of and in behalf of Lessors, and each of them, to inspect the books and records of Lessee relating to production, receive and examine all statements of production, give any and all notices which may be required to be given or which Lessors may desire to give hereunder, and to transact and perform every act which Lessors or any one or more of them might do under this Lease or in any manner relating thereto. Lessors from time to time, and by like vote may discharge or obtain a new or different agent to be vested with such powers on their behalf, but Lessee shall not be bound thereby until written notice has been delivered to Lessee, his successors or assigns, designating said agent and his address. Any notice which may be given by Lessee to Lessors hereunder shall be directed to said agent and notice to said agent shall be deemed sufficient notice to each Lessor. Said agent, if he so desires, may change the depository for royalty payments hereunder, but such change shall not be binding upon Lessee until receipt of written notice thereof.

(g) All payments due hereunder to Lessors shall be made by paying the same into The Citizens Bank, Town of Farmington, San Juan County, New Mexico, and such deposits shall relieve Lessee, his successors and assigns, from seeing to the proper distribution thereof among the several Lessors or among any parties owning any interest under Lessors.

(h) Royalties under this lease shall be divided among and owned by the respective Lessors according to the proportion which the area of the lots herein leased bears to the total area embraced by this lease as set forth in Section 1 above.

5. Lessee, and at its option, is hereby given the power to pool or combine the acreage covered by this lease, or any portion thereof, as to oil and gas and associated liquid hydrocarbons, or either of them, with other land, lease or leases in the immediate vicinity thereof, to the extent, hereinafter stipulated, when in Lessee's judgment, it is necessary or advisable to do so in order properly to explore, or to operate said leased premises. The units pooled for oil and/or gas hereunder shall not substantially exceed 640 acres in areas, provided that should governmental authority having jurisdiction thereof prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee, his successors or assigns, under the provisions hereof, may pool or combine acreage covered by this lease, or any portion thereof, as above provided as to oil and/or gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit unto which the lease is pooled or combined as to any other stratum or strata, and oil units need not necessarily conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or any portion thereof into other units. Lessee shall file for record in the appropriate records of the County in which the leased premises are situated, an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at his election, exercise his pooling option after commencing operations for, or completing an oil or gas well on the leased premises or on lands pooled therewith, and the pooled unit may include, but it is not required to include, land or leases on which a well capable of producing oil or gas and associated liquid hydrocarbons in paying quantities has theretofore been completed, or upon which operations for the drilling of a well for oil or gas has theretofore been commenced. Operations for drilling on or production of oil or gas and associated liquid hydrocarbons from any part of the pooled area which includes all or a portion of the land covered by this lease as described in Section 1 above, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument, or the instrument designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease, whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and/or gas and associated liquid hydrocarbons, as above provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease, and such operations or production from the pooled unit shall inure to all of this lease both as to the portions within the unit and without the unit for the purpose of holding the lease based upon production. For the purpose of computing the royalties to which owners of royalties and payments out of production, and each of them, shall be entitled on production of oil and gas and associated liquid hydrocarbons, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit, a pro rata portion of the oil and gas and associated liquid hydrocarbons, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such pro rata share which is attributable to the portion or portions of this lease included in such pooled unit shall then be owned and shared by all the parties to this lease in accordance with their proportionate interest owned in this lease. Such allocation of production from the pooled unit to this lease shall be on an acreage basis—that is to say, that it shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas and associated liquid hydrocarbons, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit, bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas and associated liquid hydrocarbons, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land.

6. If at the expiration of the primary term oil or gas is not being produced on said land or from land pooled therewith, or if production is not being held in force under some other provision of this lease, but Lessee is then engaged in drilling or re-working operations thereon, or shall have completed a dry hole thereon within sixty (60) days prior to the end of the primary term, the lease shall remain in force so long as operations on said land or land pooled therewith are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in the production of oil or gas or both, so long thereafter as oil or gas or both is produced from said land or land pooled therewith, or so long as shut-in royalty, if applicable, is paid. If, after the expiration of the primary term of this lease or after oil or gas or both is produced from said land, or from land pooled therewith, the production thereof should cease from any cause, this lease shall not terminate if Lessee commences operations for the drilling or re-working of any well within sixty (60) days after the cessation of such production, but shall remain in full force and effect so long as such operations are prosecuted with no cessation of more than sixty (60) days, and should such operations result in a shut-in gas well then Lessee shall, in accordance with Section 4 (c) above, have the right to commence the payment of shut-in royalties. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the above described lands are situated at any time after the completion of a dry hole or the cessation of commercial production, in the discretion of Lessee, on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 330 feet of and draining the leased premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances, or in the alternative, should the Lessee desire not to drill such an offset well, he may pay compensatory royalty equal to $1.00 per acre, attributable to the normal spacing unit being drained, to the Lessors in lieu of drilling such offset well. Lessee may, at any time execute and deliver to Lessors, or their agent as above provided, or place of record a release or releases covering any portion or portions of any formation or part of a formation of the above described land, and thereby surrender this lease as to such portion or portions, and be relieved of all obligations as to the acreage so surrendered.

Lessee, its successors or assigns, shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee, his successors or assigns, on said land including the right to draw and remove casing. When required by Lessors, Lessee will bury all pipelines below ordinary plow depth, and no well shall be drilled within 200 feet of any residence or barn now on said land without the written consent of the respective Lessors owning such residence or barn.

7. The drilling and operating requirements of this lease and the expiration of the primary term hereof, shall be suspended while, but only so long as Lessee or its successors or assigns, is prevented from complying therewith, in whole or in part, by strikes, war, lock-outs, Acts of God, inability of Lessee to obtain materials or supplies from manufacturers, or dealers in reasonable time after a bona fide attempt and order, delays in transportation, interference by or any delay in obtaining necessary permits from Federal, State, County, City or Town or other governmental authority, and accidents or other matters beyond the control of Lessee. Lessee agrees to conduct all drilling operations, and locate all wells on the above described lands, in accordance with the rules and regulations of the municipality or other governmental authority having proper jurisdiction thereof.

The rights of any party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee, his successors or assigns, and no change or division in such ownership shall be binding on Lessee, his successors or assigns, until thirty (30) days after Lessee shall have been furnished by Registered or Certified United States mail at Lessee's principal place of business with a certified copy or recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commences such breach. Lessee may withhold payment of royalty due hereunder unless and until furnished with a recordable instrument designating an agent for the Lessors in accordance with Section 4 (f) above.

8. The breach by Lessee of any obligation arising hereunder, shall not work a forfeiture or termination of this Lease nor cause a termination or reversion of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessors consider that operations are not at any time being conducted in compliance with this lease, as evidenced by a majority of two-thirds of the Lessors, Lessors shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in fact in default, based upon a judicial determination, shall have sixty (60) days after receipt of such notice to commence the compliance with obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on the above described lands, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator, but in the discharge of this obligation, he shall in no event be required to drill more than one well to each normal spacing unit designated by the Oil Conservation Commission of the State of New Mexico or the spacing pattern then adopted and followed by a majority of the operators in the area. After the discovery of oil or gas in paying quantities, Lessee shall as heretofore mentioned, reasonably develop the above described lands but in no event shall he be required to conduct any exploratory operations unless he so desires and in his sole discretion considers it economically feasible to do so.

9. Lessors hereby warrant and agree to defend the title to the land contributed to this lease by the respective Lessors and agree that Lessee, his successors and assigns, at his option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, he shall be subrogated to such lien with the right to enforce same and may apply royalties accruing hereunder toward satisfying the same, but only insofar as such royalties are attributable to the particular tract involved. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if any Lessor owns an interest in the lands contributed to this oil and gas lease or the oil or gas on, in or under said lands less than the entire fee simple estate, then the royalties to be paid such Lessor, as to their respective tracts, shall be reduced proportionately. Should any one or more of the parties hereinafter named as one of the Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Obligations of Lessors to Lessee, his successors or assigns, hereunder, shall be several and not joint, and the obligations of the respective Lessors shall be only such as directly arise from the parcel or parcels here leased by the respective Lessors.

11. Should the respective Lessors own more land contained within the above described lands than that which is shown opposite their respective names at the time of execution of this agreement, such additional lands shall nevertheless be considered as a part of this agreement and subject hereto and upon determination of such ownership said Lessor's interest shall be adjusted accordingly. Should the respective Lessors at any time after the execution of this agreement acquire other interests as to ownership of lands or minerals therein or on or under the above described lands, such Lessors for the same consideration, hereby grant unto Lessee, his successors or assigns, an option to acquire a lease on such interests in accordance with the terms and provisions of this community lease which option must be exercised by Lessee, his successors or assigns, within thirty (30) days after Lessee has been given written proof of the acquisition of such ownership by the respective Lessor.

12. This lease may be executed in any number of counterparts, all of which may be considered as duplicate originals, or may be ratified by separate instrument properly signed and acknowledged by Lessors which ratifications shall have the full force and effect as if such signing parties had executed this lease agreement and such ratification will be made by reference to this lease.

IN WITNESS WHEREOF, the undersigned owner or owners of a lot, piece or parcel of land within the above described lands have caused this community lease to be executed by attaching their signatures hereto on the day and date set opposite their respective signatures, and in like manner have set opposite their name or names the description of the lot, piece or parcel of land owned by them and thereby joined in this lease, and notwithstanding the date of execution hereof, such parties agree that this community lease shall be effective as of the day and year first above written.

~~XXX~~	Name and Address	~~XXXXXXXXX~~
	Eugene Martin, a single person	
	409 North Acacia,	
	Whittier, California	

LESSORS

LESSEE

THE STATE OF California
COUNTY OF

The foregoing instrument was acknowledged before me this ..... day of July, 1956 by Eugene Martin, a single ~~xxx~~ person, his wife.

My Commission Expires:

Notary Public

THE STATE OF
COUNTY OF

The foregoing instrument was acknowledged before me this ..... day of ....., 19... by .....

and ....., his wife.

My Commission Expires:

Notary Public

WHEN RECORDED RETURN TO:

This instrument was filed for record on the ..... day of ....., 19..... at .....o'clock ... M., and duly recorded in Book ....., Page ....., of the ..... records of this office.

County Clerk ..... County, ...

Howard E. Henderson

OIL AND GAS PROPERTIES

P. O. BOX 1751 • PETROLEUM CLUB PLAZA • PHONE: 325-4111

FARMINGTON, NEW MEXICO

87401

July 5, 1966

Glen W. and Mary J. Bales
1320 Bonita Avenue
Las Vegas, Nevada

Dear Sir:

According to the records of San Juan County, New Mexico, you own the minerals under approximately .357 acres in Section 1, Township 29 North, Range 13 West (town of Farmington). I am taking oil and gas leases in this section and buying at a bonus consideration of $20.00 per net acre. In other words, you would receive $7.14 for signing the enclosed lease.

I plan to drill the North half of Section 1 by the end of August of this year. Of course, if it is productive, you would receive your royalty. If the lease meets with your approval, please execute the lease above your name or names, having your signature or signatures properly notarized, and return the lease to me in the enclosed self-addressed stamped envelope.

Also enclosed is my personal check #2030 in the amount of $8.14 which includes $1.00 fee for notarization of your signature or signatures.

Yours very truly,

Howard E. Henderson

Please refer to reverse side.

HEH'ms
Encl.

Thank you very much but the property is under lease to Standard Oil.

Glen A. Bales

Dear Mr. Bales:

Thank you for your reply. I am aware of your surface lease with Standard Oil Company. However, you are the owner of the mineral rights under this tract of land and the lease with Standard Oil Company will in no way interfer with my Oil and Gas lease, and I will not interfer with Standard's lease. In view of the above I would appreciate you reconsidering my proposal. I assume that you know longer live in Las Vegas, Nev., please furnish: correct address.

Clarence E. Henderson

We are not interested at all in your proposal.

Mrs. Glen Bales
1260 Soda St.
Salinas, Calif.

WORKING INTEREST OWNER

AGREEMENT TO BECOME A PARTY TO COMMUNITIZATION AGREEMENT AND TO OPERATING AGREEMENT

PUBCO FEDERAL #15, SAN JUAN COUNTY, NEW MEXICO

Each party who signs this instrument acknowledges receipt of a counterpart of an instrument entitled "Communitization Agreement" and a counterpart of an instrument entitled "Operating Agreement," for the Pubco Federal #15 well, San Juan County, New Mexico, both of which were executed as of the 1st day of December, 1966, on behalf of Pubco Petroleum Corporation for conducting operations with respect to the Dakota formation underlying lands described as Lots 1,2,3,4, and the S½N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico.

Both agreements, by Exhibit A, describe each Tract in the Unit Area, the lease and lands committed and by an attached plat show the boundary lines of the Communitized Area and the Tracts therein.

The Communitization Agreement and the Operating Agreement provide that any party defined in the agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, ratification, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each party who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Agreements, and each agrees to become a party to, and be bound by provisions of, the Communitization Agreement and the Operating Agreement as if he had signed the originals and agrees that the parties to the Communitization Agreement and the Operating Agreement are those that sign the originals, any counterparts or ratifications of both instruments, or any instrument that evidences an intention to be so bound.

By the execution of this Agreement the signatory Parties hereto hereby ratify, adopt and consent to the effective Communitization Agreement and Operating Agreement for the drilling, completing, equipping and continued operation of the Pubco Federal #15 Well as hereinbefore described.

Executed this 20th day of February, 1967, and effective as of December 1, 1966.

WITNESSES:

Attest: Jack Kneedley
Secretary

SIGNATURES:

GLOBAL OILS, INC.

By M. S. DiSimone
Vice President

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19___, by _____.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 20th day of February, 1967, by M. S. DISIMONE, Vice President of GLOBAL OILS, INC., a Corporation, on behalf of said Corporation.

My Commission Expires:
June 1, 1967

Sheila M. Thompson
Notary Public in and for Dallas
County, State of Texas

PUBCO PETROLEUM CORPORATION
Well Cost Estimate

Well Name: Pubco Federal #15 Location: NE NE, Sec. 1: 29N-13W County: San Juan

State: New Mexico Estimated T.D. 6,100' Formation: Dakota Prospect: Plaza

	Producer	Dry Hole
Tangible Costs:		
Casing:		
Surface 8 5/8" 24# J-55 300'	$ 900	$ 900
Production 4½" 10.5# J-55 6,100'	8,500	
Tubing 2 3/8" 4.7# N-80 "B" 6,100'	4,000	
Surface Equipment:		
Production Unit	4,500	
300 bbl. Tank and Accessories	1,800	
Installation and Miscellaneous	700	
Wellhead	2,800	
Total Tangible Costs	$23,200	$ 900
Intangible Costs:		
Supervision	$ 1,500	800
Drilling Footage 6,100' @ $3.50	21,350	21,350
Rig 1 Days @ $1,000	1,000	1,000
Other Completion	4,500	
Trucking	2,000	1,300
Water	1,700	1,700
Cement and Services	5,900	2,600
Mud	2,000	2,000
Logs and Tests		
Induction Electric & Sonic Gamma Ray	2,000	2,000
Roads and Locations	15,000	15,000
Formation Stimulation	13,200	
Other Intangible:		
Guide Shoes, Centralizers, etc.	1,100	
Perforating and Wire Line	2,400	
Miscellaneous	2,250	1,350
Total Intangible	$75,900	$49,100
Total Well Cost	$99,100 √	$50,000

Interests:	%		
Pubco Petroleum Corp.	66.6196618	$66,020	$33,310
Global Oils, Inc.	6.2756733	6,219	3,138
Gladys E. Langroise, et al	21.9035692	21,706	10,952
Glen W. Bales, et ux	.1117720	111	56
Eugene Martin	.0128366	13	6
R. P. Montgomery	.1261741	125	63
Macnemco, Incorporated	4.9503130	4,906	2,475

Joint Interest Approval
DATE February 20, 1967

GLOBAL OILS, INC.
VICE PRESIDENT

Joint Interest Owner

WORKING INTEREST OWNER

AGREEMENT TO BECOME A PARTY TO COMMUNITIZATION AGREEMENT AND TO OPERATING AGREEMENT

PUBCO FEDERAL #15, SAN JUAN COUNTY, NEW MEXICO

Each party who signs this instrument acknowledges receipt of a counterpart of an instrument entitled "Communitization Agreement" and a counterpart of an instrument entitled "Operating Agreement," for the Pubco Federal #15 well, San Juan County, New Mexico, both of which were executed as of the 1st day of December, 1966, on behalf of Pubco Petroleum Corporation for conducting operations with respect to the Dakota formation underlying lands described as Lots 1,2,3,4, and the S½N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico.

Both agreements, by Exhibit A, describe each Tract in the Unit Area, the lease and lands committed and by an attached plat show the boundary lines of the Communitized Area and the Tracts therein.

The Communitization Agreement and the Operating Agreement provide that any party defined in the agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, ratification, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each party who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Agreements, and each agrees to become a party to, and be bound by provisions of, the Communitization Agreement and the Operating Agreement as if he had signed the originals and agrees that the parties to the Communitization Agreement and the Operating Agreement are those that sign the originals, any counterparts or ratifications of both instruments, or any instrument that evidences an intention to be so bound.

By the execution of this Agreement the signatory Parties hereto hereby ratify, adopt and consent to the effective Communitization Agreement and Operating Agreement for the drilling, completing, equipping and continued operation of the Pubco Federal #15 Well as hereinbefore described.

Executed this 18th day of February, 1967, and effective as of December 1, 1966.

WITNESSES:

_____

_____

SIGNATURES:

_____

R.P. Montgomery

STATE OF Texas)
) ss.
COUNTY OF Lubbock)

The foregoing instrument was acknowledged before me this 18th day of Feb., 1967, by R.P. Montgomery.

My Commission Expires:
June 1,1967

_____
Notary Public in and for Lubbock County, State of Texas

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19 ___, by _____, _____ President of _____, a Corporation, on behalf of said Corporation.

My Commission Expires:
_____

_____
Notary Public in and for _____ County, State of _____

PUBCO PETROLEUM CORPORATION
Well Cost Estimate

Well Name: Pubco Federal #15 Location: NE NE, Sec. 1: 29N-13W County: San Juan

State: New Mexico Estimated T.D. 6,100' Formation: Dakota Prospect: Plaza

	Producer	Dry Hole
Tangible Costs:		
Casing:		
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Production 4½" 10.5# J-55 6,100'	8,500	
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Surface Equipment:		
Production Unit	4,500	
300 bbl. Tank and Accessories	1,800	
Installation and Miscellaneous	700	
Wellhead	2,800	
Total Tangible Costs	$23,200	$ 900
Intangible Costs:		
Supervision	$ 1,500	800
Drilling Footage 6,100' @ $3.50	21,350	21,350
Rig 1 Days @ $1,000	1,000	1,000
Other Completion	4,500	
Trucking	2,000	1,300
Water	1,700	1,700
Cement and Services	5,900	2,600
Mud	2,000	2,000
Logs and Tests		
Induction Electric & Sonic Gamma Ray	2,000	2,000
Roads and Locations	15,000	15,000
Formation Stimulation	13,200	
Other Intangible:		
Guide Shoes, Centralizers, etc.	1,100	
Perforating and Wire Line	2,400	
Miscellaneous	2,250	1,350
Total Intangible	$75,900	$49,100
Total Well Cost	$99,100	$50,000

Interests:	%		
Pubco Petroleum Corp.	66.6196618	$66,020	$33,310
Global Oils, Inc.	6.2756733	6,219	3,138
Gladys E. Langroise, et al	21.9035692	21,706	10,952
Glen W. Bales, et ux	.1117720	111	56
Eugene Martin	.0128366	13	6
R, P. Montgomery	.1261741	125	63
Macnemco, Incorporated	4.9503130	4,906	2,475

Joint Interest Approval
DATE Feb. 18, 1967

R. P. Montgomery
Joint Interest Owner

RATIFICATION OF COMMUNITIZATION AGREEMENT

WHEREAS, under date of December 1, 1966, a Communitization Agreement was entered into communitizing and pooling mineral rights or interests in the following described lands:

Township 29 North, Range 13 West, N.M.P.M.

Section 1: Lots 1,2,3,4, S½N½ (N½)

San Juan County, New Mexico

containing 319.40 acres, more or less, forming a cooperative drilling unit for the purpose of developing and producing dry gas and associated liquid hydrocarbons from the Dakota formation in conformity with rules and regulations of duly constituted State and Federal authorities having jurisdiction over the field or area in which said lands are located; and,

WHEREAS, the undersigned owning certain rights and interests in all or part of the above described lands, desires to ratify, adopt and consent to the said Communitization Agreement;

NOW, THEREFORE, in consideration of the premises and in order that development and operation of the communitized area may proceed, the undersigned does hereby ratify, adopt and consent to the Communitization Agreement referred to above and agrees to be bound by its terms and provisions as fully as if the undersigned had executed and delivered a copy of said Agreement.

This ratification, adoption and consent shall be effective as of the date of said Communitization Agreement, notwithstanding the date of execution of this instrument, and the undersigned expressly acknowledges receipt of a copy of said Communitization Agreement.

IN WITNESS WHEREOF, this instrument is executed by the undersigned this 23rd day of February, 1967.

ATTEST:

Edna Lou Hall
Secretary

SUNSHINE ROYALTY COMPANY

By: F. O. Elliott
Frank O. Elliott
President

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 23rd day of February, 1967, by FRANK O. ELLIOTT, PRESIDENT of SUNSHINE ROYALTY COMPANY, a New Mexico Corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1970

Paul S. Harsden
Notary Public in and for
Chaves County,
New Mexico.

WORKING INTEREST OWNER

AGREEMENT TO BECOME A PARTY TO COMMUNITIZATION AGREEMENT AND TO OPERATING AGREEMENT

PUBCO FEDERAL #15, SAN JUAN COUNTY, NEW MEXICO

Each party who signs this instrument acknowledges receipt of a counterpart of an instrument entitled "Communitization Agreement" and a counterpart of an instrument entitled "Operating Agreement," for the Pubco Federal #15 well, San Juan County, New Mexico, both of which were executed as of the 1st day of December, 1966, on behalf of Pubco Petroleum Corporation for conducting operations with respect to the Dakota formation underlying lands described as Lots 1,2,3,4, and the S½N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico.

Both agreements, by Exhibit A, describe each Tract in the Unit Area, the lease and lands committed and by an attached plat show the boundary lines of the Communitized Area and the Tracts therein.

The Communitization Agreement and the Operating Agreement provide that any party defined in the agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, ratification, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each party who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Agreements, and each agrees to become a party to, and be bound by provisions of, the Communitization Agreement and the Operating Agreement as if he had signed the originals and agrees that the parties to the Communitization Agreement and the Operating Agreement are those that sign the originals, any counterparts or ratifications of both instruments, or any instrument that evidences an intention to be so bound.

By the execution of this Agreement the signatory Parties hereto hereby ratify, adopt and consent to the effective Communitization Agreement and Operating Agreement for the drilling, completing, equipping and continued operation of the Pubco Federal #15 Well as hereinbefore described.

Executed this 3rd day of March, 1967, and effective as of December 1, 1966.

WITNESSES:

SIGNATURES:

Catherine B. McElvain

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of March, 1967, by Catherine B. McElvain.

My Commission Expires:
Apr. 14, 1967

Notary Public in and for Santa Fe County, State of New Mexico

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19 __, by _____, _____ President of _____, a Corporation, on behalf of said Corporation.

My Commission Expires:
_____

Notary Public in and for _____ County, State of _____

PUBCO PETROLEUM CORPORATION
Well Cost Estimate

Well Name: Pubco Federal #15 Location: NE NE, Sec. 1: 29N-13W County: San Juan

State: New Mexico Estimated T.D. 6,100' Formation: Dakota Prospect: Plaza

	Producer	Dry Hole
Tangible Costs:		
Casing:		
Surface 8 5/8" 24# J-55 300'	$ 900	$ 900
Production 4½" 10.5# J-55 6,100'	8,500	
Tubing 2 3/8" 4.7# N-80 "B" 6,100'	4,000	
Surface Equipment:		
Production Unit	4,500	
300 bbl. Tank and Accessories	1,800	
Installation and Miscellaneous	700	
Wellhead	2,800	
Total Tangible Costs	$23,200	$ 900
Intangible Costs:		
Supervision	$ 1,500	800
Drilling Footage 6,100' @ $3.50	21,350	21,350
Rig 1 Days @ $1,000	1,000	1,000
Other Completion	4,500	
Trucking	2,000	1,300
Water	1,700	1,700
Cement and Services	5,900	2,600
Mud	2,000	2,000
Logs and Tests		
Induction Electric & Sonic Gamma Ray	2,000	2,000
Roads and Locations	15,000	15,000
Formation Stimulation	13,200	
Other Intangible:		
Guide Shoes, Centralizers, etc.	1,100	
Perforating and Wire Line	2,400	
Miscellaneous	2,250	1,350
Total Intangible	$75,900	$49,100
Total Well Cost	$99,100	$50,000

Interests:	%		
Pubco Petroleum Corp.	66.6196618	$66,020	$33,310
Global Oils, Inc.	6.2756733	6,219	3,138
Gladys E. Langroise, et al	21.9035692	21,706	10,952
Glen W. Bales, et ux	.1117720	111	56
Eugene Martin	.0128366	13	6
R. P. Montgomery	.1261741	125	63
Macnemco, Incorporated	4.9503130	4,906	2,475

Joint Interest Approval
DATE March 3, 1967

Catherine B. McElwain
Joint Interest Owner

WORKING INTEREST OWNER

AGREEMENT TO BECOME A PARTY TO COMMUNITIZATION AGREEMENT AND TO OPERATING AGREEMENT

PUBCO FEDERAL #15, SAN JUAN COUNTY, NEW MEXICO

Each party who signs this instrument acknowledges receipt of a counterpart of an instrument entitled "Communitization Agreement" and a counterpart of an instrument entitled "Operating Agreement," for the Pubco Federal #15 well, San Juan County, New Mexico, both of which were executed as of the 1st day of December, 1966, on behalf of Pubco Petroleum Corporation for conducting operations with respect to the Dakota formation underlying lands described as Lots 1,2,3,4, and the S½N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico.

Both agreements, by Exhibit A, describe each Tract in the Unit Area, the lease and lands committed and by an attached plat show the boundary lines of the Communitized Area and the Tracts therein.

The Communitization Agreement and the Operating Agreement provide that any party defined in the agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, ratification, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each party who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Agreements, and each agrees to become a party to, and be bound by provisions of, the Communitization Agreement and the Operating Agreement as if he had signed the originals and agrees that the parties to the Communitization Agreement and the Operating Agreement are those that sign the originals, any counterparts or ratifications of both instruments, or any instrument that evidences an intention to be so bound.

By the execution of this Agreement the signatory Parties hereto hereby ratify, adopt and consent to the effective Communitization Agreement and Operating Agreement for the drilling, completing, equipping and continued operation of the Pubco Federal #15 Well as hereinbefore described.

Executed this 3rd day of March, 1967, and effective as of December 1, 1966.

WITNESSES:

_____

_____

SIGNATURES:

D.W. McElvain Jr.

_____

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 2nd day of March, 1967, by D.W. McElvain, Jr.

My Commission Expires:
Apr. 14, 1967

Eleanor M. Norvell
Notary Public in and for Santa Fe
County, State of New Mexico

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19 ___, by _____, _____ President of _____, a Corporation, on behalf of said Corporation.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

PUBCO PETROLEUM CORPORATION
Well Cost Estimate

Well Name: Pubco Federal #15 Location: NE NE, Sec. 1: 29N-13W County: San Juan

State: New Mexico Estimated T.D. 6,100' Formation: Dakota Prospect: Plaza

	Producer	Dry Hole
Tangible Costs:		
Casing:		
Surface 8 5/8" 24# J-55 300'	$ 900	$ 900
Production 4½" 10.5# J-55 6,100'	8,500	
Tubing 2 3/8" 4.7# N-80 "B" 6,100'	4,000	
Surface Equipment:		
Production Unit	4,500	
300 bbl. Tank and Accessories	1,800	
Installation and Miscellaneous	700	
Wellhead	2,800	
Total Tangible Costs	$23,200	$ 900
Intangible Costs:		
Supervision	$ 1,500	800
Drilling Footage 6,100' @ $3.50	21,350	21,350
Rig 1 Days @ $1,000	1,000	1,000
Other Completion	4,500	
Trucking	2,000	1,300
Water	1,700	1,700
Cement and Services	5,900	2,600
Mud	2,000	2,000
Logs and Tests		
Induction Electric & Sonic Gamma Ray	2,000	2,000
Roads and Locations	15,000	15,000
Formation Stimulation	13,200	
Other Intangible:		
Guide Shoes, Centralizers, etc.	1,100	
Perforating and Wire Line	2,400	
Miscellaneous	2,250	1,350
Total Intangible	$75,900	$49,100
Total Well Cost	$99,100	$50,000

Interests:	%		
Pubco Petroleum Corp.	66.6196618	$66,020	$33,310
Global Oils, Inc.	6.2756733	6,219	3,138
Gladys E. Langroise, et al	21.9035692	21,706	10,952
Glen W. Bales, et ux	.1117720	111	56
Eugene Martin	.0128366	13	6
R. P. Montgomery	.1261741	125	63
Macnemco, Incorporated	4.9503130	4,906	2,475

Joint Interest Approval
DATE March 3, 1967

W. McElvain Jr.
Joint Interest Owner

WORKING INTEREST OWNER

AGREEMENT TO BECOME A PARTY TO COMMUNITIZATION AGREEMENT AND TO OPERATING AGREEMENT

PUBCO FEDERAL #15, SAN JUAN COUNTY, NEW MEXICO

Each party who signs this instrument acknowledges receipt of a counterpart of an instrument entitled "Communitization Agreement" and a counterpart of an instrument entitled "Operating Agreement," for the Pubco Federal #15 well, San Juan County, New Mexico, both of which were executed as of the 1st day of December, 1966, on behalf of Pubco Petroleum Corporation for conducting operations with respect to the Dakota formation underlying lands described as Lots 1,2,3,4, and the S½N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico.

Both agreements, by Exhibit A, describe each Tract in the Unit Area, the lease and lands committed and by an attached plat show the boundary lines of the Communitized Area and the Tracts therein.

The Communitization Agreement and the Operating Agreement provide that any party defined in the agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, ratification, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each party who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Agreements, and each agrees to become a party to, and be bound by provisions of, the Communitization Agreement and the Operating Agreement as if he had signed the originals and agrees that the parties to the Communitization Agreement and the Operating Agreement are those that sign the originals, any counterparts or ratifications of both instruments, or any instrument that evidences an intention to be so bound.

By the execution of this Agreement the signatory Parties hereto hereby ratify, adopt and consent to the effective Communitization Agreement and Operating Agreement for the drilling, completing, equipping and continued operation of the Pubco Federal #15 Well as hereinbefore described.

Executed this 3rd day of March, 1967, and effective as of December 1, 1966.

WITNESSES:

_____

_____

SIGNATURES:

Catherine Frances McElvain Harvey

_____

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of March, 1967, by Catherine Frances McElvain Harvey.

My Commission Expires:
Apr. 14, 1967

Jeannie B. Parmele
Notary Public in and for Santa Fe County, State of New Mexico

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19 ___, by _____, _____ President of _____, a Corporation, on behalf of said Corporation.

My Commission Expires:

_____

_____
Notary Public in and for _____ County, State of _____

PUBCO PETROLEUM CORPORATION
Well Cost Estimate

Well Name: Pubco Federal #15 Location: NE NE, Sec. 1: 29N-13W County: San Juan

State: New Mexico Estimated T.D. 6,100' Formation: Dakota Prospect: Plaza

	Producer	Dry Hole
Tangible Costs:		
Casing:		
Surface 8 5/8" 24# J-55 300'	$ 900	$ 900
Production 4½" 10.5# J-55 6,100'	8,500	
Tubing 2 3/8" 4.7# N-80 "B" 6,100'	4,000	
Surface Equipment:		
Production Unit	4,500	
300 bbl. Tank and Accessories	1,800	
Installation and Miscellaneous	700	
Wellhead	2,800	
Total Tangible Costs	$23,200	$ 900
Intangible Costs:		
Supervision	$ 1,500	800
Drilling Footage 6,100' @ $3.50	21,350	21,350
Rig 1 Days @ $1,000	1,000	1,000
Other Completion	4,500	
Trucking	2,000	1,300
Water	1,700	1,700
Cement and Services	5,900	2,600
Mud	2,000	2,000
Logs and Tests		
Induction Electric & Sonic Gamma Ray	2,000	2,000
Roads and Locations	15,000	15,000
Formation Stimulation	13,200	
Other Intangible:		
Guide Shoes, Centralizers, etc.	1,100	
Perforating and Wire Line	2,400	
Miscellaneous	2,250	1,350
Total Intangible	$75,900	$49,100
Total Well Cost	$99,100	$50,000

Interests:	%		
Pubco Petroleum Corp.	66.6196618	$66,020	$33,310
Global Oils, Inc.	6.2756733	6,219	3,138
Gladys E. Langroise, et al	21.9035692	21,706	10,952
Glen W. Bales, et ux	.1117720	111	56
Eugene Martin	.0128366	13	6
R. P. Montgomery	.1261741	125	63
Macnemco, Incorporated	4.9503130	4,906	2,475

Joint Interest Approval
DATE March 3, 1967

Catherine Frances McElvain Harvey
Joint Interest Owner

WORKING INTEREST OWNER

AGREEMENT TO BECOME A PARTY TO COMMUNITIZATION AGREEMENT AND TO OPERATING AGREEMENT

PUBCO FEDERAL #15, SAN JUAN COUNTY, NEW MEXICO

Each party who signs this instrument acknowledges receipt of a counterpart of an instrument entitled "Communitization Agreement" and a counterpart of an instrument entitled "Operating Agreement," for the Pubco Federal #15 well, San Juan County, New Mexico, both of which were executed as of the 1st day of December, 1966, on behalf of Pubco Petroleum Corporation for conducting operations with respect to the Dakota formation underlying lands described as Lots 1,2,3,4, and the S½N½ of Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico.

Both agreements, by Exhibit A, describe each Tract in the Unit Area, the lease and lands committed and by an attached plat show the boundary lines of the Communitized Area and the Tracts therein.

The Communitization Agreement and the Operating Agreement provide that any party defined in the agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, ratification, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each party who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Agreements, and each agrees to become a party to, and be bound by provisions of, the Communitization Agreement and the Operating Agreement as if he had signed the originals and agrees that the parties to the Communitization Agreement and the Operating Agreement are those that sign the originals, any counterparts or ratifications of both instruments, or any instrument that evidences an intention to be so bound.

By the execution of this Agreement the signatory Parties hereto hereby ratify, adopt and consent to the effective Communitization Agreement and Operating Agreement for the drilling, completing, equipping and continued operation of the Pubco Federal #15 Well as hereinbefore described.

Executed this 8 day of March, 1967, and effective as of December 1, 1966.

WITNESSES:

_____

_____

SIGNATURES:

Gladys E Langroise

_____

STATE OF IDAHO,)
) ss.
COUNTY OF ADA,)

The foregoing instrument was acknowledged before me this 8th day of March, 1967, by GLADYS E. LANGROISE.

My Commission Expires:
2/4/68

Notary Public in and for Idaho, Boise, Ada County, State of Idaho.

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19 __, by _____, _____ President of _____, a Corporation, on behalf of said Corporation.

My Commission Expires:
_____

Notary Public in and for _____ County, State of _____

PUBCO PETROLEUM CORPORATION
Well Cost Estimate

Well Name: Pubco Federal #15 Location: NE NE, Sec. 1: 29N-13W County: San Juan

State: New Mexico Estimated T.D. 6,100' Formation: Dakota Prospect: Plaza

	Producer	Dry Hole
Tangible Costs:		
Casing:		
Surface 8 5/8" 24# J-55 300'	$ 900	$ 900
Production 4½" 10.5# J-55 6,100'	8,500	
Tubing 2 3/8" 4.7# N-80 "B" 6,100'	4,000	
Surface Equipment:		
Production Unit	4,500	
300 bbl. Tank and Accessories	1,800	
Installation and Miscellaneous	700	
Wellhead	2,800	
Total Tangible Costs	$23,200	$ 900
Intangible Costs:		
Supervision	$ 1,500	800
Drilling Footage 6,100' @ $3.50	21,350	21,350
Rig 1 Days @ $1,000	1,000	1,000
Other Completion	4,500	
Trucking	2,000	1,300
Water	1,700	1,700
Cement and Services	5,900	2,600
Mud	2,000	2,000
Logs and Tests		
Induction Electric & Sonic Gamma Ray	2,000	2,000
Roads and Locations	15,000	15,000
Formation Stimulation	13,200	
Other Intangible:		
Guide Shoes, Centralizers, etc.	1,100	
Perforating and Wire Line	2,400	
Miscellaneous	2,250	1,350
Total Intangible	$75,900	$49,100
Total Well Cost	$99,100	$50,000

Interests:	%		
Pubco Petroleum Corp.	66.6196618	$66,020	$33,310
Global Oils, Inc.	6.2756733	6,219	3,138
Gladys E. Langroise, et al	21.9035692	21,706	10,952
Glen W. Bales, et ux	.1117720	111	56
Eugene Martin	.0128366	13	6
R. P. Montgomery	.1261741	125	63
Macnemco, Incorporated	4.9503130	4,906	2,475

Joint Interest Approval
DATE March 8, 1967

Gladys E. Langroise
Joint Interest Owner

APPROVAL-CERTIFICATION-DETERMINATION

Pubco Federal #15

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the Regional Oil and Gas Supervisors of the Geological Survey by Order approved June 14, 1962 (27 F.R. 6395), I do hereby:

A. Approve the attached communitization agreement covering the N½ Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, as to dry gas and associated liquid hydrocarbons producible from the Dakota formation.

B. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest.

C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed or revoked to conform with the terms and conditions of the agreement.

Dated: _____

Contract No. _____

_____
Regional Oil and Gas Supervisor
U. S. Geological Survey

COMMUNITIZATION AGREEMENT

Pubco Federal #15

THIS AGREEMENT, entered into as of the 1st day of December, 1966, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H:

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 29 North, Range 13 West, N.M.P.M.
Section 1: Lots 1,2,3,4, S½N½ (N½)
San Juan County, New Mexico

containing 319.40 acres, more or less, and this agreement shall extend to and include only the Dakota formation underlying said lands and the dry gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "A" designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Oil and Gas Supervisor.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations.

5. Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to comply with nondiscrimination provisions of Paragraphs (1) through (7) of Section 202 of Executive Order No. 11246, as amended, (30 Fed. Reg. 12319), unless exempted by order of the Secretary of Labor issued pursuant to Section 204 of said Executive Order No. 11246.

6. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

7. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued.

8. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

9. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

10. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

11. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representatives, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are or can be produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representatives, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction.

12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representatives, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

13. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

15. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

ATTEST:

J. F. Shaw, Assistant Secretary

PUBCO PETROLEUM CORPORATION

By: Frank D. Gorham, Jr., President

Date: FEB 14 1967

STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

The foregoing instrument was acknowledged before me this 14th day of February, 1967, by FRANK D. GORHAM, JR., President of PUBCO PETROLEUM CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires:

May 27, 1968

Notary Public in and for the County of Bernalillo, State of New Mexico.

EXHIBIT "A"

to

AGREEMENT DATED THE 1st DAY OF DECEMBER, 1966, BETWEEN PUBCO PETROLEUM CORPORATION (OPERATOR) AND GLOBAL OILS, INC., ET AL (NON-OPERATORS)

Pubco Federal #15

OPERATOR OF COMMUNITIZED AREA: PUBCO PETROLEUM CORPORATION

DESCRIPTION OF COMMUNITIZED AREA: N/2 Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico

DESCRIPTION OF LEASES COMMITTED

TRACT 1

Lessor:	United States of America
Lessee of Record:	Sunshine Royalty Company
Serial Number of Lease:	SF-078643
Date of Lease:	July 1, 1948
Description of Lands Committed:	Township 29 North, Range 13 West, N.M.P.M. Section 1: Lot 4 ($NW\frac{1}{4}NW\frac{1}{4}$)
Number of Acres:	39.74
Working Interest and Percentage: (a) Surface to base of Dakota formation: (b) Below base of Dakota formation:	 Pubco Petroleum Corporation: 75% Sunshine Royalty Company: 87.5%
Royalty Interest and Percentage:	United States of America: 12.5%
O.R.R.I. and Percentage:	Sunshine Royalty Company: 12.5%

TRACT 2

(1)	Lessor:	William T. Eckhart and Elizabeth H. Eckhart, his wife
	Lessee of Record:	Pubco Petroleum Corporation
	Recorded:	Book 639, Page 6
	Date of Lease:	March 8, 1966
	Description of Lands Committed:	$NW\frac{1}{4}SE\frac{1}{4}NE\frac{1}{4}$ and a strip of land consisting of one acre running North and South along the West side of the $NE\frac{1}{4}SE\frac{1}{4}NE\frac{1}{4}$ in the form of a rectangle running the full length of the said $NE\frac{1}{4}SE\frac{1}{4}NE\frac{1}{4}$ of Section 1, Township 29 North, Range 13 West, containing 11 acres, more or less.
	Number of Acres:	11.00

EXHIBIT "A"

TRACT 2 (Continued)

Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	William T. Eckhart: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	"Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten percent (10%) of forty (40) acres, for oil, and not exceeding six hundred and forty (640) acres, plus an acreage tolerance of ten percent (10%) of six hundred and forty (640) acres, for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on or such production were from or such completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere herein specified, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. Should any unit

EXHIBIT "A"

TRACT 2 (Continued)

Provision of Fee Lease Authorizing Pooling: (continued)	as originally created hereunder contain less than the maximum number of acres hereinabove specified, then lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of unitization identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of unitization is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of unitization shall not become effective until the first day of the calendar month next following the filing thereof. In the absence of production Lessee may terminate any unitized area by filing of record notice of termination."
(2) Lessor:	George R. House and Ruth House, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 609, Page 183
Date of Lease:	September 20, 1965
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract #2)
Number of Acres:	11.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 20.625%
Royalty Interest and Percentage:	George R. House and Ruth House, his wife, as joint tenants: 3.125%
O.R.R.I. and Percentage:	Weldon C. Julander and Ila Mae Julander: .750% Howard E. Henderson and Betty J. Henderson: .500%
Provision of Fee Lease Authorizing Pooling:	"Lessee is hereby granted the right to pool or unitize this lease, the land covered by it or any part thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil, gas or any other minerals. Units pooled for oil hereunder shall not exceed forty (40) acres plus a tolerance of ten percent (10%) thereof, and units pooled for gas hereunder shall not exceed six hundred forty (640) acres plus a tolerance of ten percent (10%) thereof, provided that if any Federal or State law, Executive order, rule or regulation shall prescribe a spacing pattern for the development of

EXHIBIT "A"

TRACT 2 (Continued)

Provision of Fee Lease Authorizing Pooling: (continued)	the field or allocate a producing allowable on acreage per well, then any such units may embrace as much additional acreage as may be so prescribed or as may be used in such allocation or allowable. Lessee shall file written unit designations in the county in which the premises are located. Such units may be designated either before or after the completion of wells. Drilling operations and production on any part of the pooled acreage shall be treated as if such drilling operations were upon or such production was from the land described in this lease whether the well or wells be located on the land covered by this lease or not. The entire acreage pooled into a unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in this lease. In lieu of the royalties herein provided, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved."
(3) Lessor:	Howard E. Henderson and Betty J. Henderson, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 8
Date of Lease:	April 1, 1966
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract #2)
Number of Acres:	11.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.1875%
O.R.R.I. and Percentage:	None
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract #2)
(4) Lessor:	R. D. Golding and Mary S. Golding, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 9
Date of Lease:	April 10, 1966.
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract #2)
Number of Acres:	11.00

EXHIBIT "A"

TRACT 2 (Continued)

Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	R. D. Golding and Mary S. Golding: 1.5625%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: .6250%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract #2)

TRACT 3

(1) Lessor:	William T. Eckhart and Elizabeth H. Eckhart, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 6
Date of Lease;	March 8, 1966
Description of Lands Committed:	SW¼SE¼NE¼ and a strip of land consisting of one acre running North and South along the West side of the SE¼SE¼NE¼ in the form of a rectangle running the full length of the said SE¼SE¼NE¼ of Section 1, Township 29 North, Range 13 West, containing 11 acres, more or less.
Number of Acres:	11.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	William T. Eckhart: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)
(2) Lessor:	George R. House and Ruth House, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 609, Page 183
Date of Lease:	September 20, 1965
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract #3)
Number of Acres:	11.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 20.625%
Royalty Interest and Percentage:	George R. House and Ruth House, his wife, as joint tenants: 3.125%
O.R.R.I. and Percentage:	Weldon C. Julander and Ila Mae Julander: .750% Howard E. Henderson and Betty J. Henderson: .500%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 2, Tract #2)

EXHIBIT "A"

TRACT 3 (Continued)

(3) Lessor:	Howard E. Henderson and Betty J. Henderson, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 8
Date of Lease:	April 1, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract #3)
Number of Acres:	11.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.1875%
O.R.R.I. and Percentage:	None
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)
(4) Lessor:	Edward J. Jameson and Dorothy D. Jameson, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 13
Date of Lease:	April 10, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract #3)
Number of Acres:	11.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	Edward J. Jameson and Dorothy D. Jameson: 1.5625%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: .6250%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

TRACT 4

(1) Lessor:	William T. Eckhart and Elizabeth H. Eckhart, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 6
Date of Lease:	March 8, 1966
Description of Lands Committed:	SE¼SE¼NE¼ except a strip of land consisting of one acre in the form of a rectangle along the West side and running the full length of the SE¼SE¼NE¼ of Section 1, Township 29 North, Range 13 West, containing 9 acres, more or less.

EXHIBIT "A"

TRACT 4 (Continued)

Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation 41.25%
Royalty Interest and Percentage:	William T. Eckhart: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)
(2) Lessor:	George R. House and Ruth House, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 609, Page 183
Date of Lease:	September 20, 1965
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract #4)
Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 20.625%
Royalty Interest and Percentage:	George R. House and Ruth House, his wife, as joint tenants: 3.125%
O.R.R.I. and Percentage:	Weldon C. Julander and Ila Mae Julander: .750% Howard E. Henderson and Betty J. Henderson: .500%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 2, Tract #2)
(3) Lessor:	Howard E. Henderson and Betty J. Henderson, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 8
Date of Lease:	April 1, 1966
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract #4)
Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.1875%
O.R.R.I. and Percentage:	None
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)
(4) Lessor:	Joe O. Campbell and Claire D. Campbell, his wife
Lessee of Record:	Pubco Petroleum Corporation

EXHIBIT "A"

TRACT 4 (Continued)

Recorded: Book 639, Page 10

Date of Lease: April 10, 1966

Description of Lands Committed: (Same as shown under Lease No. 1, Tract #4)

Number of Acres: 9.00

Working Interest and Percentage: Pubco Petroleum Corporation: 10.3125%

Royalty Interest and Percentage: Joe O. Campbell and Claire D. Campbell: 1.5625%

O.R.R.I. and Percentage: Howard E. Henderson and Betty J. Henderson: .6250%

Provision of Fee Lease Authorizing Pooling: (Same as shown for Lease No. 1, Tract #2)

TRACT 5

(1) Lessor: William T. Eckhart and Elizabeth H. Eckhart, his wife

Lessee of Record: Pubco Petroleum Corporation

Recorded: Book 639, Page 6

Date of Lease: March 8, 1966

Description of Lands Committed: NE¼SE¼NE¼ except a strip of land consisting of one acre in the form of a rectangle along the West side and running the full length of the NE¼SE¼NE¼ of Section 1, Township 29 North, Range 13 West, containing 9 acres, more or less

Number of Acres: 9.00

Working Interest and Percentage: Pubco Petroleum Corporation: 41.25%

Royalty Interest and Percentage: William T. Eckhart: 6.25%

O.R.R.I. and Percentage: Howard E. Henderson and Betty J. Henderson: 2.50%

Provision of Fee Lease Authorizing Pooling: (Same as shown for Lease No. 1, Tract #2)

(2) Lessor: George R. House and Ruth House, his wife

Lessee of Record: Pubco Petroleum Corporation

Recorded: Book 609, Page 183

Date of Lease: September 20, 1965

Description of Lands Committed: (Same as shown for Lease No. 1, Tract #5)

Number of Acres: 9.00

Working Interest and Percentage: Pubco Petroleum Corporation: 20.625%

Royalty Interest and Percentage: George R. House and Ruth House, his wife, as joint tenants: 3.125%

EXHIBIT "A"

TRACT 5 (Continued)

O.R.R.I. and Percentage:	Weldon C. Julander and Ila Mae Julander: .750% Howard E. Henderson and Betty J. Henderson: .500%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 2, Tract #2)
(3) Lessor:	Howard E. Henderson and Betty J. Henderson, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 8
Date of Lease:	April 1, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract #5)
Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.1875%
O.R.R.I. and Percentage:	None
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)
(4) Lessor:	H. D. Hughes, Sr., and Thelma A. Hughes, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 11
Date of Lease:	April 11, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract #5)
Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	H. D. Hughes, Sr., and Thelma A. Hughes: 1.5625% Howard E. Henderson and Betty J. Henderson: .6250%
O.R.R.I. and Percentage:	
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

EXHIBIT "A"

TRACT 6

Lessor:	Elin M. Iles, a/k/a Mrs. Frank B. Iles
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 25
Date of Lease:	March 1, 1966
Description of Lands Committed:	NW¼NE¼, Less and Except Lot 2, Block 3 and Lots 5 and 7, Block 5, Iles Subdivision in Section 1, Township 29 North, Range 13 West
Number of Acres:	38.17
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	Elin M. Iles: 12.5% Howard E. Henderson and Betty J. Henderson: 5.0%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

TRACT 7

Lessor:	Ray Williams and Bernice H. Williams, his wife; Eulah M. Holbrooks, formally Eulah M. Mace, individually and as Trustee for Ray Williams, and Henry Holbrooks, her husband
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 26
Date of Lease:	April 11, 1966
Description of Lands Committed:	All of Lot 7, Block 5 of the Iles Subdivision, according to the plat thereof on file in the office of the County Clerk of San Juan County, New Mexico
Number of Acres:	.44
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	Ray Williams: 12.5%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 5.0%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

TRACT 8

Lessor:	Weldon L. Smith and Lillie L. Smith, his wife
Lessee of Record:	Pubco Petroleum Corporation

EXHIBIT "A"

TRACT 8 (Continued)

Recorded:	Book 639, Page 27
Date of Lease:	April 11, 1966
Description of Lands Committed:	All of Lot 5 of Block 5 of the Iles Subdivision, according to the Plat thereof on file in the Office of the County Clerk of San Juan County, New Mexico, of Section 1, Township 29 North, Range 13 West, N.M.P.M.
Number of Acres:	.66
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	Weldon L. Smith and Lillie L. Smith: 12.5%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 5.0%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

TRACT 9

Lessor:	Alton H. Lee and Ella Belle Lee, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 28
Date of Lease:	April 11, 1966
Description of Lands Committed:	All of Lot 2, Block 3, Iles Subdivision, according to the Plat thereof on file in the Office of the County Clerk of San Juan County, New Mexico, of Section 1, Township 29 North, Range 13 West, N.M.P.M.
Number of Acres:	.62
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	Alton H. Lee and Ella Belle Lee: 12.5%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 5.0%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

EXHIBIT "A"

TRACT 10

(1) Lessor:	W. R. Porter and Maggie Jo Porter, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 48
Date of Lease:	March 15, 1966
Description of Lands Committed:	(a) That part of the Southwest Quarter of the Northwest Quarter (SW¼NW¼) of Section One (1), Township Twenty Nine (29) North, Range Thirteen (13) West, N.M.P.M., described as follows: Beginning at a point in the East line of the said SW¼NW¼ which is 243 feet South of the NE corner of said SW¼NW¼; thence South 750 feet, more or less, to the point of intersection of said East line of the said SW¼NW¼ with the East line of that certain tract of land conveyed by W. R. Porter and Maggie Jo Porter, his wife, to Albert S. Perry by Warranty Deed recorded in Book 147, page 404 of the records of said County, thence Northwesterly with the East line of said tract conveyed to Albert S. Perry, as aforesaid, 780 feet, more or less, to a point which is North 58° West of the point of beginning, thence South 58° East 65 feet, more or less, to the point of beginning. (b) Beginning at the Southwest corner of the SE¼NW¼ of Section 1, Township 29 North, Range 13 West, N.M.P.M., thence North 1077 feet, thence 294 feet South 58° East, thence South 3°40' East 926 feet, thence West 308 feet; excepting therefrom, however, the lands hereinafter described as Tract 11 and the lands hereinafter described as Tract 12 (b). (c) Beginning at a point 30 feet East of the SE corner of the SW¼NW¼ of Section 1, Township 29 North, Range 13 West, N.M.P.M., thence Northwesterly to a point 70 feet West of the NE corner of said SW¼NW¼ said Section 1, thence West 353 feet, thence South 1320 feet; thence East 453 feet to point of beginning, being in the SW¼NW¼ and the SE¼NW¼ of Section 1, Twp. 29 North of Range 13 West, N.M.P.M.,; excepting therefrom, however, the lands hereinafter described as Tract 12.
Number of Acres:	15.4187
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jo Porter: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%

EXHIBIT "A"

TRACT 10 (Continued)

Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)
(2) Lessor:	Lone Star Properties, Inc.; Northwest Lumber Company; Berry F. Davis, Jr. and Ruth S. Davis, his wife; and Floyd G. Davis and Kathryn L. Davis, his wife
Lessee of Record:	Global Oils, Inc.
Recorded:	Book 447, Page 104
Date of Lease:	February 4, 1960
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 10)
Number of Acres:	15.4187
Working Interest and Percentage:	Global Oils, Inc.: 41.015625%
Royalty Interest and Percentage:	Lone Star Properties, Inc.: 1.250000% Northwest Lumber Company: 2.500000% Berry F. Davis and Ruth S. Davis: 1.250000% Floyd G. Davis and Kathryn L. Davis: 1.250000%
O.R.R.I. and Percentage:	Lone Star Properties, Inc.: .546875% Northwest Lumber Company: 1.093750% Berry F. Davis and Ruth S. Davis: .546875% Floyd G. Davis and Kathryn L. Davis: .546875%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 2, Tract 2)

TRACT 11

(1) Lessor:	W. R. Porter and Maggie Jo Porter, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 48
Date of Lease:	March 15, 1966
Description of Lands Committed:	Beginning at a point which is South 89°34' East 30 feet from the Southwest corner of the SE¼NW¼ of Section 1, Township 29 North, Range 13 West, N.M.P.M., thence North 5°06' West 234.7 feet, thence North 85°36' East 275.1 feet, thence South 3°40' East 258 feet, thence North 89°34' West 274.5 feet to the point of beginning.
Number of Acres:	1.1470
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jo Porter: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)

EXHIBIT "A"

TRACT 11 (Continued)

(2) Lessor:	Miles F. Black and Emma A. Black, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 49
Date of Lease:	April 22, 1966
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract 11)
Number of Acres:	1.1470
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	Miles F. Black and Emma A. Black: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)

TRACT 12

(1) Lessor:	W. R. Porter and Maggie Jo Porter, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 48
Date of Lease:	March 15, 1966
Description of Lands Committed:	(a) Beginning at the Southwest corner of the Southeast Quarter of the Northwest Quarter (SE¼NW¼) of Section 1, Township 29 North, Range 13 West, N.M.P.M.; thence North 89°34' West 423.0 feet, thence North 1°18' West 210.2 feet, thence North 84°44' East 423 feet to a point in the East line of the SW¼NW¼ of said Section 1, thence South 210.2 feet to the point of beginning. (b) Beginning at the southwest corner of the Southeast Quarter of the Northwest Quarter (SE¼NW¼) of Section 1, Township 29 North, Range 13 West, N.M.P.M., thence North 1°18' West 444.9 feet, thence South 5°06' East 445 feet, thence North 89°34' West 30 feet to the point of beginning.
Number of Acres:	2.2530
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jo Porter: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)

EXHIBIT "A"

TRACT 12 (Continued)

(2) Lessor:	L. C. LaMar and Aubra LaMar, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 50
Date of Lease:	April 21, 1966
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract 12)
Number of Acres:	2.2530
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	L. C. LaMar and Aubra LaMar: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 2)

TRACT 13

Lessor:	Ellis Dahlgren and Ada Dahlgren, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 52
Date of Lease:	April 21, 1966
Description of Lands Committed:	Beginning at a point that is 423 feet West of the Southeast corner of the Southwest Quarter of the Northwest Quarter (SW¼NW¼) of Section one (1), Township Twenty-nine (29) North, Range Thirteen (13) West, N.M.P.M. Thence West 520 feet; Thence North 208 feet; Thence East 520 feet; Thence South 208 feet to place of beginning.
Number of Acres:	2.4876
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	Ellis Dahlgren and Ada Dahlgren: 12.5%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 5.00%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)

TRACT 14

(1) Lessor:	W. R. Porter and Maggie Jo Porter, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 48
Date of Lease:	March 15, 1966

EXHIBIT "A"

TRACT 14 (Continued)

Description of Lands Committed:	A triangular tract of land in Section One (1), Township Twenty-nine (29) North, Range Thirteen (13) West, N.M.P.M., described as follows: Beginning at a point, which point is South Forty (40.00) feet from the Northeast corner of the Southeast Quarter of the Northwest Quarter (SE¼NW¼) of said section, township and range; Thence North 80°19' West, 60.00 feet; Thence South 37°40' East, 96.78 feet; Thence North 66.52 feet to the point of beginning.
Number of Acres:	.0460
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jo Porter: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)
(2) Lessor:	Bob M. Browning and Gwyneth H. Browning, his wife; O. W. Phillips and Geraldine A. Phillips, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 645, Page 59
Date of Lease:	April 6, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 14)
Number of Acres:	.0460
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	Bob M. Browning and Gwyneth H. Browning, his wife; O.W. Phillips and Geraldine A. Phillips, his wife: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 2)

TRACT 15

Lessor:	B. Slatton and Jewell Slatton, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 53
Date of Lease:	April 12, 1966
Description of Lands Committed:	Beginning at a point which is 308 feet East from the Southwest corner of the SE¼NW¼ of Section 1, Township 29 North, Range 13 West, N.M.P.M.; thence North

EXHIBIT "A"

TRACT 15 (Continued)

Description of Lands Committed (Continued):	3°40' West 926 feet; thence South 58°00' East 600 feet; thence South 50°00' E. 241 feet to ditch bank; thence South 301 feet to the North side of public road; thence South 57°30' West 275 feet more or less, to subdivision line; thence West 402 feet to place of beginning.
Number of Acres:	10.1100
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	B. Slatton and Jewell Slatton: 12.5%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 5.0%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 2)

TRACT 16

Lessor:	W. R. Porter and Maggie Jo Porter, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 48
Date of Lease:	March 15, 1966
Description of Lands Committed:	(a) The East 200 feet of the Northeast Quarter of the Northwest Quarter (NE¼NW¼) of Section 1, Township 29 North, Range 13 West, N.M.P.M. (b) Beginning at a point which is the NW corner of the NE¼NW¼ of Section One (1), Township Twenty-Nine (29) North, Range Thirteen (13) West, N.M.P.M., Thence South 89°16' East 1106.31 feet; Thence South 234.9 feet; Thence North 89°16' West 667.2 feet; Thence South 6°16' West 332.5 feet; Thence South 3°47' East 140.5 feet; Thence South 16°10' East 186.4 feet; Thence South 42°16' East 129.3 feet; Thence South 53°06' West 128.6 feet; Thence North 65°23' West 468.5 feet; Thence North 1°18' West 865.0 feet to the point of beginning. (c) All lands in E½NW¼ of Section 1, Township 29 North, Range 13 West, not included in Tracts 10 through 15 and 17 through 20, including all vacancies, ditches or roadways or unclaimed strips of land that may be found to exist.
Number of Acres:	23.5342
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jo Porter: 12.5%

EXHIBIT "A"

TRACT 16 (Continued)

O,R.R.I. and Percentage: Howard E. Henderson and Betty J. Henderson: 5.00%

Provision of Fee Lease Authorizing Pooling: (Same as shown for Lease No. 1, Tract 2)

TRACT 17

(1) Lessor: W. R. Porter and Maggie Jo Porter, his wife

Lessee of Record: Pubco Petroleum Corporation

Recorded: Book 642, Page 48

Date of Lease: March 15, 1966.

Description of Lands Committed:

(a) Beginning at a point which point is North 89°16' West 200 feet and South 234.9 feet from the Northeast corner of the Northwest quarter, Section 1, Township 29 North, Range 13 West, N.M.P.M., thence South 1092 feet, thence North 89°52' East 200 feet, thence South 0°45' West 342 feet; thence North 73°43' West 63.4 feet, thence North 53°51' West 144.3 feet, thence North 35°11' West 144.9 feet, thence North 46° 24' West 291.4 feet, thence North 18°03' West 133.5 feet, thence North 57°19' West 244 feet, thence North 46°54' West 163.8 feet, thence North 16°10' West 186.4 feet, thence North 3°47' West 140.5 feet, thence North 6°16' East 332.5 feet, thence South 89°16' East 667.2 feet, to the point of beginning, excepting however, the lands described herein as Tract 14 above.

(b) The North 6.90 feet of the East 200 feet of the SE¼NW¼ of Section 1, Township 29 North, Range 13 West, N.M.P.M.

(c) A tract in the Southwest Quarter of the Northwest Quarter (SW¼NW¼)and East one-half of the Northwest Quarter (E½NW¼) of Section One (1), in Township Twenty-nine (29) North, Range Thirteen (13) West, New Mexico Principal Meridian, described as follows: Beginning at the Northwest corner of the SE¼NW¼ of the said section One (1); Thence North 1°18' West 47.3 feet; Thence North 79°09' East 156.2 feet; Thence North 63°52' East 100.6 feet; Thence North 53°06' East 337.8 feet to a point on the East Bank of the Halford Independent Ditch; Thence South 63°32' East 36.4 feet; Thence South 57°13' East 244.0 feet; Thence South 18°04' East 134.4 feet; Thence South 46°25' East 291.0 feet; Thence South 35°11' East 145.0 feet; Thence South 53°52' East 144.3 feet; Thence South 72°28' East 66.8 feet; Thence South 0°38' West 494.7 feet; Thence South 21°12' West 107.0 feet;

EXHIBIT "A"

TRACT 17 (Continued)

Description of Lands Committed (Continued):

Thence South 49°06' West 160.0 feet;
Thence South 56°34' West 160.8 feet;
Thence North 0°56' West 301.0 feet;
Thence North 50°56' West 241.0 feet;
Thence North 58°56' West 600.0 feet;
Thence North 58°29' West 350.0 feet;
Thence North 5°06' West 216.8 feet;
Thence South 89°34' East 59.0 feet, to the point of beginning; excepting therefrom the lands described herein as Tract 18.

(d) That part of the Southwest Quarter of the Northwest Quarter (SW¼NW¼) of Section One (1), in Township Twenty-Nine (29) North of Range Thirteen (13) West, N.M.P.M., described as follows: Beginning at a point in the North line of said SW¼NW¼ which is North 89°43' West 59.0 feet from the Northeast corner of said SW¼NW¼; Thence South 5°06' East 216.8 feet, more or less, along the Westerly line of a tract conveyed by W. R. Porter and his wife, Maggie Jo Porter, to J. Ross Clark II and Burns R. Maus by Warranty Deed recorded in Book 379, Page 282 of the Records of said County; to a point in the Northeasterly line of Cherry Hills Subdivision as shown on the plat thereof filed for record August 28, 1958, and being in the Northerly line of a tract conveyed by W. R. Porter and his wife, Maggie Jo Porter, to Joe Self, et ux, by Quitclaim Deed recorded in Book 362 page 1 of the Records of said County; Thence North 58° West 10 feet, more or less, to a point in the East line of a tract of land conveyed by W. R. Porter, et ux, to Albert S. Perry by Warranty Deed recorded in Book 147, page 404 of the Records of said County, and being a point in the Easterly line of Lots 87, 88, 89 and 90 of Block 6 of said Cherry Hills Subdivision; Thence North 5°38' West 221.15 feet; more or less, along the East line of said former Perry tract, and being now the Easterly line of said Lots 87, 88, 89 and 90 of Block 6 of said Cherry Hills Subdivision, to the North line of said SW¼NW¼; Thence South 89°53' East along the North line of said SW¼NW¼ 11 feet, more or less, to the point of beginning.

(e) That part of the Northeast Quarter of the Northwest Quarter (NE¼NW¼) of Section One (1), in Township Twenty-Nine (29) North of Range Thirteen (13) West, N.M.P.M., in the Town of Farmington, described as follows: Beginning at a point in the West line of said NE¼NW¼ which is North 1°18' West 47.3 feet from the Southwest corner of said NE¼NW¼ of said Section 1; Thence North 1°18' West

EXHIBIT "A"

TRACT 17 (Continued)

Description of Lands Committed (Continued):	along the West line of said NE¼NW¼ 50.6 feet; Thence North 80°27' East 135.4 feet; Thence North 65°32' East 69.6 feet; Thence North 57°47' East 39.1 feet; Thence North 53°50' East 133.5 feet; Thence North 6°26' West 37.5 feet; Thence South 66°01' East 219.85 feet; Thence South 53°06' West 215.15 feet; Thence South 63°52' West 100.8 feet; Thence South 79°09' West 156.8 feet, more or less, to the point of beginning. (f) That part of the Northeast Quarter of the Northwest Quarter (NE¼NW¼) of Section One (1), in Township Twenty-Nine (29) North of Range Thirteen (13) West, N.M.P.M., in the Town of Farmington, described as follows: Beginning at a point in the West line of said NE¼NW¼ which is North 1°18' West 208.1 feet from the Southwest corner of said NE¼NW¼ of said Section 1; Thence North 1°18' West along the West line of said NE¼NW¼ 231.45 feet; Thence South 66° 01' East 246.05 feet; Thence South 40°32' West 33.7 feet; Thence South 61°28' West 157.4 feet; Thence South 62°17' West 66.7 feet, more or less, to the point of beginning.
Number of Acres:	29.5546
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jo Porter: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 2)
(2) Lessor:	Macnemco, Inc. (Unleased)
Lessee of Record:	None (Unleased)
Recorded:	Unleased
Date of Lease:	Unleased
Description of Lands	(Same as shown for Lease No. 1, Tract 17)
Number of Acres:	29.5546
Working Interest and Percentage:	Macnemco, Inc.: 41.25% (Unleased)
Royalty Interest and Percentage:	Macnemco, Inc.: 6.25% (Unleased)
O.R.R.I. and Percentage:	None (Unleased)
Provision of Fee Lease Authorizing Pooling:	None (Unleased)

EXHIBIT "A"

TRACT 18

(1) Lessor:	W. R. Porter and Maggie Jo Porter, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 48
Date of Lease:	March 15, 1966
Description of Lands Committed:	A tract of land in the East One-Half of the Northwest Quarter (E½NW¼), and in the East One-Half of the Southwest Quarter of the Northwest Quarter (E½SW¼NW¼) of Section One (1), in Township Twenty-Nine (29) North of Range Thirteen (13) West, N.M.P.M., San Juan County, New Mexico, described as follows: Beginning at the Northwest Corner of the Southeast Quarter of the Northwest Quarter (SE¼NW¼) of said Section One (1), which point is on the South right of way line of 30th Street; Thence South 88°31' East 645 feet along said right of way; Thence along a curve to the left having a radius of 821.3 feet, a distance of 114.58 feet; Thence along a curve to the right having a radius of 721.19 feet, a distance of 63.02 feet; Thence South 17°23' West 360.50 feet; Thence South 6° 30' East 271.68 feet; Thence South 17°23' West 52.18 feet; Thence North 59°33' West 898.08 feet; Thence North 5° 38' West 221.15 feet; Thence South 89°53'25" East 11.0 feet; Thence South 89°43' East 59.0 feet to the point of beginning.
Number of Acres:	8.0800
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jo Porter: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)
(2) Lessor:	Sheila A. O'Malley, a single person, and Fidelia Papillon, a single person
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 51
Date of Lease:	March 15, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 18)
Number of Acres:	8.0800
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%

EXHIBIT "A"

TRACT 18 (Continued)

Royalty Interest and Percentage:	Sheila A. O'Malley, feme sole, and Fidelia Papillon, single: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 2)

TRACT 19

Lessor:	Macnemco, Inc. (Unleased)
Lessee of Record:	None (Unleased)
Recorded:	Unleased
Date of Lease:	Unleased
Description of Lands	That part of the Northeast Quarter of the Northwest Quarter (NE¼NW¼) of Section One (1), in Township Twenty-Nine (29) North of Range Thirteen (13) West, N.M.P.M., in the Town of Farmington, described as follows: Beginning at a point in the West line of said NE¼NW¼ which is North 1°18' West 97.9 feet from the Southwest corner of said NE¼NW¼ of said Section 1; Thence North 1°18' West along the West line of said NE¼NW¼ 110.2 feet; Thence North 62° 17' East 66.7 feet; Thence North 61°28' West 157.4 feet; Thence North 40°32' East 33.7 feet; Thence South 66°01' East 128.7 feet; Thence South 6°26' East 37.5 feet; Thence South 53°50' West 133.5 feet; Thence South 57°47' West 39.1 feet; Thence South 65°32' West 69.6 feet; Thence South 80° 27' West 135.4 feet to the point of beginning.
Number of Acres:	1.0340
Working Interest and Percentage:	Macnemco, Inc.: 82.5% (Unleased)
Royalty Interest and Percentage:	Macnemco, Inc.: 12.5% (Unleased)
O.R.R.I. and Percentage:	None (Unleased)
Provision of Fee Lease Authorizing Pooling:	None (Unleased)

TRACT 20

Lessor:	James Rodney McGee and Carleen L. McGee, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 54
Date of Lease:	October 3, 1966

EXHIBIT "A"

TRACT 20 (Continued)

Description of Lands Committed:	Beginning at the southeast corner of the southeast quarter of the northwest quarter (SE¼NW¼) of Section One (1), Township twenty-nine (29) North, Range thirteen (13) West, N.M.P.M., thence north 285 feet, more or less, to the south side of the public road, thence southwesterly along the south line of said road 540 feet, more or less, to the South line of said subdivision, thence east 450 feet, more or less, to the point of beginning. Said tract being in and a part of the SE¼NW¼ of said Section 1.
Number of Acres:	1.4748
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	James Rodney McGee and Carleen L. McGee - 12.5%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 5.00%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 2)

TRACT 21

(1) Lessor:	Frank O. Brothers and Mary E. Brothers, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 438, Page 332
Date of Lease:	October 5, 1959
Description of Lands Committed:	Township 29 North, Range 13 West, N.M.P.M. Section 1: SW¼NW¼ EXCEPT the following tracts: (1) The East 423 feet of the SW¼NW¼; and (2) A tract of land described as beginning at a point that is 423 feet West of the Southeast Corner of the said SW¼NW¼; Thence West 520 feet; Thence North 208 feet; Thence East 520 feet; Thence South 208 feet to the point of beginning.
Number of Acres:	24.6701 -
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	Frank O. Brothers: 6.25%
O,R,R,I, and Percentage:	Weldon C. Julander: .50% Rodney P. Calvin: .50% The Central Bank and Trust Company of Denver, Colorado, for the Account of Earl A. Rogers: .50% Howard E. Henderson and Betty J. Henderson: 1.00%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 2, Tract 2)

EXHIBIT "A"

TRACT 21 (Continued)

(2) Lessor:	Lone Star Properties, Inc.; Northwest Lumber Company; Berry F. Davis, Jr. and Ruth S. Davis, his wife; and Floyd G. Davis and Kathryn L. Davis, his wife
Lessee of Record:	Global Oils, Inc.
Recorded:	Book 447, Page 104
Date of Lease:	February 4, 1960
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 21)
Number of Acres:	24.6701
Working Interest and Percentage:	Global Oils, Inc.: 41.015625%
Royalty Interest and Percentage:	Lone Star Properties, Inc.: 1.250000% Northwest Lumber Company: 2.500000% Berry F. Davis and Ruth S. Davis: 1.250000% Floyd G. Davis and Kathryn L. Davis: 1.250000%
O.R.R.I. and Percentage:	Lone Star Properties, Inc.: .546875% Northwest Lumber Company: 1.093750% Berry F. Davis and Ruth S. Davis: .546875% Floyd G. Davis and Kathryn L. Davis: .546875%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 2, Tract 2)

TRACT 22

(1) Lessor:	Bob M. Browning and Gwyneth H. Browning, his wife; Dewayne England and Betty Jane England, his wife; Margaret Harris and Albert Harris, her husband
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 645, Page 54
Date of Lease:	May 1, 1966
Description of Lands Committed:	Township 29 North, Range 13 West, N.M.P.M. Section 1: Beginning at a point on the North boundary line of the SW¼NE¼, which point is 404 feet East of the Northwest corner thereof; Thence West 404 feet along the North line of the SW¼NE¼ to the Northwest corner; Thence South on the West line to the Southwest corner of the said SW¼NE¼; Thence East on the South line of the said SW¼NE¼ 256 feet to the center line of the Highway; Thence in a Northeasterly direction (Variation North 6° 46' East) to the point of beginning on the North line of the said SW¼NE¼, containing 10 acres, more or less.
Number of Acres:	10.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 47.80375%
Royalty Interest and Percentage:	Bob M. Browning and Gwyneth H. Browning 2.25125%

EXHIBIT "A"

TRACT 22 (Continued)

Royalty Interest and Percentage: (Continued)	Dewayne England and Betty Jane England:	.23125%
	Margaret Harris and Albert Harris:	4.76125%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson:	2.89750%

Provision of Fee Lease Authorizing Pooling:

"Lessee, and at its option, is hereby given the power to pool or combine the acreage covered by this lease, or any portion thereof, as to oil and gas and associated liquid hydrocarbons, or either of them, with other land, lease or leases in the immediate vicinity thereof, to the extent, hereinafter stipulated, when in Lessee's judgment, it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises. The units pooled for oil and/or gas hereunder shall not substantially exceed 640 acres in areas, provided that should governmental authority having jurisdiction thereof prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee, his successors or assigns, under the provisions hereof, may pool or combine acreage covered by this lease, or any portion thereof, as above provided as to oil and/or gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit unto which the lease is pooled or combined as to any other stratum or strata, and oil units need not necessarily conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or any portion thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated, an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at his election, exercise his pooling option after commencing operations for, or completing an oil or gas well on the leased premises or on lands pooled therewith, and the pooled unit may include, but it is not required to include, land or leases on which a well capable of producing oil or gas and associated liquid hydrocarbons in paying quantities has theretofore been completed, or upon which operations for the drilling of a well for oil or gas has theretofore been commenced. Operations for drilling on or production of oil or gas and associated liquid hydrocarbons from any part of the pooled area which includes all or a portion of the land covered by this lease as described in Section 1 above, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument, or the instrumen

Provision of Fee Lease Authorizing Pooling: (Continued)	designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease, whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and/or gas and associated liquid hydrocarbons as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease, and such operations or production from the pooled unit shall inure to all of this lease both as to the portions within the unit and without the unit for the purpose of holding the lease based upon production. For the purpose of computing the royalties to which owners of royalties and payments out of production, and each of them, shall be entitled on production of oil and gas and associated liquid hydrocarbons, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit, a pro rata portion of the oil and gas and associated liquid hydrocarbons, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such pro rata share which is attributable to the portion or portions of this lease included in such pooled unit shall then be owned and shared by all the parties to this lease in accordance with their proportionate interest owned in this lease. Such allocation of production from the pooled unit to this lease shall be on an acreage basis--that is to say, that it shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas and associated liquid hydrocarbons, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit, bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas and associated liquid hydrocarbons, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land."
(2) Lessor:	Larry Crawford Salo
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 645, Page 55
Date of Lease:	May 1, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 21)
Number of Acres:	10.00

EXHIBIT "A"

TRACT 22 (Continued)

Working Interest and Percentage:	Pubco Petroleum Corporation:	4.74375%
Royalty Interest and Percentage:	Larry Crawford Salo:	.71875%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson:	.28750%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 21)	
(3) Lessor:	Thomas M. Thompson	
Lessee of Record:	Pubco Petroleum Corporation	
Recorded:	Book 645, Page 56	
Date of Lease:	May 1, 1966	
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 21)	
Number of Acres:	10.00	
Working Interest and Percentage:	Pubco Petroleum Corporation:	.38775%
Royalty Interest and Percentage:	Thomas M. Thompson:	.05875%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson:	.02350%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 21)	
(4) Lessor:	Oscar P. Bridges and Ruth Bridges, his wife	
Lessee of Record:	Pubco Petroleum Corporation	
Recorded:	Book 645, Page 57	
Date of Lease:	May 1, 1966	
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 21)	
Number of Acres:	10.00	
Working Interest and Percentage:	Pubco Petroleum Corporation:	15.213%
Royalty Interest and Percentage:	Oscar P. Bridges and Ruth Bridges:	2.305%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson:	,922%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 21)	
(5) Lessor:	Howard E. Henderson and Betty J. Henderson, his wife	
Lessee of Record:	Pubco Petroleum Corporation	
Recorded:	Book 645, Page 58	
Date of Lease:	December 20, 1966	
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 21)	
Number of Acres:	10.00	

EXHIBIT "A"

TRACT 22 (Continued)

Working Interest and Percentage:	Pubco Petroleum Corporation: 7.7385%
Royalty Interest and Percentage:	Howard E. Henderson and Betty J. Henderson: 1.6415%
O.R.R.I. and Percentage:	None
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 21)
(6) Lessor:	Glen W. Bales and Mary J. Bales, his wife
Lessee of Record:	(Unleased)
Recorded:	(Unleased)
Date of Lease:	(Unleased)
Description of Lands	(Same as shown for Lease No. 1, Tract 21)
Number of Acres:	10.00
Working Interest and Percentage:	Glen W. Bales and Mary J. Bales: 3.12375% (Unleased)
Royalty Interest and Percentage:	Glen W. Bales and Mary J. Bales: .44625% (Unleased)
O.R.R.I. and Percentage:	None
Provision of Fee Lease Authorizing Pooling:	None (Unleased)
(7) Lessor:	R. P. Montgomery (Unleased)
Lessee of Record:	None (Unleased)
Recorded:	Unleased
Date of Lease:	Unleased
Description of Lands:	(Same as shown for Lease No. 1, Tract 21)
Number of Acres:	10.00
Working Interest and Percentage:	R. P. Montgomery: 3.52625% (Unleased)
Royalty Interest and Percentage:	R. P. Montgomery: .50375% (Unleased)
O.R.R.I. and Percentage:	None (Unleased)
Provision of Fee Lease Authorizing Pooling:	None (Unleased)
(8) Lessor:	Eugene Martin (Unleased)
Lessee of Record:	None (Unleased)
Recorded:	Unleased
Date of Lease:	Unleased
Description of Lands:	(Same as shown for Lease No. 1, Tract 21)
Number of Acres:	10.00
Working Interest and Percentage:	Eugene Martin: .35875% (Unleased)

EXHIBIT "A"

TRACT 22 (Continued)

Royalty Interest and Percentage:	Eugene Martin: .05125% (Unleased)
O.R.R.I. and Percentage:	None (Unleased)
Provision of Fee Lease Authorizing Pooling:	None (Unleased)

TRACT 23

Lessor:	George E. Hutchison
Lessee of Record:	Gladys E. Langroise, Catherine B. McElvain, T. H. McElvain, Jr. and Catherine Frances McElvain Harvey
Recorded:	Book 125, Page 228
Date of Lease:	May 20, 1947
Description of Lands Committed:	Township 29 North, Range 13 West, N.M.P.M. Section 1: NE¼NE¼, SW¼NE¼ EXCEPT that part of the said SW¼NE¼ described as follows: Beginning at a point on the North line, 404 feet East of the Northwest corner; Thence West 404 feet to the Northwest corner; Thence South to the Southwest corner of said SW¼NE¼; Thence East on the South line, 256 feet to the center of highway; Thence Northeasterly (variation N 6° 46' E) to the point of beginning.
Number of Acres:	69.96
Working Interest and Percentage:	Gladys E. Langroise: 43.7500% Catherine B. McElvain: 21.8750% T. H. McElvain, Jr.: 10.9375% Catherine Frances McElvain Harvey: 10.9375%
Royalty Interest and Percentage:	A. H. Andrews and Gladys Andrews: 6.2500% Helen H. Wagner: 1.5625% Joanna Nickles: 1.5625% Mary M. Westfall: 1.5625% Robert E. Hutchison: 1.5625%
Provision of Fee Lease Authorizing Pooling: (Pooling Amendment dated November 30, 1966)	(Same as shown for Lease No. 1, Tract 2)

RECAPITULATION

Tract Number	Committed Net Acreage	Uncommitted Acreage	Percent of Interest in Communitized Area
1	39.7400		12.4420789
2 (1)	5.5000		1.7219787
2 (2)	2.7500		.8609894
2 (3)	1.3750		.4304947
2 (4)	1.3750		.4304947

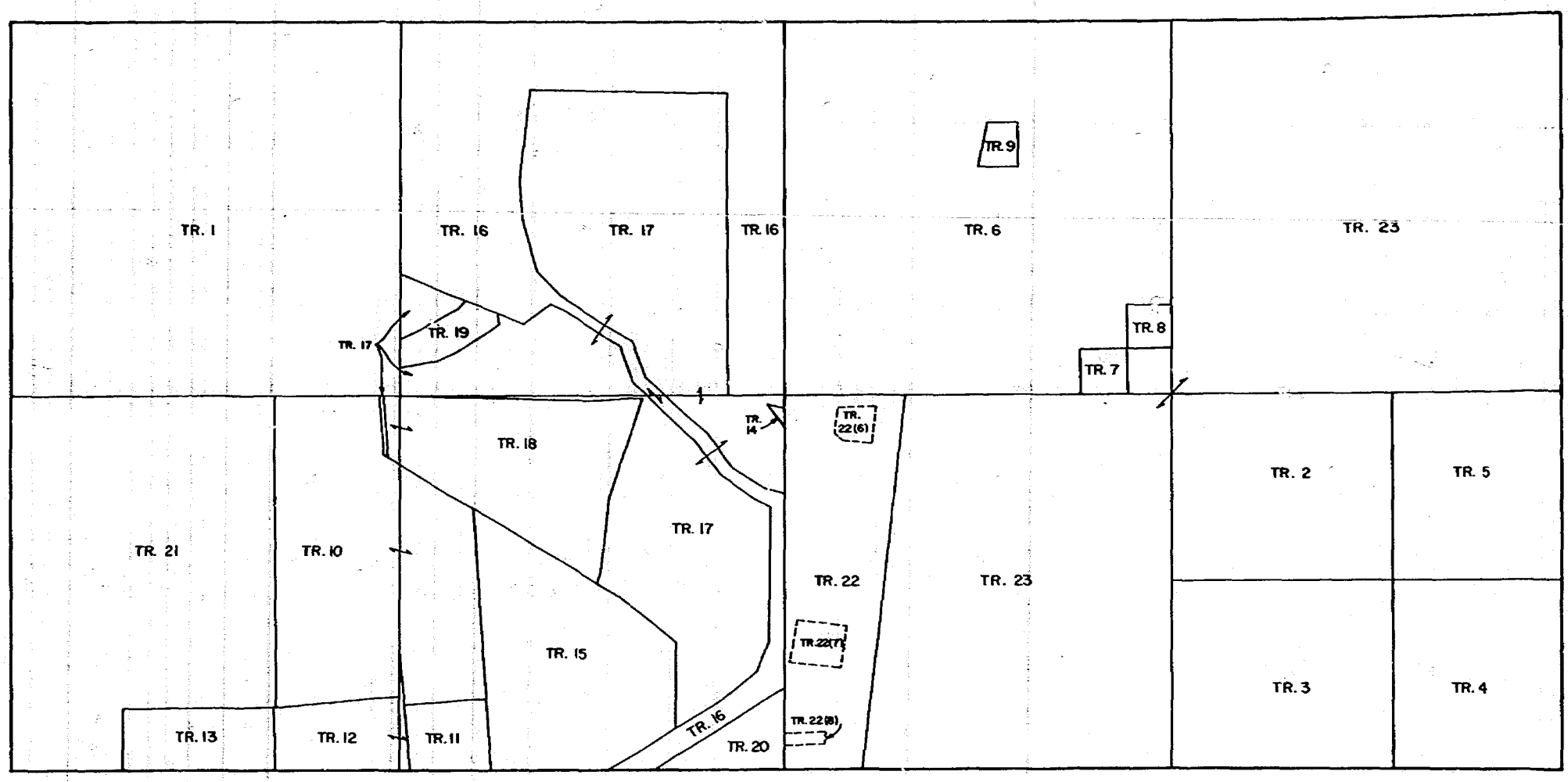
RECAPITULATION
(Continued)

Tract Number	Committed Net Acreage	Uncommitted Acreage	Percent of Interest in Communitized Area
3 (1)	5.5000		1.7219788
3 (2)	2.7500		.8609894
3 (3)	1.3750		.4304947
3 (4)	1.3750		.4304947
4 (1)	4.5000		1.4088917
4 (2)	2.2500		.7044459
4 (3)	1.1250		.3522229
4 (4)	1.1250		.3522229
5 (1)	4.5000		1.4088917
5 (2)	2.2500		.7044459
5 (3)	1.1250		.3522229
5 (4)	1.1250		.3522229
6	38.1760		11.9524108
7	.4410		.1380714
8	.6550		.2050721
9	.6180		.1934878
10 (1)	7.7093		2.4136819
10 (2)	7.7094		2.4137133
11 (1)	.5735		.1795555
11 (2)	.5735		.1795555
12 (1)	1.1265		.3526926
12 (2)	1.1265		.3526926
13	2.4876		.7788353
14 (1)	.0230		.0072010
14 (2)	.0230		.0072010
15	10.1100		3.1653099
16	23.5342		7.3682520
17 (1)	14.7773		4.6265811
17 (2)		14.7773	4.6265811
18 (1)	4.0400		1.2648717
18 (2)	4.0400		1.2648717
19		1.0340	.3237319

RECAPITULATION
(Continued)

Tract Number	Committed Net Acreage	Uncommitted Acreage	Percent of Interest in Communitized Area
20	1.4748		.4617408
21 (1)	12.3350		3.8619287
21 (2)	12.3351		3.8619600
22 (1)	5.7950		1.8143394
22 (2)	.5750		.1800250
22 (3)	.0470		.0147151
22 (4)	1.8440		.5773324
22 (5)	.9380		.2936757
22 (6)		.3570	.1117720
22 (7)	.4030		.1261741
22 (8)	.0410		.0128366
23	69.9600		21.9035692
	303.2317	16.1683	100.0000000

PLAT ATTACHED HERETO FOR TRACT REFERENCE.



N/2 Sec. 1 T29N R13W

San Juan Co N.M.

OPERATING AGREEMENT

THIS AGREEMENT, made and entered into as of the 1st day of December, 1966, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of certain oil and gas leases, more particularly described in Exhibit "A" attached hereto, insofar as said leases cover the following described land situated in San Juan County, New Mexico, to-wit:

Township 29 North, Range 13 West, N.M.P.M.
Section 1: Lots 1,2,3,4, $S\frac{1}{2}N\frac{1}{2}$ ($N\frac{1}{2}$)
Containing 319.40 acres, more or less;

and

WHEREAS, said parties desire to enter into an operating agreement providing for the joint development and operation of that portion of the lands described in said Exhibit "A," which comprises the Dakota Formation;

NOW, THEREFORE, the parties hereto have agreed and do hereby agree as follows:

I.

For the purposes hereof, it is agreed that the aforementioned leases, insofar as same cover the Dakota Formation within and underlying the above described lands, have been pooled and communitized to form a unit covering only the dry gas and associated liquid hydrocarbons in the Dakota Formation in, to and under the above described land. It is the intention of the parties hereto, in forming said unit, to pool and communitize all leases which they may now own covering any interest in dry gas and associated liquid hydrocarbons in the communitized stratum. Such unit is created by the Communitization Agreement, of even date herewith, executed by the interest owners under the above referred to lands.

II.

Pubco Petroleum Corporation is hereby designated and shall act as Operator of such unit in accordance with the terms and provisions of this agreement. Operator shall have full and complete management of the development and operation of said unit for natural gas and liquid hydrocarbons extracted from the Dakota Formation as an entirety, but Operator agrees that no well shall be commenced upon

said unit projected to that Formation except the well hereinafter provided for without the consent of Non-Operator (the term "Non-Operator," as used in this agreement, shall be deemed to include all Non-Operating parties, whether one or more).

Operator may resign as Operator at any time by giving notice to Non-Operator, in writing, sixty (60) days in advance of the effective date of such resignation, and, in such event, the working interest owners of said unit shall immediately select a successor. In the event Operator shall sell or otherwise dispose of all of its interest in said unit, the right of operation herein conferred shall not run with the transfer or assignment of such interest or inure to the benefit of Operator's assignee, but Non-Operator and Operator's assignee shall immediately select a new Operator.

When a change of Operator takes place, irrespective of how same may be brought about, the outgoing Operator or the incoming Operator either may require an audit of the books and accounts of the outgoing Operator which are applicable to the subject premises, and, in the event such request is made, same shall be made by a firm of independent Certified Public Accounts designated by the new Operator, and the cost thereof shall be an expense of the joint account.

III.

As soon as practicable after the date hereof, Operator shall commence or cause to be commenced drilling operations for the joint account of the parties hereto and shall thereafter drill said well to a depth sufficient to test the Dakota Formation, unless salt, caprock, cavities, heaving shale, abnormal water flow, or other impenetrable substances making further drilling impracticable are encountered in said well at a lesser depth. The parties hereto may also mutually agree to discontinue drilling operations at a lesser depth. Upon completion of said well, if it is a commercial well, Operator shall notify Non-Operator of the date said well is connected to a gas gathering system, if it is so connected.

In the event a well capable of producing gas in paying quantities is shut in, Operator shall immediately notify Non-Operator thereof, except that Operator shall not be required to notify the Non-Operator if the well should be shut in for limited periods of time in order to balance production during peak load periods or for reasons of making mechanical repairs. All production obtained

from the unit area and all material and equipment acquired hereunder for the joint account of the parties hereto shall be owned by the parties hereto in the proportions specified in Exhibit "C" of this agreement which is a schedule showing the names, addresses and working interest percentage of each working interest owner and shall be conclusive for the purposes of this agreement.

IV.

The entire costs and expense involved in drilling, completing and operating said well, if said well is a commercial well, or in plugging and abandoning, if said well is a dry hole or non-commercial well, shall be borne by the parties hereto in the proportions set forth in Exhibit "C".

Unless Operator elects to require any Non-Operator to advance its share of the costs and expenses, as hereinafter provided, Operator shall initially advance and pay all costs and expenses for the drilling of the well provided for in Article III hereof, as well as operation expenses of said unit, and shall charge each Non-Operator with its pro rata part thereof on the basis of its proportionate interest in the unit as set forth in Exhibit "C."

All such costs, expenses, credits and related matter, and the method of handling the accounting with respect thereto, shall be in accordance with the provisions of the Accounting Procedure, attached hereto as Exhibit "B" and made a part hereof for all purposes.

In the event of any conflict between the provisions contained in the body of this agreement and those contained in said Exhibit "B," the provisions of this agreement shall govern to the extent of such conflict.

In the event that Operator elects to require any Non-Operator to advance its proportionate share of the above mentioned costs and expenses, Operator shall submit an itemized estimate of such costs and expenses for the succeeding calendar month to such Non-Operator, showing therein the proportionate part of the estimated costs and expenses chargeable to such Non-Operator. Within fifteen (15) days after receipt of said estimate, such Non-Operator shall pay to the Operator its proportionate share of the estimated costs and expenses. If payment of the estimated costs and expenses is not made when due, the unpaid balance thereof shall bear interest at the rate of six percent (6%) per annum from the due date until paid. Adjustments between estimated and actual costs and expenses shall be

made by Operator at the close of each calendar month and the account of the respective parties adjusted accordingly.

The well to be drilled on the communitized unit shall be drilled on a competitive contract basis at the usual rates prevailing in the field. However, Operator, if it so desires, may employ its own tools and equipment; provided that in no event shall the charges therefor exceed the prevailing rate in the field, and such work shall be performed by Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

Without the consent of all parties: (a) No well shall be drilled on the unit except the well expressly provided for in Article III of this agreement, it being understood that the consent to the drilling of the well shall include consent to all necessary expenditures in the drilling, testing, completing, and equipping of the well, including necessary tankage; (b) The well shall not be reworked, plugged back or deepened except as expressly provided for in Article V of this agreement, it being understood that the consent to the reworking, plugging back or deepening of the well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well to produce, including necessary tankage; (c) Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Five Thousand Dollars ($5,000.00) except in connection with the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in the case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, but Operator shall, as promptly as possible, report the emergency to the other parties. Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of $1,500.00.

V.

If all the parties cannot mutually agree upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the unit, any party or parties wishing to rework, deepen or plug back such a well may

give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper, where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday or Sunday) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown by the Exhibit "C" of this agreement bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parites. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well reworked, deepened or plugged back under the provisions of this section results in a producer of gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each

Non-Consenting Party shall be deemed to have relinquished to Consenting Parties all of its operating rights and working interest in and to such well, and the Consenting Parties shall own all of such Non-Consenting Party's working interest and operating rights of said well. If the well after being reworked, deepened or plugged back is completed as a producer of gas in paying quantities, the operating rights and working interest so relinquished by Non-Consenting Party shall revert to it at such time as the proceeds or market value of that portion of the production obtained from the well after such deepening, reworking or plugging back, which would have accrued to such Non-Consenting Party's interest if the well had been reworked, deepened or plugged back for the account of all parties (after deducting production tax, royalty, overriding royalty and other interests, payable out of or measured by the production from such well accuring with respect to such interest) shall equal to the total of the following: (a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and (b) 200% of that portion of the costs and expenses of reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Article XVI, and 200% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

Within sixty (60) days after the completion of any operation under this

section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of reworking, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, until reversion to Non-Consenting Party as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-Consenting Party.

If and when the Consenting parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own the same interests in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the accounting procedure schedule, Exhibit "β," attached hereto.

Except as hereinafter provided in Article VI, the provisions of this section shall have no application whatsoever to the drilling of the well provided for in Article III hereof, but shall apply to the reworking, deepening, or plugging back of said well after it has been drilled to the depth specified in Article III, if it is, or thereafter shall prove to be, a dry hole or non-commercial well.

VI.

In spite of any provision to the contrary appearing in Article IV hereof, consent to the drilling of a well shall not be deemed as consent to the setting of casing and a completion attempt. After any well drilled pursuant to this agreement has reached its authorized depth, operator shall give immediate notice to Non-Operators. The parties receiving such notice shall have twenty-four (24) hours, exclusive of Saturday or Sunday, in which to elect whether or not they desire to set casing and to participate in a completion attempt. Failure of a party receiving such notice so to reply within the period of time above fixed shall constitute an election by that party not to participate in the cost of a completion attempt. If all of the parties elect to plug and abandon the well, Operator shall plug and abandon same at the expense of all the parties. If one or more, but less than all, of the parties elect to set pipe and to attempt a completion, the provisions of Article V shall apply to the operations thereafter conducted by less than all parties.

VII.

Operator shall have a lien on the interest of Non-Operator which is subject to this agreement, the proceeds from the sale of their share of production therefrom, and the material and equipment thereon to secure Operator in the payment of any sum due to Operator hereunder from Non-Operator, such lien to be enforceable as any other mortgage lien. The lien herein provided for shall not extend to any royalty rights attributable to any interest subjected hereto.

In the event any party fails to pay any amount owing by it to Operator as its share of such costs and expense or such advance estimate within the time limited for payment thereof, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of dry gas and associated liquid hydrocarbons, the proceeds accruing to the working interest or interests in the unit of the delinquent party up to the amount owing by such party, and each purchaser is authorized to rely upon Operator's statement as to the amount owing by such party.

Except as provided in the first paragraph of this Article VII, Operator shall keep the jointly owned leases free and clear of all encumbrances, levies and claims, and also of all labor and mechanic's liens for or on account of labor employed or materials purchased by it.

Each party shall always have the exclusive right and privilege of receiving in kind or separately disposing of its proportionate share of the production saved from the premises covered by this agreement; provided, however, should any Non-Operator fail to take in kind or separately dispose of its proportionate share of production, Operator shall nevertheless have the right to produce the dry gas and associated liquid hydrocarbons from the premises, and shall have the right, subject to revocation at will by the party owning same, to purchase such production or sell the same to others for the time being at not less than the market price prevailing in the area and not less than the price which Operator received for its portion of such production. Operator shall not sell gas produced from the premises covered by this agreement and owned by a Non-Operator into interstate commerce unless such Non-Operator shall have received not less than sixty (60) day's notice of such intended sale. Any extra expense incurred by Operator as the result of the exercise by any party of its right to take or dispose of its share of production in kind shall be borne by the party so exercising such right. Any sales by Operator of Non-Operator's producion shall be only for such reasonable periods of time as are commensurate with the minimum needs of the industry under the circumstances, but in no event shall such sale be for a period in excess of one (1) year.

VIII.

Subject to the provisions of Article VII above, surplus material and equipment belonging to the joint account which, in the judgment of Operator, is not necessary for the development and operation thereof,may be sold by Operator for the benefit of the joint account, or may be divided in kind between the parties hereto. Proper charges and credits shall be made by Operator as provided in the accounting procedure marked Exhibit "B" attached hereto.

IX.

Non-Operator shall have access to the premises at all reasonable times to inspect and observe any operations thereon, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. and Operator, upon request, shall furnish Non-Operator with copies of all drilling reports, well logs, electric logs, well surveys, core analyses and core descriptions, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall

make available samples of any cores or cuttings taken from any wells drilled hereunder.

X.

No jointly owned well which is producing or has once produced shall be abandoned without the mutual consent of the parties hereto. If one of the parties elects to abandon a well and the other party or parties elects not to abandon the same, the party electing to abandon same shall so advise the other party or parties in writing, and the latter shall have ten (10) days from receipt of said notice in which to elect whether to agree to the abandonment of said well or to purchase the interest in said well of the abandoning party or parties. If any party or parties desiring to continue the operation of the well elects to purchase the interest of any abandoning party, it shall pay to such party or parties desiring to abandon, in cash, the agreed value of the latter's interest in the salvage of the material and equipment in and on said well, said value to be determined in accordance with the provisions of the attached Exhibit "B" designated as Accounting Procedure, and, upon receipt of such sum, the party or parties electing to abandon such well shall assign, without warranty of title, to the other party or parties, its interest in said well and the production from the formation or formations from which it was last producing. If more than one party elects to continue the operations of the well, the interest of the abandoning parties shall be paid for and thereafter owned by said parties in the proportions set forth in Exhibit "C" hereof.

Neither shall the leasehold interest covered by this agreement be surrendered in whole or in part unless the parties mutually consent thereto. Should any party or parties at any time desire to surrender its interest, and should the other party or parties not agree or consent to such surrender, the surrendering party or parties shall assign, without express or implied warranty of title, all of its leasehold interest in the premises, and, subject to this agreement, to the party or parties not desiring to surrender, and thereupon such assigning party shall be relieved from all obligations thereafter (but not theretofore) accuring hereunder. From and after the making of such assignment, the assigning party or parties shall have no further interest in the interest assigned, but shall be entitled to be paid for its interest in any material on the premises at its salvage value, determined as provided in the attached Exhibit "B". If more than one party does not desire to

surrender its interest, the interest of the surrendering party or parties shall be owned by such non-surrendering parties in the proportions set forth in Exhibit "C" hereof.

The liability of the parties hereunder shall be several and not joint or collective. Each party hereto shall be responsible only for its obligations as herein set out, and shall be liable only for its proportionate share of the cost of developing and operating the premises subject hereto. It is expressly agreed that it is not the purpose or intention of this agreement to create, nor shall same be construed as creating, any mining partnership, commercial partnership or other partnership relations, nor shall the operations of the parties hereunder be construed or considered as a joint venture. Pursuant to the provisions of Section 761 (a) of the Internal Revenue Code of 1954, and the regulations promulgated thereunder, election is hereby made to exclude this agreement and all operations thereunder from the applicationof all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such additional or further evidence of said election as may be required by regulations issued under said Subchapter K, or, should said regulations require each party to execute such further evidence, each party agrees to execute such evidence, or to join in the execution thereof.

XI.

Operator shall not be liable for any loss of property or of time caused by strikes, riots, fires, tornadoes, floods or for any other cause beyond the control of Operator through the exercise of reasonable diligence. In connection with the performance of work under this agreement, the Operator agrees to comply with Non-discrimination provisions of Paragraphs (1) through (7) of Section 202 of Executive Order No. 11246, as amended, (30 Fed. Reg. 12319), unless exempted by order of the Secretary of Labor issued pursuant to Section 204 of said Executive Order No. 11246. All of the provisions of this agreement are hereby expressly made subject to all applicable Federal or State Laws, orders, rules and regulations, and, in the event this contract or any provision thereof is found to be inconsistent with or contrary to any such law, order, rule or regulation, the latter shall be deemed to control and this contract shall be regarded as modified accordingly, and, as so modified, shall continue in full force and effect.

XII.

Operator shall render, for ad valorem tax purposes, the entire leasehold rights and interest covered by this agreement, and all physical property located thereon, and shall pay, for the joint account, all such ad valorem taxes at the time and in the manner required by law. Operator shall bill Non-Operators for their proportionate shares of such tax payments as set out in the attached Accounting Procedure.

XIII.

This agreement shall become effective as of the date hereof upon execution by the parties hereto, notwithstanding the date of execution, and shall remain in full force and effect for a period of two (2) years and so long thereafter as natural gas and liquid hydrocarbons extracted therefrom are produced from the Dakota Formation from any part of said communitized unit in paying quantities, provided that, prior to production in paying quantities from said communitized unit and upon fulfillment of all the requirements of the Oil Conservation Commission of the State of New Mexico, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by the mutual agreement of all the parties hereto.

XIV.

All notices, reports and correspondence required or made necessary by the terms of this agreement shall be deemed to have been properly served if an when sent by mail or telegraphed to the parties at the addresses set forth in Exhibit "C." Each party may change its address by appropriate written notice to the other party.

XV.

The number of employees, the selection of such employees, the hours of labor, and the compensation to be paid such employees shall be determined by Operator; and all such employees shall be employees of Operator.

Operator shall procure and maintain for the benefit of and at the expense of the joint account the following types of insurance:

(1) Workmen's Compensation Insurance sufficient to comply with the Workmen's Compensation Law for the State of New Mexico.

(2) Comprehensive General Public Liability Insurance with limits of not less than $250,000 per person and $500,000 per accident, and General Public Liability Property Damage with limits of not less than $100,000 per accident.

(3) Automobile Public Liability Insurance with limits of not less than $250,000 per person and $500,000 per accident, and Automobile Property Damage Insurance with a limit of not less than $100,000 per accident.

Operator shall report to Non-Operator, as soon as practicable after the happening of the event, all damages or losses incurred by fire, theft, flood, storm or other similar causes, and all other claims of third persons, other than employees of Operator, for death or personal injury and claims for damage to property of others in connection with operations under this agreement.

XVI.

In the event the parties hereto, or any of them, receive a contribution toward the drilling of a well on the acreage covered by this agreement, said contribution shall be owned by the parties hereto in the proportions of the interests of the parties hereto, hereinafter recited in Exhibit "C."

XVII.

In the event of the loss or failure of the title, in whole or in part, of any party hereto in the premises, or to any interest therein, the interest of such party in and to the production obtained from the contract area shall be reduced in proportion to such loss or failure of title as of the date such loss or failure of title is finally determined; provided that such revision of ownership shall not be retroactive as to operating costs and expenses incurred or as to revenues or production obtained prior to such date; and provided further that each party hereto whose title has been lost or has failed, as aforesaid, shall indemnify and hold the other parties hereto harmless from and against any and all loss, cost, damage and expense which may result from or arise because of the delivery to such party of production obtained hereunder or the payment of proceeds derived from the sale of any such production prior to the date loss or failure of title is finally determined.

XVIII.

It is understood that this agreement is limited to operations pursuant to the production of natural gas and liquid hydrocarbons extracted therefrom which may be produced from the Dakota Formation, and in no event does this agreement relate to, concern or control the production of oil, casinghead gas or other hydrocarbons which may be encountered or produced from the above described lands, except where same is incidental to natural gas production from the Dakota Formation. In the event drilling

operations conducted pursuant to this agreement do not result in the production of natural gas and liquid hydrocarbons extracted therefrom in the Dakota Formation but do result in the discovery of oil or other mineral substances not covered by this agreement, such discovery and the production thereby obtained shall be the sole property of the owner of the lease on which such discovery is made and such production is obtained; provided, however, that said owner shall bear all costs of the drilling of said well, the testing and completion thereof down to the formation at which said well is completed and shall reimburse the other parties hereto for all expenses paid or to be paid by it pursuant to this agreement.

XIX.

If any party owns an unleased oil and gas interest in the Unit Area, that interest shall be treated for the purpose of this agreement as if it were a leased interest under the form of oil and gas lease attached as Exhibit "D" and for the primary term therein stated. As to such interests, the owners shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "D". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

XX.

If any of the mineral interests or any of the oil and gas leases held by the parties on the premises covered hereby be subject to any overriding royalty, production payment or other charge in addition to or other than the usual one-eighth (1/8) royalty, the party contributing any such mineral interest or lease shall, at his or its sole cost and expense, bear, assume and discharge any such overriding royalty, production payment or other charge, and his or its share of the production or the proceeds thereof shall be subject thereto. Each of the parties hereto shall be responsible for and shall promptly and timely pay all delay rentals or annual rentals due on such party's respective leasehold, and Operator shall not be responsible for the payment of any other party's delay or annual rental payment.

XXI.

If any party to this contract is sued on an alleged cause of action arising out of operations on the unit, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this contract, it shall give prompt written notice of the suit to the Operator and all other parties.

Damage claims caused by and arising out of operations on the unit, conducted for the joint account of all parties, shall be handled by Operator and its attorneys; the settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed one thousand dollars ($1,000.00) and, if settled, the sums paid in settlement shall be charged as expense to and be paid by all parties in proportion to their then interests in the unit.

XXII.

Notwithstanding anything to the contrary herein contained, it is understood and agreed that if any party hereto hereafter should create any overriding royalty, production payment, or other burden against its working interest production and if any other party or parties should conduct non-consent operations pursuant to any provision of this agreement and, as a result become entitled to receive the working interest production otherwise belonging to the non-participating party, the party or parties entitled to receive the working interest production of the non-participating party shall receive such production free and clear of burdens against such production which may have been created subsequent to this agreement and the non-participating party creating such subsequent burdens shall save the participating party or parties harmless with respect to the receipt of such working interest production.

XXIII.

In the event of any conflict between the provisions of this agreement and Exhibit "B" hereto attached, the terms of this agreement shall prevail.

All of the provisions of this agreement shall extend to and be binding upon the parties hereto, their successors and assigns, and such provisions shall be deemed to be covenants running with the land.

This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

ATTEST:

J. F. Shaw, Assistant Secretary

Date: FEB 14 1967

PUBCO PETROLEUM CORPORATION

By: Frank D. Gorham, Jr., President

STATE OF NEW MEXICO)
) ss.
COUNTY OF BERNALILLO)

The foregoing instrument was acknowledged before me this 14th day of February, 1967, by FRANK D. GORHAM, JR., President of PUBCO PETROLEUM CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires:

May 27, 1968

Notary Public in and for the County of Bernalillo, State of New Mexico.

EXHIBIT "A"

to

AGREEMENT DATED THE 1st DAY OF DECEMBER, 1966, BETWEEN PUBCO PETROLEUM CORPORATION (OPERATOR) AND GLOBAL OILS, INC., ET AL (NON-OPERATORS)

Pubco Federal #15

OPERATOR OF COMMUNITIZED AREA: PUBCO PETROLEUM CORPORATION

DESCRIPTION OF COMMUNITIZED AREA: N/2 Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico

DESCRIPTION OF LEASES COMMITTED

TRACT 1

Lessor:	United States of America
Lessee of Record:	Sunshine Royalty Company
Serial Number of Lease:	SF-078643
Date of Lease:	July 1, 1948
Description of Lands Committed:	Township 29 North, Range 13 West, N.M.P.M. Section 1: Lot 4 ($NW\frac{1}{4}NW\frac{1}{4}$)
Number of Acres:	39.74
Working Interest and Percentage: (a) Surface to base of Dakota formation: (b) Below base of Dakota formation:	 Pubco Petroleum Corporation: 75% Sunshine Royalty Company: 87.5%
Royalty Interest and Percentage:	United States of America: 12.5%
O.R.R.I. and Percentage:	Sunshine Royalty Company: 12.5%

TRACT 2

(1) Lessor:	William T. Eckhart and Elizabeth H. Eckhart, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 6
Date of Lease:	March 8, 1966
Description of Lands Committed:	$NW\frac{1}{4}SE\frac{1}{4}NE\frac{1}{4}$ and a strip of land consisting of one acre running North and South along the West side of the $NE\frac{1}{4}SE\frac{1}{4}NE\frac{1}{4}$ in the form of a rectangle running the full length of the said $NE\frac{1}{4}SE\frac{1}{4}NE\frac{1}{4}$ of Section 1, Township 29 North, Range 13 West, containing 11 acres, more or less.
Number of Acres:	11.00

EXHIBIT "A"

TRACT 2 (Continued)

Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	William T. Eckhart: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	"Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into a well unit or units not exceeding forty (40) acres, plus an acreage tolerance of ten percent (10%) of forty (40) acres, for oil, and not exceeding six hundred and forty (640) acres, plus an acreage tolerance of ten percent (10%) of six hundred and forty (640) acres, for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if it were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on or such production were from or such completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere herein specified, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. Should any unit

EXHIBIT "A"

TRACT 2 (Continued)

Provision of Fee Lease Authorizing Pooling: (continued)	as originally created hereunder contain less than the maximum number of acres hereinabove specified, then lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of unitization identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of unitization is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of unitization shall not become effective until the first day of the calendar month next following the filing thereof. In the absence of production Lessee may terminate any unitized area by filing of record notice of termination."
(2) Lessor:	George R. House and Ruth House, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 609, Page 183
Date of Lease:	September 20, 1965
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract #2)
Number of Acres:	11.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 20.625%
Royalty Interest and Percentage:	George R. House and Ruth House, his wife, as joint tenants: 3.125%
O.R.R.I. and Percentage:	Weldon C. Julander and Ila Mae Julander: .750% Howard E. Henderson and Betty J. Henderson: .500%
Provision of Fee Lease Authorizing Pooling:	"Lessee is hereby granted the right to pool or unitize this lease, the land covered by it or any part thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil, gas or any other minerals. Units pooled for oil hereunder shall not exceed forty (40) acres plus a tolerance of ten percent (10%) thereof, and units pooled for gas hereunder shall not exceed six hundred forty (640) acres plus a tolerance of ten percent (10%) thereof, provided that if any Federal or State law, Executive order, rule or regulation shall prescribe a spacing pattern for the development of

EXHIBIT "A"

TRACT 2 (Continued)

Provision of Fee Lease Authorizing Pooling: (continued)	the field or allocate a producing allowable on acreage per well, then any such units may embrace as much additional acreage as may be so prescribed or as may be used in such allocation or allowable. Lessee shall file written unit designations in the county in which the premises are located. Such units may be designated either before or after the completion of wells. Drilling operations and production on any part of the pooled acreage shall be treated as if such drilling operations were upon or such production was from the land described in this lease whether the well or wells be located on the land covered by this lease or not. The entire acreage pooled into a unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in this lease. In lieu of the royalties herein provided, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved."
(3) Lessor:	Howard E. Henderson and Betty J. Henderson, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 8
Date of Lease:	April 1, 1966
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract #2)
Number of Acres:	11.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.1875%
O.R.R.I, and Percentage:	None
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract #2)
(4) Lessor:	R. D. Golding and Mary S. Golding, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 9
Date of Lease:	April 10, 1966.
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract #2)
Number of Acres:	11.00

EXHIBIT "A"

TRACT 2 (Continued)

Working Interest and Percentage: Pubco Petroleum Corporation: 10.3125%

Royalty Interest and Percentage: R. D. Golding and Mary S. Golding: 1.5625%

O.R.R.I. and Percentage: Howard E. Henderson and Betty J. Henderson: .6250%

Provision of Fee Lease Authorizing Pooling: (Same as shown under Lease No. 1, Tract #2)

TRACT 3

(1) Lessor: William T. Eckhart and Elizabeth H. Eckhart, his wife

Lessee of Record: Pubco Petroleum Corporation

Recorded: Book 639, Page 6

Date of Lease; March 8, 1966

Description of Lands Committed: SW¼SE¼NE¼ and a strip of land consisting of one acre running North and South along the West side of the SE¼SE¼NE¼ in the form of a rectangle running the full length of the said SE¼SE¼NE¼ of Section 1, Township 29 North, Range 13 West, containing 11 acres, more or less.

Number of Acres: 11.00

Working Interest and Percentage: Pubco Petroleum Corporation: 41.25%

Royalty Interest and Percentage: William T. Eckhart: 6.25%

O.R.R.I. and Percentage: Howard E. Henderson and Betty J. Henderson: 2.50%

Provision of Fee Lease Authorizing Pooling: (Same as shown for Lease No. 1, Tract #2)

(2) Lessor: George R. House and Ruth House, his wife

Lessee of Record: Pubco Petroleum Corporation

Recorded: Book 609, Page 183

Date of Lease: September 20, 1965

Description of Lands Committed: (Same as shown for Lease No. 1, Tract #3)

Number of Acres: 11.00

Working Interest and Percentage: Pubco Petroleum Corporation: 20.625%

Royalty Interest and Percentage: George R. House and Ruth House, his wife, as joint tenants: 3.125%

O.R.R.I. and Percentage: Weldon C. Julander and Ila Mae Julander: .750%
Howard E. Henderson and Betty J. Henderson: .500%

Provision of Fee Lease Authorizing Pooling: (Same as shown for Lease No. 2, Tract #2)

EXHIBIT "A"

TRACT 3 (Continued)

(3) Lessor:	Howard E. Henderson and Betty J. Henderson, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 8
Date of Lease:	April 1, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract #3)
Number of Acres:	11.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.1875%
O.R.R.I. and Percentage:	None
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)
(4) Lessor:	Edward J. Jameson and Dorothy D. Jameson, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 13
Date of Lease:	April 10, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract #3)
Number of Acres:	11.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	Edward J. Jameson and Dorothy D. Jameson: 1.5625%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: .6250%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

TRACT 4

(1) Lessor:	William T. Eckhart and Elizabeth H. Eckhart, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 6
[illegible] of Lease:	March 8, 1966
Description of Lands Committed:	SE¼SE¼NE¼ except a strip of land consisting of one acre in the form of a rectangle along the West side and running the full length of the SE¼SE¼NE¼ of Section 1, Township 29 North, Range 13 West, containing 9 acres, more or less.

EXHIBIT "A"

TRACT 4 (Continued)

Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation 41.25%
Royalty Interest and Percentage:	William T. Eckhart: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)
(2) Lessor:	George R. House and Ruth House, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 609, Page 183
Date of Lease:	September 20, 1965
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract #4)
Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 20.625%
Royalty Interest and Percentage:	George R. House and Ruth House, his wife, as joint tenants: 3.125%
O.R.R.I. and Percentage:	Weldon C. Julander and Ila Mae Julander: .750% Howard E. Henderson and Betty J. Henderson: .500%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 2, Tract #2)
(3) Lessor:	Howard E. Henderson and Betty J. Henderson, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 8
Date of Lease:	April 1, 1966
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract #4)
Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.1875%
O.R.R.I. and Percentage:	None
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)
(4) Lessor:	Joe O. Campbell and Claire D. Campbell, his wife
Lessee of Record:	Pubco Petroleum Corporation

EXHIBIT "A"

TRACT 4 (Continued)

Recorded:	Book 639, Page 10
Date of Lease:	April 10, 1966
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract #4)
Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	Joe O. Campbell and Claire D. Campbell: 1.5625%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: .6250%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

TRACT 5

(1) Lessor:	William T. Eckhart and Elizabeth H. Eckhart, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 6
Date of Lease:	March 8, 1966
Description of Lands Committed:	NE¼SE¼NE¼ except a strip of land consisting of one acre in the form of a rectangle along the West side and running the full length of the NE¼SE¼NE¼ of Section 1, Township 29 North, Range 13 West, containing 9 acres, more or less
Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	William T. Eckhart: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)
(2) Lessor:	George R. House and Ruth House, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 609, Page 183
Date of Lease:	September 20, 1965
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract #5)
Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 20.625%
Royalty Interest and Percentage:	George R. House and Ruth House, his wife, as joint tenants: 3.125%

EXHIBIT "A"

TRACT 5 (Continued)

O.R.R.I. and Percentage:	Weldon C. Julander and Ila Mae Julander: .750% Howard E. Henderson and Betty J. Henderson: .500%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 2, Tract #2)
(3) Lessor:	Howard E. Henderson and Betty J. Henderson, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 8
Date of Lease:	April 1, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract #5)
Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.1875%
O.R.R.I. and Percentage:	None
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)
(4) Lessor:	H. D. Hughes, Sr., and Thelma A. Hughes, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 11
Date of Lease:	April 11, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract #5)
Number of Acres:	9.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 10.3125%
Royalty Interest and Percentage:	H. D. Hughes, Sr., and Thelma A. Hughes: 1.5625%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: .6250%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

EXHIBIT "A"

TRACT 6

Lessor:	Elin M. Iles, a/k/a Mrs. Frank B. Iles
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 25
Date of Lease:	March 1, 1966
Description of Lands Committed:	NW¼NE¼, Less and Except Lot 2, Block 3 and Lots 5 and 7, Block 5, Iles Subdivision in Section 1, Township 29 North, Range 13 West
Number of Acres:	38.17
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	Elin M. Iles: 12.5% Howard E. Henderson and Betty J. Henderson: 5.0%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

TRACT 7

Lessor:	Ray Williams and Bernice H. Williams, his wife; Eulah M. Holbrooks, formally Eulah M. Mace, individually and as Trustee for Ray Williams, and Henry Holbrooks, her husband
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 26
Date of Lease:	April 11, 1966
Description of Lands Committed:	All of Lot 7, Block 5 of the Iles Subdivision, according to the plat thereof on file in the office of the County Clerk of San Juan County, New Mexico
Number of Acres:	.44
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	Ray Williams: 12.5%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 5.0%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

TRACT 8

Lessor:	Weldon L. Smith and Lillie L. Smith, his wife
Lessee of Record:	Pubco Petroleum Corporation

EXHIBIT "A"

TRACT 8 (Continued)

Recorded:	Book 639, Page 27
Date of Lease:	April 11, 1966
Description of Lands Committed:	All of Lot 5 of Block 5 of the Iles Subdivision, according to the Plat thereof on file in the Office of the County Clerk of San Juan County, New Mexico, of Section 1, Township 29 North, Range 13 West, N.M.P.M.
Number of Acres:	.66
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	Weldon L. Smith and Lillie L. Smith: 12.5%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 5.0%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

TRACT 9

Lessor:	Alton H. Lee and Ella Belle Lee, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 639, Page 28
Date of Lease:	April 11, 1966
Description of Lands Committed:	All of Lot 2, Block 3, Iles Subdivision, according to the Plat thereof on file in the Office of the County Clerk of San Juan County, New Mexico, of Section 1, Township 29 North, Range 13 West, N.M.P.M.
Number of Acres:	.62
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	Alton H. Lee and Ella Belle Lee: 12.5%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 5.0%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract #2)

EXHIBIT "A"

TRACT 10

(1) Lessor: W. R. Porter and Maggie Jo Porter, his wife

Lessee of Record: Pubco Petroleum Corporation

Recorded: Book 642, Page 48

Date of Lease: March 15, 1966

Description of Lands Committed:

(a) That part of the Southwest Quarter of the Northwest Quarter (SW¼NW¼) of Section One (1), Township Twenty Nine (29) North, Range Thirteen (13) West, N.M.P.M., described as follows: Beginning at a point in the East line of the said SW¼NW¼ which is 243 feet South of the NE corner of said SW¼NW¼; thence South 750 feet, more or less, to the point of intersection of said East line of the said SW¼NW¼ with the East line of that certain tract of land conveyed by W. R. Porter and Maggie Jo Porter, his wife, to Albert S. Perry by Warranty Deed recorded in Book 147, page 404 of the records of said County, thence Northwesterly with the East line of said tract conveyed to Albert S. Perry, as aforesaid, 780 feet, more or less, to a point which is North 58° West of the point of beginning, thence South 58° East 65 feet, more or less, to the point of beginning.

(b) Beginning at the Southwest corner of the SE¼NW¼ of Section 1, Township 29 North, Range 13 West, N.M.P.M., thence North 1077 feet, thence 294 feet South 58° East, thence South 3°40' East 926 feet, thence West 308 feet; excepting therefrom, however, the lands hereinafter described as Tract 11 and the lands hereinafter described as Tract 12 (b).

(c) Beginning at a point 30 feet East of the SE corner of the SW¼NW¼ of Section 1, Township 29 North, Range 13 West, N.M.P.M., thence Northwesterly to a point 70 feet West of the NE corner of said SW¼NW¼ said Section 1, thence West 353 feet, thence South 1320 feet; thence East 453 feet to point of beginning, being in the SW¼NW¼ and the SE¼NW¼ of Section 1, Twp. 29 North of Range 13 West, N.M.P.M.,; excepting therefrom, however, the lands hereinafter described as Tract 12.

Number of Acres: 15.4187

Working Interest and Percentage: Pubco Petroleum Corporation: 41.25%

Royalty Interest and Percentage: W. R. Porter and Maggie Jo Porter: 6.25%

O.R.R.I. and Percentage: Howard E. Henderson and Betty J. Henderson: 2.50%

EXHIBIT "A"

TRACT 10 (Continued)

Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)
(2) Lessor:	Lone Star Properties, Inc.; Northwest Lumber Company; Berry F. Davis, Jr. and Ruth S. Davis, his wife; and Floyd G. Davis and Kathryn L. Davis, his wife
Lessee of Record:	Global Oils, Inc.
Recorded:	Book 447, Page 104
Date of Lease:	February 4, 1960
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 10)
Number of Acres:	15.4187
Working Interest and Percentage:	Global Oils, Inc.: 41.015625%
Royalty Interest and Percentage:	Lone Star Properties, Inc.: 1.250000% Northwest Lumber Company: 2.500000% Berry F. Davis and Ruth S. Davis: 1.250000% Floyd G. Davis and Kathryn L. Davis: 1.250000%
O.R.R.I. and Percentage:	Lone Star Properties, Inc.: .546875% Northwest Lumber Company: 1.093750% Berry F. Davis and Ruth S. Davis: .546875% Floyd G. Davis and Kathryn L. Davis: .546875%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 2, Tract 2)

TRACT 11

(1) Lessor:	W. R. Porter and Maggie Jo Porter, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 48
Date of Lease:	March 15, 1966
Description of Lands Committed:	Beginning at a point which is South 89°34' East 30 feet from the Southwest corner of the SE¼NW¼ of Section 1, Township 29 North, Range 13 West, N.M.P.M., thence North 5°06' West 234.7 feet, thence North 85°36' East 275.1 feet, thence South 3°40' East 258 feet, thence North 89°34' West 274.5 feet to the point of beginning.
Number of Acres:	1.1470
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jo Porter: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)

EXHIBIT "A"

TRACT 11 (Continued)

(2) Lessor:	Miles F. Black and Emma A. Black, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 49
Date of Lease:	April 22, 1966
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract 11)
Number of Acres:	1.1470
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	Miles F. Black and Emma A. Black: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)

TRACT 12

(1) Lessor:	W. R. Porter and Maggie Jo Porter, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 48
Date of Lease:	March 15, 1966
Description of Lands Committed:	(a) Beginning at the Southwest corner of the Southeast Quarter of the Northwest Quarter (SE¼NW¼) of Section 1, Township 29 North, Range 13 West, N.M.P.M.; thence North 89°34' West 423.0 feet, thence North 1°18' West 210.2 feet, thence North 84°44' East 423 feet to a point in the East line of the SW¼NW¼ of said Section 1, thence South 210.2 feet to the point of beginning. (b) Beginning at the southwest corner of the Southeast Quarter of the Northwest Quarter (SE¼NW¼) of Section 1, Township 29 North, Range 13 West, N.M.P.M., thence North 1°18' West 444.9 feet, thence South 5°06' East 445 feet, thence North 89°34' West 30 feet to the point of beginning.
Number of Acres:	2.2530
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jo Porter: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)

EXHIBIT "A"

TRACT 12 (Continued)

(2) Lessor:	L. C. LaMar and Aubra LaMar, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 50
Date of Lease:	April 21, 1966
Description of Lands Committed:	(Same as shown under Lease No. 1, Tract 12)
Number of Acres:	2.2530
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	L. C. LaMar and Aubra LaMar: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 2)

TRACT 13

Lessor:	Ellis Dahlgren and Ada Dahlgren, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 52
Date of Lease:	April 21, 1966
Description of Lands Committed:	Beginning at a point that is 423 feet West of the Southeast corner of the Southwest Quarter of the Northwest Quarter ($SW\frac{1}{4}NW\frac{1}{4}$) of Section one (1), Township Twenty-nine (29) North, Range Thirteen (13) West, N.M.P.M. Thence West 520 feet; Thence North 208 feet; Thence East 520 feet; Thence South 208 feet to place of beginning.
Number of Acres:	2.4876
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	Ellis Dahlgren and Ada Dahlgren: 12.5%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 5.00%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)

TRACT 14

(1) Lessor:	W. R. Porter and Maggie Jo Porter, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 48
Date of Lease:	March 15, 1966

EXHIBIT "A"

TRACT 14 (Continued)

Description of Lands Committed:	A triangular tract of land in Section One (1), Township Twenty-nine (29) North, Range Thirteen (13) West, N.M.P.M., described as follows: Beginning at a point, which point is South Forty (40.00) feet from the Northeast corner of the Southeast Quarter of the Northwest Quarter (SE¼NW¼) of said section, township and range; Thence North 80°19' West, 60.00 feet; Thence South 37°40' East, 96.78 feet; Thence North 66.52 feet to the point of beginning.
Number of Acres:	.0460
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jo Porter: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)
(2) Lessor:	Bob M. Browning and Gwyneth H. Browning, his wife; O. W. Phillips and Geraldine A. Phillips, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 645, Page 59
Date of Lease:	April 6, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 14)
Number of Acres:	.0460
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	Bob M. Browning and Gwyneth H. Browning, his wife; O.W. Phillips and Geraldine A. Phillips, his wife: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 2)

TRACT 15

Lessor:	B. Slatton and Jewell Slatton, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 53
Date of Lease:	April 12, 1966
Description of Lands Committed:	Beginning at a point which is 308 feet East from the Southwest corner of the SE¼NW¼ of Section 1, Township 29 North, Range 13 West, N.M.P.M.; thence North

EXHIBIT "A"

TRACT 15 (Continued)

Description of Lands Committed (Continued):	3°40' West 926 feet; thence South 58°00' East 600 feet; thence South 50°00' E. 241 feet to ditch bank; thence South 301 feet to the North side of public road; thence South 57°30' West 275 feet more or less, to subdivision line; thence West 402 feet to place of beginning.
Number of Acres:	10.1100
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	B. Slatton and Jewell Slatton: 12.5%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 5.0%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 2)

TRACT 16

Lessor:	W. R. Porter and Maggie Jo Porter, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 48
Date of Lease:	March 15, 1966
Description of Lands Committed:	(a) The East 200 feet of the Northeast Quarter of the Northwest Quarter ($NE\frac{1}{4}NW\frac{1}{4}$) of Section 1, Township 29 North, Range 13 West, N.M.P.M. (b) Beginning at a point which is the NW corner of the $NE\frac{1}{4}NW\frac{1}{4}$ of Section One (1), Township Twenty-Nine (29) North, Range Thirteen (13) West, N.M.P.M., Thence South 89°16' East 1106.31 feet; Thence South 234.9 feet; Thence North 89°16' West 667.2 feet; Thence South 6°16' West 332.5 feet; Thence South 3°47' East 140.5 feet; Thence South 16°10' East 186.4 feet; Thence South 42°16' East 129.3 feet; Thence South 53°06' West 128.6 feet; Thence North 65°23' West 458.5 feet; Thence North 1°18' West 865.0 feet to the point of beginning. (c) All lands in $E\frac{1}{2}NW\frac{1}{4}$ of Section 1, Township 29 North, Range 13 West, not included in Tracts 10 through 15 and 17 through 20, including all vacancies, ditches or roadways or unclaimed strips of land that may be found to exist.
Number of Acres:	23.5342
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jc Porter: 12.5%

EXHIBIT "A"

TRACT 16 (Continued)

O.R.R.I. and Percentage: Howard E. Henderson and Betty J. Henderson: 5.00%

Provision of Fee Lease Authorizing Pooling: (Same as shown for Lease No. 1, Tract 2)

TRACT 17

(1) Lessor: W. R. Porter and Maggie Jo Porter, his wife

Lessee of Record: Pubco Petroleum Corporation

Recorded: Book 642, Page 48

Date of Lease: March 15, 1966.

Description of Lands Committed:

(a) Beginning at a point which point is North 89°16' West 200 feet and South 234.9 feet from the Northeast corner of the Northwest quarter, Section 1, Township 29 North, Range 13 West, N.M.P.M., thence South 1092 feet, thence North 89°52' East 200 feet, thence South 0°45' West 342 feet; thence North 73°43' West 63.4 feet, thence North 53°51' West 144.3 feet, thence North 35°11' West 144.9 feet, thence North 46° 24' West 291.4 feet, thence North 18°03' West 133.5 feet, thence North 57°19' West 244 feet, thence North 46°54' West 163.8 feet, thence North 16°10' West 186.4 feet, thence North 3°47' West 140.5 feet, thence North 6°16' East 332.5 feet, thence South 89°16' East 667.2 feet, to the point of beginning, excepting however, the lands described herein as Tract 14 above.

(b) The North 6.90 feet of the East 200 feet of the SE¼NW¼ of Section 1, Township 29 North, Range 13 West, N.M.P.M.

(c) A tract in the Southwest Quarter of the Northwest Quarter (SW¼NW¼)and East one-half of the Northwest Quarter (E½NW¼) of Section One (1), in Township Twenty-nine (29) North, Range Thirteen (13) West, New Mexico Principal Meridian, described as follows: Beginning at the Northwest corner of the SE¼NW¼ of the said section One (1); Thence North 1°18' West 47.3 feet; Thence North 79°09' East 156.2 feet; Thence North 63°52' East 100.6 feet; Thence North 53°06' East 337.8 feet to a point on the East Bank of the Halford Independent Ditch; Thence South 63°32' East 36.4 feet; Thence South 57°13' East 244.0 feet; Thence South 18°04' East 134.4 feet; Thence South 46°25' East 291.0 feet; Thence South 35°11' East 145.0 feet; Thence South 53°52' East 144.3 feet; Thence South 72°28' East 66.8 feet; Thence South 0°38' West 494.7 feet; Thence South 21°12' West 107.0 feet;

EXHIBIT "A"

TRACT 17 (Continued)

Description of Lands Committed (Continued):

Thence South 49°06' West 160.0 feet;
Thence South 56°34' West 160.8 feet;
Thence North 0°56' West 301.0 feet;
Thence North 50°56' West 241.0 feet;
Thence North 58°56' West 600.0 feet;
Thence North 58°29' West 350.0 feet;
Thence North 5°06' West 216.8 feet;
Thence South 89°34' East 59.0 feet, to the point of beginning; excepting therefrom the lands described herein as Tract 18.

(d) That part of the Southwest Quarter of the Northwest Quarter (SW¼NW¼) of Section One (1), in Township Twenty-Nine (29) North of Range Thirteen (13) West, N.M.P.M., described as follows: Beginning at a point in the North line of said SW¼NW¼ which is North 89°43' West 59.0 feet from the Northeast corner of said SW¼NW¼; Thence South 5°06' East 216.8 feet, more or less, along the Westerly line of a tract conveyed by W. R. Porter and his wife, Maggie Jo Porter, to J. Ross Clark II and Burns R. Maus by Warranty Deed recorded in Book 379, Page 282 of the Records of said County; to a point in the Northeasterly line of Cherry Hills Subdivision as shown on the plat thereof filed for record August 28, 1958, and being in the Northerly line of a tract conveyed by W. R. Porter and his wife, Maggie Jo Porter, to Joe Self, et ux, by Quitclaim Deed recorded in Book 362 page 1 of the Records of said County; Thence North 58° West 10 feet, more or less, to a point in the East line of a tract of land conveyed by W. R. Porter, et ux, to Albert S. Perry by Warranty Deed recorded in Book 147, page 404 of the Records of said County, and being a point in the Easterly line of Lots 87, 88, 89 and 90 of Block 6 of said Cherry Hills Subdivision; Thence North 5°38' West 221.15 feet; more or less, along the East line of said former Perry tract, and being now the Easterly line of said Lots 87, 88, 89 and 90 of Block 6 of said Cherry Hills Subdivision, to the North line of said SW¼NW¼; Thence South 89°53' East along the North line of said SW¼NW¼ 11 feet, more or less, to the point of beginning.

(e) That part of the Northeast Quarter of the Northwest Quarter (NE¼NW¼) of Section One (1), in Township Twenty-Nine (29) North of Range Thirteen (13) West, N.M.P.M., in the Town of Farmington, described as follows: Beginning at a point in the West line of said NE¼NW¼ which is North 1°18' West 47.3 feet from the Southwest corner of said NE¼NW¼ of said Section 1; Thence North 1°18' West

EXHIBIT "A"

TRACT 17 (Continued)

Description of Lands Committed (Continued):	along the West line of said NE¼NW¼ 50.6 feet; Thence North 80°27' East 135.4 feet; Thence North 65°32' East 69.6 feet; Thence North 57°47' East 39.1 feet; Thence North 53°50' East 133.5 feet; Thence North 6°26' West 37.5 feet; Thence South 66°01' East 219.85 feet; Thence South 53°06' West 215.15 feet; Thence South 63°52' West 100.8 feet; Thence South 79°09' West 156.8 feet, more or less, to the point of beginning. (f) That part of the Northeast Quarter of the Northwest Quarter (NE¼NW¼) of Section One (1), in Township Twenty-Nine (29) North of Range Thirteen (13) West, N.M.P.M., in the Town of Farmington, described as follows: Beginning at a point in the West line of said NE¼NW¼ which is North 1°18' West 208.1 feet from the Southwest corner of said NE¼NW¼ of said Section 1; Thence North 1°18' West along the West line of said NE¼NW¼ 231.45 feet; Thence South 66° 01' East 246.05 feet; Thence South 40°32' West 33.7 feet; Thence South 61°28' West 157.4 feet; Thence South 62°17' West 66.7 feet, more or less, to the point of beginning.
Number of Acres:	29.5546
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jo Porter: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 2)
(2) Lessor:	Macnemco, Inc. (Unleased)
Lessee of Record:	None (Unleased)
Recorded:	Unleased
Date of Lease:	Unleased
Description of Lands	(Same as shown for Lease No. 1, Tract 17)
Number of Acres:	29.5546
Working Interest and Percentage:	Macnemco, Inc.: 41.25% (Unleased)
Royalty Interest and Percentage:	Macnemco, Inc.: 6.25% (Unleased)
O.R.R.I. and Percentage:	None (Unleased)
Provision of Fee Lease Authorizing Pooling:	None (Unleased)

EXHIBIT "A"

TRACT 18

(1) Lessor:	W. R. Porter and Maggie Jo Porter, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 48
Date of Lease:	March 15, 1966
Description of Landa Committed:	A tract of land in the East One-Half of the Northwest Quarter (E½NW¼), and in the East One-Half of the Southwest Quarter of the Northwest Quarter (E½SW¼NW¼) of Section One (1), in Township Twenty-Nine (29) North of Range Thirteen (13) West, N.M.P.M., San Juan County, New Mexico, described as follows: Beginning at the Northwest Corner of the Southeast Quarter of the Northwest Quarter (SE¼NW¼) of said Section One (1), which point is on the South right of way line of 30th Street; Thence South 88°31' East 645 feet along said right of way; Thence along a curve to the left having a radius of 821.3 feet, a distance of 114.58 feet; Thence along a curve to the right having a radius of 721.19 feet, a distance of 63.02 feet; Thence South 17°23' West 360.50 feet; Thence South 6° 30' East 271.68 feet; Thence South 17°23' West 52.18 feet; Thence North 59°33' West 898.08 feet; Thence North 5° 38' West 221.15 feet; Thence South 89°53'25" East 11.0 feet; Thence South 89°43' East 59.0 feet to the point of beginning.
Number of Acres:	8.0800
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	W. R. Porter and Maggie Jo Porter: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown under Lease No. 1, Tract 2)
(2) Lessor:	Sheila A. O'Malley, a single person, and Fidelia Papillon, a single person
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 51
Date of Lease:	March 15, 1966
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 18)
Number of Acres:	8.0800
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%

EXHIBIT "A"

TRACT 18 (Continued)

Royalty Interest and Percentage:	Sheila A. O'Malley, feme sole, and Fidelia Papillon, single: 6.25%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 2.50%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 2)

TRACT 19

Lessor:	Macnemco, Inc. (Unleased)
Lessee of Record:	None (Unleased)
Recorded:	Unleased
Date of Lease:	Unleased
Description of Lands	That part of the Northeast Quarter of the Northwest Quarter (NE¼NW¼) of Section One (1), in Township Twenty-Nine (29) North of Range Thirteen (13) West, N.M.P.M., in the Town of Farmington, described as follows: Beginning at a point in the West line of said NE¼NW¼ which is North 1°18' West 97.9 feet from the Southwest corner of said NE¼NW¼ of said Section 1; Thence North 1°18' West along the West line of said NE¼NW¼ 110.2 feet; Thence North 62° 17' East 66.7 feet; Thence North 61°28' West 157.4 feet; Thence North 40°32' East 33.7 feet; Thence South 66°01' East 128.7 feet; Thence South 6°26' East 37.5 feet; Thence South 53°50' West 133.5 feet; Thence South 57°47' West 39.1 feet; Thence South 65°32' West 69.6 feet; Thence South 80° 27' West 135.4 feet to the point of beginning.
Number of Acres:	1.0340
Working Interest and Percentage:	Macnemco, Inc.: 82.5% (Unleased)
Royalty Interest and Percentage:	Macnemco, Inc.: 12.5% (Unleased)
O.R.R.I. and Percentage:	None (Unleased)
Provision of Fee Lease Authorizing Pooling:	None (Unleased)

TRACT 20

Lessor:	James Rodney McGee and Carleen L. McGee, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 642, Page 54
Date of Lease:	October 3, 1966

EXHIBIT "A"

TRACT 20 (Continued)

Description of Lands Committed:	Beginning at the southeast corner of the southeast quarter of the northwest quarter (SE¼NW¼) of Section One (1), Township twenty-nine (29) North, Range thirteen (13) West, N.M.P.M., thence north 285 feet, more or less, to the south side of the public road, thence southwesterly along the south line of said road 540 feet, more or less, to the South line of said subdivision, thence east 450 feet, more or less, to the point of beginning. Said tract being in and a part of the SE¼NW¼ of said Section 1.
Number of Acres:	1.4748
Working Interest and Percentage:	Pubco Petroleum Corporation: 82.5%
Royalty Interest and Percentage:	James Rodney McGee and Carleen L. McGee - 12.5%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson: 5.00%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 2)

TRACT 21

(1) Lessor:	Frank O. Brothers and Mary E. Brothers, his wife
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 438, Page 332
Date of Lease:	October 5, 1959
Description of Lands Committed:	Township 29 North, Range 13 West, N.M.P.M. Section 1: SW¼NW¼ EXCEPT the following tracts: (1) The East 423 feet of the SW¼NW¼; and (2) A tract of land described as beginning at a point that is 423 feet West of the Southeast Corner of the said SW¼NW¼; Thence West 520 feet; Thence North 208 feet; Thence East 520 feet; Thence South 208 feet to the point of beginning,
Number of Acres:	24.6701 ~
Working Interest and Percentage:	Pubco Petroleum Corporation: 41.25%
Royalty Interest and Percentage:	Frank O. Brothers: 6.25%
O.R.R.I. and Percentage:	Weldon C. Julander: .50% Rodney P. Calvin: .50% The Central Bank and Trust Company of Denver, Colorado, for the Account of Earl A. Rogers: .50% Howard E. Henderson and Betty J. Henderson: 1.00%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 2, Tract 2)

EXHIBIT "A"

TRACT 21 (Continued)

(2) Lessor:	Lone Star Properties, Inc.; Northwest Lumber Company; Berry F. Davis, Jr. and Ruth S. Davis, his wife; and Floyd G. Davis and Kathryn L. Davis, his wife
Lessee of Record:	Global Oils, Inc.
Recorded:	Book 447, Page 104
Date of Lease:	February 4, 1960
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 21)
Number of Acres:	24.6701
Working Interest and Percentage:	Global Oils, Inc.: 41.015625%
Royalty Interest and Percentage:	Lone Star Properties, Inc.: 1.250000% Northwest Lumber Company: 2.500000% Berry F. Davis and Ruth S. Davis: 1.250000% Floyd G. Davis and Kathryn L. Davis: 1.250000%
O.R.R.I. and Percentage:	Lone Star Properties, Inc.: .546875% Northwest Lumber Company: 1.093750% Berry F. Davis and Ruth S. Davis: .546875% Floyd G. Davis and Kathryn L. Davis: .546875%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 2, Tract 2)

TRACT 22

(1) Lessor:	Bob M. Browning and Gwyneth H. Browning, his wife; Dewayne England and Betty Jane England, his wife; Margaret Harris and Albert Harris, her husband
Lessee of Record:	Pubco Petroleum Corporation
Recorded:	Book 645, Page 54
Date of Lease:	May 1, 1966
Description of Lands Committed:	Township 29 North, Range 13 West, N.M.P.M. Section 1: Beginning at a point on the North boundary line of the SW¼NE¼, which point is 404 feet East of the Northwest corner thereof; Thence West 404 feet along the North line of the SW¼NE¼ to the Northwest corner; Thence South on the West line to the Southwest corner of the said SW¼NE¼; Thence East on the South line of the said SW¼NE¼ 256 feet to the center line of the Highway; Thence in a Northeasterly direction (Variation North 6° 46' East) to the point of beginning on the North line of the said SW¼NE¼, containing 10 acres, more or less.
Number of Acres:	10.00
Working Interest and Percentage:	Pubco Petroleum Corporation: 47.80875%
Royalty Interest and Percentage:	Bob M. Browning and Gwyneth H. Browning 2.25125%

EXHIBIT "A"

TRACT 22 (Continued)

Royalty Interest and Percentage: (Continued)	Dewayne England and Betty Jane England:	.23125%
	Margaret Harris and Albert Harris:	4.76125%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson:	2.89750%

Provision of Fee Lease Authorizing Pooling: "Lessee, and at its option, is hereby given the power to pool or combine the acreage covered by this lease, or any portion thereof, as to oil and gas and associated liquid hydrocarbons, or either of them, with other land, lease or leases in the immediate vicinity thereof, to the extent, hereinafter stipulated, when in Lessee's judgment, it is necessary or advisable to do so in order properly to explore, or to develop and operate said leased premises. The units pooled for oil and/or gas hereunder shall not substantially exceed 640 acres in areas, provided that should governmental authority having jurisdiction thereof prescribe or permit the creation of units larger than those specified, units thereafter created may conform substantially in size with those prescribed by governmental regulations. Lessee, his successors or assigns, under the provisions hereof, may pool or combine acreage covered by this lease, or any portion thereof, as above provided as to oil and/or gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit unto which the lease is pooled or combined as to any other stratum or strata, and oil units need not necessarily conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or any portion thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated, an instrument describing and designating the pooled acreage as a pooled unit. Lessee may at his election, exercise his pooling option after commencing operations for, or completing an oil or gas well on the leased premises or on lands pooled therewith, and the pooled unit may include, but it is not required to include, land or leases on which a well capable of producing oil or gas and associated liquid hydrocarbons in paying quantities has theretofore been completed, or upon which operations for the drilling of a well for oil or gas has theretofore been commenced. Operations for drilling on or production of oil or gas and associated liquid hydrocarbons from any part of the pooled area which includes all or a portion of the land covered by this lease as described in Section 1 above, regardless of whether such operations for drilling were commenced or such production was secured before or after the execution of this instrument, or the instrumen

Provision of Fee Lease Authorizing Pooling: (Continued)

designating the pooled unit, shall be considered as operations for drilling on or production of oil or gas from land covered by this lease, whether or not the well or wells be located on the premises covered by this lease, and the entire acreage constituting such unit or units, as to oil and/or gas and associated liquid hydrocarbons as herein provided, shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if the same were included in this lease, and such operations or production from the pooled unit shall inure to all of this lease both as to the portions within the unit and without the unit for the purpose of holding the lease based upon production. For the purpose of computing the royalties to which owners of royalties and payments out of production, and each of them, shall be entitled on production of oil and gas and associated liquid hydrocarbons, or either of them, from the pooled unit, there shall be allocated to the land covered by this lease and included in said unit, a pro rata portion of the oil and gas and associated liquid hydrocarbons, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such pro rata share which is attributable to the portion or portions of this lease included in such pooled unit shall then be owned and shared by all the parties to this lease in accordance with their proportionate interest owned in this lease. Such allocation of production from the pooled unit to this lease shall be on an acreage basis--that is to say, that it shall be allocated to the acreage covered by this lease and included in the pooled unit that pro rata portion of the oil and gas and associated liquid hydrocarbons, or either of them, produced from the pooled unit which the number of surface acres covered by this lease and included in the pooled unit, bears to the total number of surface acres included in the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be oil and gas and associated liquid hydrocarbons, or either of them, so allocated to the land covered by this lease and included in the unit just as though such production were from such land."

(2) Lessor: Larry Crawford Salo

Lessee of Record: Pubco Petroleum Corporation

Recorded: Book 645, Page 55

Date of Lease: May 1, 1966

Description of Lands Committed: (Same as shown for Lease No. 1, Tract 21)

Number of Acres: 10.00

EXHIBIT "A"

TRACT 22 (Continued)

Working Interest and Percentage:	Pubco Petroleum Corporation:	4.74375%
Royalty Interest and Percentage:	Larry Crawford Salo:	.71875%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson:	.28750%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 21)	
(3) Lessor:	Thomas M. Thompson	
Lessee of Record:	Pubco Petroleum Corporation	
Recorded:	Book 645, Page 56	
Date of Lease:	May 1, 1966	
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 21)	
Number of Acres:	10.00	
Working Interest and Percentage:	Pubco Petroleum Corporation:	.38775%
Royalty Interest and Percentage:	Thomas M. Thompson:	.05875%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson:	.02350%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 21)	
(4) Lessor:	Oscar P. Bridges and Ruth Bridges, his wife	
Lessee of Record:	Pubco Petroleum Corporation	
Recorded:	Book 645, Page 57	
Date of Lease:	May 1, 1966	
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 21)	
Number of Acres:	10.00	
Working Interest and Percentage:	Pubco Petroleum Corporation:	15.213%
Royalty Interest and Percentage:	Oscar P. Bridges and Ruth Bridges:	2.305%
O.R.R.I. and Percentage:	Howard E. Henderson and Betty J. Henderson:	.922%
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 21)	
(5) Lessor:	Howard E. Henderson and Betty J. Henderson, his wife	
Lessee of Record:	Pubco Petroleum Corporation	
Recorded:	Book 645, Page 58	
Date of Lease:	December 20, 1966	
Description of Lands Committed:	(Same as shown for Lease No. 1, Tract 21)	
Number of Acres:	10.00	

EXHIBIT "A"

TRACT 22 (Continued)

Working Interest and Percentage:	Pubco Petroleum Corporation: 7.7385%
Royalty Interest and Percentage:	Howard E. Henderson and Betty J. Henderson: 1.6415%
O.R.R.I. and Percentage:	None
Provision of Fee Lease Authorizing Pooling:	(Same as shown for Lease No. 1, Tract 21)
(6) Lessor:	Glen W. Bales and Mary J. Bales, his wife
Lessee of Record:	(Unleased)
Recorded:	(Unleased)
Date of Lease:	(Unleased)
Description of Lands	(Same as shown for Lease No. 1, Tract 21)
Number of Acres:	10.00
Working Interest and Percentage:	Glen W. Bales and Mary J. Bales: 3.12375% (Unleased)
Royalty Interest and Percentage:	Glen W. Bales and Mary J. Bales: .44625% (Unleased)
O.R.R.I. and Percentage:	None
Provision of Fee Lease Authorizing Pooling:	None (Unleased)
(7) Lessor:	R. P. Montgomery (Unleased)
Lessee of Record:	None (Unleased)
Recorded:	Unleased
Date of Lease:	Unleased
Description of Lands:	(Same as shown for Lease No. 1, Tract 21)
Number of Acres:	10.00
Working Interest and Percentage:	R. P. Montgomery: 3.52625% (Unleased)
Royalty Interest and Percentage:	R. P. Montgomery: .50375% (Unleased)
O.R.R.I. and Percentage:	None (Unleased)
Provision of Fee Lease Authorizing Pooling:	None (Unleased)
(8) Lessor:	Eugene Martin (Unleased)
Lessee of Record:	None (Unleased)
Recorded:	Unleased
Date of Lease:	Unleased
Description of Lands:	(Same as shown for Lease No. 1, Tract 21)
Number of Acres:	10.00
Working Interest and Percentage:	Eugene Martin: .35875% (Unleased)

EXHIBIT "A"

TRACT 22 (Continued)

Royalty Interest and Percentage:	Eugene Martin: .05125% (Unleased)
O.R.R.I. and Percentage:	None (Unleased)
Provision of Fee Lease Authorizing Pooling:	None (Unleased)

TRACT 23

Lessor:	George E. Hutchison
Lessee of Record:	Gladys E. Langroise, Catherine B. McElvain, T. H. McElvain, Jr. and Catherine Frances McElvain Harvey
Recorded:	Book 125, Page 228
Date of Lease:	May 20, 1947
Description of Lands Committed:	Township 29 North, Range 13 West, N.M.P.M. Section 1: NE¼NE¼, SW¼NE¼ EXCEPT that part of the said SW¼NE¼ described as follows: Beginning at a point on the North line, 404 feet East of the Northwest corner; Thence West 404 feet to the Northwest corner; Thence South to the Southwest corner of said SW¼NE¼; Thence East on the South line, 256 feet to the center of highway; Thence Northeasterly (variation N 6° 46' E) to the point of beginning.
Number of Acres:	69.96
Working Interest and Percentage:	Gladys E. Langroise: 43.7500% Catherine B. McElvain: 21.8750% T. H. McElvain, Jr.: 10.9375% Catherine Frances McElvain Harvey: 10.9375%
Royalty Interest and Percentage:	A. H. Andrews and Gladys Andrews: 6.2500% Helen H. Wagner: 1.5625% Joanna Nickles: 1.5625% Mary M. Westfall: 1.5625% Robert E. Hutchison: 1.5625%
Provision of Fee Lease Authorizing Pooling: (Pooling Amendment dated November 30, 1966)	(Same as shown for Lease No. 1, Tract 2)

RECAPITULATION

Tract Number	Committed Net Acreage	Uncommitted Acreage	Percent of Interest in Communitized Area
1	39.7400		12.4420789
2 (1)	5.5000		1.7219787
2 (2)	2.7500		.8609894
2 (3)	1.3750		.4304947
2 (4)	1.3750		.4304947

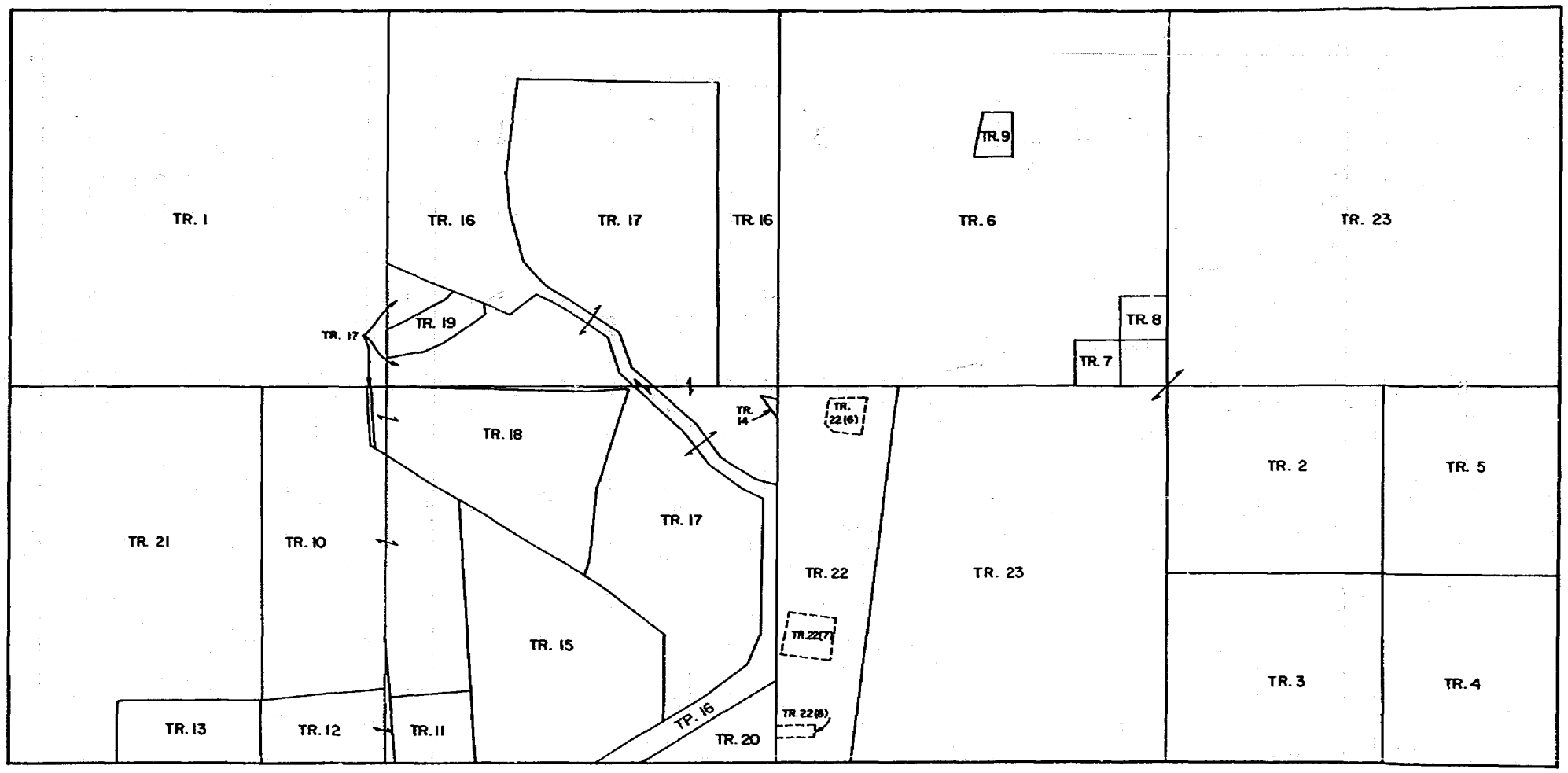
RECAPITULATION
(Continued)

Tract Number	Committed Net Acreage	Uncommitted Acreage	Percent of Interest in Communitized Area
3 (1)	5.5000		1.7219788
3 (2)	2.7500		.8609894
3 (3)	1.3750		.4304947
3 (4)	1.3750		.4304947
4 (1)	4.5000		1.4088917
4 (2)	2.2500		.7044459
4 (3)	1.1250		.3522229
4 (4)	1.1250		.3522229
5 (1)	4.5000		1.4088917
5 (2)	2.2500		.7044459
5 (3)	1.1250		.3522229
5 (4)	1.1250		.3522229
6	38.1760		11.9524108
7	.4410		.1380714
8	.6550		.2050721
9	.6180		.1934878
10 (1)	7.7093		2.4136819
10 (2)	7.7094		2.4137133
11 (1)	.5735		.1795555
11 (2)	.5735		.1795555
12 (1)	1.1265		.3526926
12 (2)	1.1265		.3526926
13	2.4876		.7788353
14 (1)	.0230		.0072010
14 (2)	.0230		.0072010
15	10.1100		3.1653099
16	23.5342		7.3682520
17 (1)	14.7773		4.6265811
17 (2)		14.7773	4.6265811
18 (1)	4.0400		1.2648717
18 (2)	4.0400		1.2648717
19		1.0340	.3237319

RECAPITULATION
(Continued)

Tract Number	Committed Net Acreage	Uncommitted Acreage	Percent of Interest in Communitized Area
20	1.4748		.4617408
21 (1)	12.3350		3.8619287
21 (2)	12.3351		3.8619600
22 (1)	5.7950		1.8143394
22 (2)	.5750		.1800250
22 (3)	.0470		.0147151
22 (4)	1.8440		.5773324
22 (5)	.9380		.2936757
22 (6)		.3570	.1117720
22 (7)	.4030		.1261741
22 (8)	.0410		.0128366
23	69.9600		21.9035692
	303.2317	16.1683	100.0000000

PLAT ATTACHED HERETO FOR TRACT REFERENCE.



N/2 Sec. 1 T29N R13W

San Juan Co N.M.

COPAS - 1967
Recommended by the Council of Petroleum Accountants Societies of North America

EXHIBIT "B"

Attached to and made a part of the Operating Agreement dated the 1st day of December, 1966, between Pubco Petroleum Corporation, et al. Communitization: N½ Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico.

ACCOUNTING PROCEDURE

(JOINT OPERATIONS)

I. GENERAL PROVISIONS

1. **Definitions**
"Joint Property" shall mean the real and personal property subject to the agreement to which this "Accounting Procedure" is attached.
"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.
"Operator" shall mean the party designated to conduct the Joint Operations.
"Non-Operators" shall mean the nonoperating parties, whether one or more.
"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.
"Parties" shall mean Operator and Non-Operators.
"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.
"Controllable Material" shall mean material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. **Conflict with Agreement**
In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the agreement to which this Accounting Procedure is attached, the provisions of the agreement shall control.

3. **Collective Action by Non-Operators**
Where an agreement or other action of Non-Operators is expressly required under this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the agreement or action of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

4. **Statements and Billings**
Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses, for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under Subparagraph C below:
A. Statement in detail of all charges and credits to the Joint Account.
B. Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.
C. Statement of all charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.

5. **Payment and Advances by Non-Operators**
Each Non-Operator shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

6. **Adjustments**
Payment of any such bills shall not prejudice the right of any Non-Operators to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.

7. **Audits**
A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 6 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DIRECT CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**
Delay or other rentals and royalties when such rentals and royalties are paid by Operator for the Joint Account of the Parties.

2. **Labor**
A. Salaries and wages of Operator's employees directly engaged on the Joint Property in the conduct of the Joint Operations, and salaries or wages of technical employees who are temporarily assigned to and directly employed on the Joint Property.
B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.
D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

3. **Employee Benefits**
Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost; provided however, the total of such charges shall not exceed ten percent (10%) of Operator's labor costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

4. **Material**
Material purchased or furnished by Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

5. **Transportation**
Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:
A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where like material is available, except by agreement with Non-Operators.
B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by agreement with Non-Operators. No charge shall be made to Joint Account for moving Material to other properties belonging to Operator, except by agreement with Non-Operators.
C. In the application of subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of $100 or less.

6. **Services**
A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 2 of Section III.
B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.

7. **Damages and Losses to Joint Property**
All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or any other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

8. **Legal Expense**
All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), except by agreement with Non-Operators; and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.

9. **Taxes**
All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

10. **Insurance Premiums**
Premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties.

11. **Other Expenditures**
Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus a fixed rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraphs 1, 2, and 3 of this Section III OR by combining all three of said items under the fixed rate provided for in Paragraph 4 of this Section III, as indicated next below:

OPERATOR SHALL CHARGE THE JOINT ACCOUNT UNDER THE TERMS OF:

☐ Paragraphs 1, 2 and 3. (Allocation of district expense plus fixed rate for administrative overhead plus warehousing.)
☒ Paragraph 4. (Combined fixed rate)

1. **District Expense**
Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's ..... office located at or near ..... (or a comparable office if location changed), and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

2. **Administrative Overhead**
Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1 of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charges shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged as direct charges as provided in Paragraphs 2 and 8 of Section II.

WELL BASIS (RATE PER WELL PER MONTH)

	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
Well Depth	Each Well	First Five	Next Five	All Wells Over Ten
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....

The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting, or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in this Paragraph 2 of Section III, unless such cost and expense are agreed upon between Operator and Non-Operators as a direct charge to the Joint Account.

3. **Operator's Fully Owned Warehouse Operating and Maintenance Expense**
(Describe fully the agreed procedure to be followed by the Operator.)

4. **Combined Fixed Rates**
Operator shall charge the Joint Account for the services covered by Paragraph 1, 2 and 3 of this Section III, the following fixed per well rates:

WELL-BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
All Depths	$400.00	$60.00	$50.00	$40.00

Said fixed rate (~~shall~~) (shall not) include salaries and expenses of production foremen.

5. **Application of Administrative Overhead or Combined Fixed Rates**
The following limitations, instructions and charges shall apply in the application of the per well rates as provided under either Paragraph 2 or Paragraph 4 of this Section III:
A. Charges for drilling wells shall begin on the date each well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
B. The status of wells shall be as follows:
(1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for water flooding operations and salt water disposal wells shall be considered the same as producing wells.
(2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. When such a well is plugged a charge shall be made at the producing well rates.
(3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling or workover rig shall be considered the same as drilling wells.
(4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, all wells capable of producing will be counted in determining the charge.
(5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.
(6) Wells completed in multiple horizons, in which the production is not commingled down hole, shall be considered as a producing well for each separately producing horizon.
C. The well rates shall apply to the total number of wells being drilled or operated under the agreement to which this Accounting Procedure is attached, irrespective of individual leases.
~~D. The well rates shall be adjusted on the first day of April of each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.~~

6. For the construction of compressor plants, water stations, secondary recovery systems, salt water disposal facilities, and other such projects, as distinguished from the more usual drilling and producing operations, Operator in addition to the Administrative Overhead or Combined Fixed Rates provided for in Paragraph 2 and 4 of this Section III, shall charge the Joint Account with an additional overhead charge as follows:
A. Total cost less than $25,000, no charge.
B. Total cost more than $25,000 but less than $100,000, *__% of total cost.
C. Total cost of $100,000 or more, *__% of the first $100,000 plus * % of all over $100,000 of total cost.
Total cost shall mean the total gross cost of any one project. For the purpose of this Paragraph the component parts of a single project shall not be treated separately and the cost of drilling wells shall be excluded.

7. The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. BASIS OF CHARGES TO JOINT ACCOUNT

Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operator may supply Material or services for the Joint Property.

1. **Purchases**
Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.

2. **Material furnished from Operator's Warehouse or Other Properties**
A. New Material (Condition "A") CF&I Base or the most economical base available to the operating
(1) Tubular goods, two inch (2") and over, shall be priced on ~~Eastern Mill base (i.e. Youngstown, Ohio, Lorain, Ohio, and Indiana Harbor, Indiana)~~ area on a minimum carload basis effective at date of movement and f. o. b. railway receiving point nearest the Joint Property, regardless of quantity. In equalized hauling charges, Operator is permitted to include ten cents (10c) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.
(2) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f. o. b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is available.
(3) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.
B. Used Material (Condition "B" and "C")
(1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
(2) Material which cannot be classified as Condition "B" but which,
(a) After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or
(b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.
(3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for

*To be negotiated

some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.

(1) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. **Premium Prices**
Whenever Material is not readily obtainable at prices specified in Paragraphs 1 and 2 of this Section IV because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. **Warranty of Material Furnished by Operator**
Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

5. **Equipment and Facilities Furnished by Operator**
A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. Rates for automotive equipment shall generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommeded uniform charges against Joint Property operations. Rates for laboratory services shall not exceed those currently prevailing if performed by outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.
B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.
C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSAL OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be subject to agreement between Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from the Joint Property.

1. **Material Purchased by the Operator or Non-Operators**
Material purchased by either the Operator or Non-Operators shall be credited by the Operator to the Joint Account for the month in which the Material is removed by the purchaser.

2. **Division in Kind**
Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator in the monthly statement of operations.

3. **Sales to Outsiders**
Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless otherwise agreed to between Operator and Non-Operators shall be priced on the following basis:

1. **New Price Defined**
New price as used in this Section VI shall be the price specified for New Material in Section IV.

2. **New Material**
New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. **Good Used Material**
Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:
A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or
B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five percent (75%) of new price.

4. **Other Used Material**
Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:
A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or
B. Is serviceable for original function but not suitable for reconditioning.

5. **Bad-Order Material**
Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.

6. **Junk Material**
Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.

7. **Temporarily Used Material**
When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3 B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

VII. INVENTORIES

The Operator shall maintain detailed records of Material generally considered controllable by the Industry.

1. **Periodic Inventories, Notice and Representation**
At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include all such Material as is ordinarily considered controllable. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator, who shall in that event furnish Non-Operators with a copy thereof.

2. **Reconciliation and Adjustment of Inventories**
Reconciliation of inventory with charges to the Joint Account shall be made, and a list of overages and shortages shall be jointly determined by Operator and Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

3. **Special Inventories**
Special inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory

EXHIBIT "C"

To Operating Agreement dated December 1, 1966, between Pubco Petroleum Corporation, et al. Communitization: N½ Section 1, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico

Working Interest Owner Name and Address	Working Interest Percentage
Pubco Petroleum Corporation P. O. Box 869 Albuquerque, New Mexico 87103	66.6196618
Global Oils, Inc. 2010 Republic Bank Building Dallas 1, Texas	6.2756733
Gladys E. Langroise, formerly Gladys E. Dempsey; Catherine B. McElvain; T. H. McElvain, Jr.; and Catherine Frances McElvain Harvey c/o T. H. McElvain Oil and Gas Properties P. O. Box 2148 Santa Fe, New Mexico	21.9035692
Glen W. Bales and his wife, Mary J. Bales, as joint tenants 1260 John Street, Apt. 8 Salinas, California	(.1117720) (Uncommitted)
Eugene Martin, a single man 6247 South Acacia Whittier, California	.0128366
R. P. Montgomery 4101 Avenue Q Lubbock, Texas	.1261741
Macnemco, Inc. 3535 East 30th Street Farmington, New Mexico	(4.9503130) (Uncommitted)
	94.9379150 (5.0620850) (Uncommitted)
	100.0000000%

No. 950CP-I Rev. —Bradford-Robinson Printing Company, 1824-46 Stout Street, Denver, Colorado

FORM 88 UNIT-WYO.-COLO.

OIL AND GAS LEASE

AGREEMENT, Made and entered into this.....day of....., 19....., by and between

.....

.....

....., party of the first part, hereinafter called lessor, (whether one or more)

and ....., party of the second part, lessee.

WITNESSETH: That the lessor for and in consideration of..... Dollars in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided, and of the agreements of lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas, casinghead gas, and all other minerals, laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in..... County, State of....., to-wit: .....

.....

.....

.....

.....

.....

.....

including all minerals underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said lands, which minerals are owned or claimed by lessor or rights to which minerals may hereafter be established in lessor; and also, in addition to the above-described land, all land adjoining the same and owned or claimed by lessor and containing.....acres, more or less.

TO HAVE AND TO HOLD the same (subject to the other provisions herein contained) for a term of ten years from this date (called "primary term") and as long thereafter as oil or gas or casinghead gas or either or any of them, is produced therefrom; or as much longer thereafter as the lessee in good faith shall conduct drilling operations thereon and should production result from such operations, this lease shall remain in full force and effect as long as oil or gas or casinghead gas, shall be produced therefrom.

In consideration of the premises it is hereby mutually agreed as follows:

1. 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 (⅛) 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 (⅛) royalty the market price for oil of like grade and gravity prevailing in the field where produced on the day such oil is run into the pipe line, or into storage tanks.

2. The lessee shall pay lessor, as royalty, one-eighth (⅛) of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not used or sold shall pay Fifty Dollars ($50.00) per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well. 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 said gas to be at the lessor's sole risk and expense.

3. To pay lessor for gas produced from any oil well and used off the premises or in the manufacturing of gasoline or any other product a royalty of one-eighth (⅛) of the market value, at the mouth of the well, payable monthly at the prevailing market price.

4. If operations for the drilling of a well for oil or gas are not commenced on said land on or before one year from this date, this lease shall terminate as to both parties, unless the lessee shall, on or before one year from this date, pay or tender to the lessor or for the lessor's credit in ..... Bank, at .....
or its successor or successors, which bank and its successors are lessor's agents and which shall continue as the depository regardless of changes in the ownership of the land, the sum of..... Dollars which shall operate as a rental and cover the privilege of deferring the commencement of operations for the drilling of a well one year from said date. In like manner and upon payments or tenders the commencement of operations for the drilling of a well may be further deferred for like periods successively during the primary term of this lease. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the date when said rental is payable as aforesaid, but also the lessee's option of extending that period as aforesaid, and any and all other rights conferred. 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. Lessee may at any time execute and deliver to lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered herein is reduced by said release or releases. 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 persons.

5. 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 above herein provided; and in this event the preceding paragraphs hereof governing the payment of rental and the manner and effect thereof shall continue in force.

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

7. Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operation thereon, except water from wells of lessor. When requested by lessor, lessee shall bury his pipe lines below plow depth.

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

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

Lessee shall have the right at any time to remove all improvements, machinery, and fixtures placed or erected by lessee on said premises, including the right to pull and remove casings.

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

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 their 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, and in case lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

10. 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, on an acreage basis, 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 payments of said rentals.

11. If at any time there be as many as six parties (or more) entitled to receive royalties under this lease, lessee may withhold payment thereof unless and until all parties designate in writing in a recordable instrument to be filed with the lessee, a Trustee to receive all royalty payments due hereunder and to execute division and transfer orders on behalf of said parties and their respective successors in title.

12. Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessee and approved by any governmental agency by executing the same upon request of lessee.

13. In addition to and not in limitation of the rights granted in paragraph 12 hereof, lessee is hereby granted the right and option to consolidate, pool or combine the lands covered by this lease, or any portion or portions thereof or any stratum or strata thereunder, with other lands or like strata thereunder for the development thereof or for the production therefrom of oil, gas, casinghead gas or other hydrocarbons, or any or all of said products, when in lessee's discretion and judgment it is advisable so to do for proper development or operation of the premises, or to conform to spacing or zoning rules of any lawful authority, such consolidation, pooling or combining to be into units of such shape and dimensions as lessee may elect provided that all lands in any such unit shall be contiguous (either adjoining or cornering) but for this purpose contiguity shall not be deemed to be destroyed by reason of the existence of any excluded street, alley, road, railroad, canal, stream, right of way or other similar strip or parcel of land. Any unit formed under this paragraph for production of oil and casinghead gas shall not exceed forty-three (43) acres in surface area, for production of dry or gas well shall not exceed six hundred and sixty (660) acres in surface area, and for production of condensate or distillate shall not exceed three hundred and thirty (330) acres in surface area unless some larger unit for condensate or distillate is permitted or prescribed by lawful authority, in which event such larger unit shall control, provided that, if governmental survey units be irregular in size in the area of this lease, the size of any of the units mentioned herein may be increased to the size of the then existing governmental survey unit nearest in size to the unit acreage prescribed herein. The right and option herein granted to lessee may be exercised at any time or from time to time, whether before or after production is secured and whether or not a unit may theretofore have been created for some other product, by executing in writing an instrument identifying and describing the unit created, and by delivering a copy thereof to lessor or by recording a copy thereof in the county where the land is located. The lands in any such unit shall be developed or operated as one tract and any drilling on or production from such unit, whether or not from lands described in this lease, shall be deemed to be drilling done or production secured on the lands subject to this lease for all purposes except for the purpose of payment of royalty hereunder. In such event, and in lieu of the royalties elsewhere herein specified, the lessor shall receive from production on any such unit only such portion of the royalty, at the rate stipulated elsewhere herein, as lessor's acreage in the unit (or his royalty interest therein) bears to the total acreage of the unit. Formation of any unit as herein provided shall in no manner affect the ownership or amount of any rental which may be payable under the terms of this lease.

14. In the interest of conservation, the protection of reservoir pressures and recovery of the greatest ultimate yield of oil, gas and other minerals, lessee shall have the right to combine the leased premises with other premises in the same general area for the purpose of operating and maintaining repressuring and recycling facilities, and for such purpose may locate such facilities, including input wells, upon the leased premises, and no royalties shall be payable hereunder upon any gas used for repressuring and recycling operations benefiting the leased premises.

15. 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, mortgage, 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.

16. All rental payments which may fall due under this lease may be made to ..... one of the above named lessors, in the manner herein stated.

17. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well 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. If, after the expiration of the primary term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) 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.

EXHIBIT "D"

18. It is agreed that this lease shall never be forfeited or cancelled for failure to perform in whole or in part any of its implied covenants, conditions, or stipulations until it shall have first been finally judicially determined that such failure exists, and after such final determination, lessee is given a reasonable time therefrom to comply with any such covenants, conditions, or stipulations.

19. All express and implied covenants of this lease shall be subject to all federal and state laws, executive orders, rules and regulations, and this lease shall not be terminated, in whole or in part, nor lessee held liable in damage for failure to comply therewith if compliance is prevented by or if such failure is the result of any such law, order, rule or regulation, or if such compliance is prevented by or failure is the result of inability of lessee through no fault of its own, to obtain sufficient and satisfactory material and equipment to justify the commencement of drilling operations or to continue production of oil or gas from the leased premises.

20. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said lessor or lessee.

21. With respect to and for the purpose of this lease lessor, and each of them if there be more than one, hereby release and waive the right of homestead.

WHEREOF witness our hands as of the day and year first above written.

....

....

ACKNOWLEDGMENT

STATE OF.....
County of..... } ss.

On this.....day of....., 19....., before me personally appeared.....

.....to me known to be the person..... described in and who executed the foregoing instrument and acknowledged that.....executed the same as.....free act and deed.

Given under my hand and seal this.....day of ....., 19.....

My Commission Expires..... .....
Notary Public.

ACKNOWLEDGMENT—MAN AND WIFE

STATE OF.....
County of..... } ss.

On this.....day of....., 19....., before me personally appeared.....

.....to me known to be the person..... described in and who executed the foregoing instrument and acknowledged that.....executed the same as.....free act and deed, including the release and waiver of the right of homestead; the said wife having been by me fully apprised of her right and the effect of signing and acknowledging the said instrument.

Given under my hand and seal this.....day of ....., 19.....

My Commission Expires..... .....
Notary Public.

No.....

OIL AND GAS LEASE

FROM

.....

TO

.....

State of .....
..... County } ss.

This instrument was filed for record on the .....day of....., 19....., at.....o'clock, ...M., and duly recorded in Book....., Page....., of the records of this office.

.....
County Clerk—Register of Deeds.

By .....
Deputy.

When recorded return to

4-51

THE SEARSDED-ROBINSON PTG. CO., DENVER

COLORADO ACKNOWLEDGMENT

STATE OF.....
County of..... } ss.

The foregoing instrument was acknowledged before me this.....day of....., 19....., by .....

WITNESS my hand and official seal

My Commission Expires..... .....
Notary Public.

P. O.....

AMENDMENT OF LEASE

THIS AGREEMENT AND AMENDMENT, made and entered into the 30th day of November, 1966, by and between Helen H. Wagner, Box 1642, Las Vegas, Nevada; Joanna Nickles, R. R., Kettle Falls, Washington; Mary M. Westfall, R. R. #1, Box 965, Juneau, Alaska; Robert E. Hutchison, R. R. #1, Box 200, Hayden Lake, Idaho; A. H. Andrews and Gladys Andrews, his wife, 312 W. Apache Street, Farmington, New Mexico; hereinafter referred to as "owner," whether one or more, and Gladys E. Dempsey, Catherine B. McElvain, T. H. McElvain, Jr. and Catherine Frances McElvain Harvey, hereinafter collectively referred to as "Lessee" whether one or more,

W I T N E S S E T H:

WHEREAS, owner and Lessee each own interests under and subject to an Oil and Gas Lease dated May 20, 1947, which was entered into by and between George E. Hutchison, a widower, and Robert L. Maddox covering the following described lands in San Juan County, State of New Mexico, to wit:

> Northeast quarter of the Northeast quarter (NE¼NE¼) and the Southwest quarter of the Northeast quarter (SW¼NE¼) of Section One (1), Township 29 North, Range 13 West, Except that part of the SW¼ of the NE¼ lying west and north of Highway No. 555 containing approximately 10 acres and owned by Albert Harris.

said lease having been recorded in Book 125, Page 228 of the records of said County; and

WHEREAS, owner and Lessee now desire to amend said lease.

NOW, THEREFORE, for and in consideration of the sum of Ten and no/100 dollars ($10.00) and other good and valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged, and for the purpose of amending said lease, it is now and hereby agreed, notwithstanding anything to the contrary in said lease as originally executed or as amended, by any previous amendments, that:

The following paragraph shall be referred to as Paragraph 18 and shall read as follows:

> "Lessee, at its option, is hereby given the right and power to pool or combine the land covered by this lease, or any portion thereof, as to oil and gas, or either of them, with any other land, lease or leases when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises, such pooling to be into a well unit or units not exceeding forty (40)

acres, plus an acreage tolerance of ten percent (10%) of forty (40) acres, for oil, and not exceeding six hundred and forty (640) acres, plus an acreage tolerance of ten percent (10%) of six hundred and forty (640) acres, for gas, except that larger units may be created to conform to any spacing or well unit pattern that may be prescribed by governmental authorities having jurisdiction. Lessee may pool or combine acreage covered by this lease, or any portion thereof, as above provided, as to oil or gas in any one or more strata, and units so formed need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this lease or portions thereof into other units. Lessee shall execute in writing and place of record an instrument or instruments identifying and describing the pooled acreage. The entire acreage so pooled into a unit shall be treated for all purposes, except the payment of royalties, as if if were included in this lease, and drilling or reworking operations thereon or production of oil or gas therefrom, or the completion thereon of a well as a shut-in gas well, shall be considered for all purposes, except the payment of royalties, as if such operations were on or such production were from or such completion were on the land covered by this lease, whether or not the well or wells be located on the premises covered by this lease. In lieu of the royalties elsewhere herein specified, Lessor shall receive from a unit so formed, only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein bears to the total acreage so pooled in the particular unit involved. Should any unit as originally created hereunder contain less than the maximum number of acres hereinabove specified, then lessee may at any time thereafter, whether before or after production is obtained on the unit, enlarge such unit by adding additional acreage thereto, but the enlarged unit shall in no event exceed the acreage content hereinabove specified. In the event an existing unit is so enlarged, Lessee shall execute and place of record a supplemental declaration of unitization identifying and describing the land added to the existing unit; provided, that if such supplemental declaration of unitization is not filed until after production is obtained on the unit as originally created, then and in such event the supplemental declaration of unitization shall not become effective until the first day of the calendar month next following the filing thereof. In the absence of production Lessee may terminate any unitized area by filing of record notice of termination."

Owner acknowledges that said lease, as amended, is valid and in full force and effect and for such purpose owner hereby grants, leases and lets to Lessee all of owner's interest in the above described lands upon the same terms, conditions, and provisions as are contained in said lease as amended hereby and by any amendment heretofore executed.

This agreement and amendment shall be binding upon and inure to the benefit of the parties hereto, their successors, personal representatives and assigns.

This agreement may be executed in any number of counterparts with the same force and effect as if all parties executing a counterpart hereof had executed the same document, and each party signing a counterpart shall be bound hereby even though all parties do not sign.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first hereinabove written.

Helen H. Wagner

Joanna Nickles

Mary M. Westfall
Mary M. Westfall

M.M.W.
Mary M. Westfall
Robert E. Hutchison

A. H. Andrews

Gladys Andrews

OWNER

Gladys E. Langrowe formerly Gladys E. Dempsey
Gladys E. Dempsey

Catherine B. McElvain
Catherine B. McElvain

T. H. McElvain, Jr.
T. H. McElvain, Jr.

Catherine Frances McElvain Harvey
Catherine Frances McElvain Harvey

LESSEE

ACKNOWLEDGEMENTS

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by HELEN H. WAGNER.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by JOANNA NICKLES.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this 19 day of _____, 196_, by MARY M. WESTFALL.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by ROBERT E. HUTCHISON.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by A. H. ANDREWS.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196__, by GLADYS ANDREWS.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF Idaho)
) ss.
COUNTY OF Ada)

The foregoing instrument was acknowledged before me this 9th day of January, 1967, by GLADYS E. ~~DEMPSEY~~ Langrish, formerly Gladys E. Dempsey

My Commission Expires:

May 12, 1969

Andrew M. Hemingway
Notary Public in and for Ada
County, State of Idaho

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of January, 1967, by CATHERINE B. McELVAIN.

My Commission Expires:

Dec. 10, 1967

Clarence M. Hancock
Notary Public in and for Santa Fe
County, State of New Mexico

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of January, 1967, by T. H. McELVAIN, JR.

My Commission Expires:

Dec. 10, 1967

Clarence M. Hancock
Notary Public in and for Santa Fe
County, State of New Mexico

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of January, 1967, By CATHERINE FRANCES McELVAIN HARVEY.

My Commission Expires:

Dec. 10, 1967

Clarence M. Hancock
Notary Public in and for Santa Fe
County, State of New Mexico

This agreement may be executed in any number of counterparts with the same force and effect as if all parties executing a counterpart hereof had executed the same document, and each party signing a counterpart shall be bound hereby even though all parties do not sign.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first hereinabove written.

Helen H. Wagner

Joanna Nickles

Mary M. Westfall

Robert E. Hutchison

A. H. Andrews

Gladys Andrews

OWNER

Gladys E. Langston - formerly Gladys E. Dempsey

Gladys E. Dempsey

Catherine B. McElvain

T. H. McElvain, Jr.

Catherine Frances McElvain Harvey

LESSEE

89-C

ACKNOWLEDGEMENTS

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by HELEN H. WAGNER.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF Washington)
) ss.
COUNTY OF King)

The foregoing instrument was acknowledged before me this 25th day of January, 1967, by JOANNA NICKLES.

My Commission Expires:

11-16-69

Notary Public in and for King
County, State of Washington

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by MARY M. WESTFALL.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by ROBERT E. HUTCHISON.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by A. H. ANDREWS.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by GLADYS ANDREWS.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF Idaho)
) ss.
COUNTY OF Ada)

The foregoing instrument was acknowledged before me this 9th day of January, 1967, by GLADYS E. ~~DEMPSEY~~ Langroise, formerly Gladys E. Dempsey

My Commission Expires:

May 13, 1969

Andrew M. Hampton
Notary Public in and for Ada
County, State of Idaho

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of January, 1967, by CATHERINE B. McELVAIN.

My Commission Expires:

Sept. 14, 1967

Catherine B. McElvain
Notary Public in and for Santa Fe
County, State of New Mexico

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of January, 1967, by T. H. McELVAIN, JR.

My Commission Expires:

Sept. 14, 1967

Catherine B. McElvain
Notary Public in and for Santa Fe
County, State of New Mexico

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of January, 1967, By CATHERINE FRANCES McELVAIN HARVEY.

My Commission Expires:

Sept. 14, 1967

Catherine B. McElvain
Notary Public in and for Santa Fe
County, State of New Mexico

68-B

This agreement may be executed in any number of counterparts with the same force and effect as if all parties executing a counterpart hereof had executed the same document, and each party signing a counterpart shall be bound hereby even though all parties do not sign.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first hereinabove written.

Helen H. Wagner

Joanna Nickles

Mary M. Westfall

Robert E. Hutchison

A. H. Andrews

Gladys Andrews

OWNER

Gladys E. Langrouse
formerly Gladys E. Dempsey
Gladys E. Dempsey

Catherine B. McElvain
Catherine B. McElvain

T. H. McElvain, Jr.

Catherine Frances McElvain Harvey
Catherine Frances McElvain Harvey

LESSEE

68-C

ACKNOWLEDGEMENTS

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by HELEN H. WAGNER.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by JOANNA NICKLES.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by MARY M. WESTFALL.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by ROBERT E. HUTCHISON.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF New Mexico)
) ss.
COUNTY OF San Juan)

The foregoing instrument was acknowledged before me this 18th day of January, 1967, by A. H. ANDREWS.

My Commission Expires:

August 16, 1968

Robert R Bardley
Notary Public in and for San Juan
County, State of New Mexico

STATE OF NEW MEXICO)
) ss.
COUNTY OF SAN JUAN)

The foregoing instrument was acknowledged before me this 18th day of JANUARY, 1967, by GLADYS ANDREWS.

My Commission Expires:

August 20, 1968

Robert R Boddy
Notary Public in and for San Juan County, State of New Mexico

STATE OF Idaho)
) ss.
COUNTY OF Ada)

The foregoing instrument was acknowledged before me this 9th day of January, 1967, by GLADYS E. ~~DEMPSEY~~ Langford, formerly Gladys E. Dempsey

My Commission Expires

May 12, 1969

Andrew M. Hampton
Notary Public in and for Ada County, State of Idaho

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of January, 1967, by CATHERINE B. McELVAIN.

My Commission Expires:

April 14, 1967

Deanna B. Nannelli
Notary Public in and for Santa Fe County, State of New Mexico

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of January, 1967, by T. H. McELVAIN, JR.

My Commission Expires:

April 14, 1967

Deanna B. Nannelli
Notary Public in and for Santa Fe County, State of New Mexico

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of January, 1967, By CATHERINE FRANCES McELVAIN HARVEY.

My Commission Expires:

April 14, 1967

Deanna B. Nannelli
Notary Public in and for Santa Fe County, State of New Mexico

This agreement may be executed in any number of counterparts with the same force and effect as if all parties executing a counterpart hereof had executed the same document, and each party signing a counterpart shall be bound hereby even though all parties do not sign.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first hereinabove written.

Helen H. Wagner

Joanna Nickles

Mary M. Westfall

Robert E. Hutchison

A. H. Andrews

Gladys Andrews

OWNER

Gladys E. Dempsey

Catherine B. McElvain

T. H. McElvain, Jr.

Catherine Frances McElvain Harvey

LESSEE

ACKNOWLEDGEMENTS

STATE OF Nevada)
) ss.
COUNTY OF Clark)

The foregoing instrument was acknowledged before me this 18th day of January, 1967, by HELEN H. WAGNER.

My Commission Expires:

Notary Public in and for Clark County, State of Nevada

Notary Public in and State of Nevada
DOROTHY A. FREDERICK
My Commission Expires JUNE 18, 1969

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by JOANNA NICKLES.

My Commission Expires:

_____

Notary Public in and for _____ County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by MARY M. WESTFALL.

My Commission Expires:

_____

Notary Public in and for _____ County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by ROBERT E. HUTCHISON.

My Commission Expires:

_____

Notary Public in and for _____ County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by A. H. ANDREWS.

My Commission Expires:

_____

Notary Public in and for _____ County, State of _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 196___, by GLADYS ANDREWS.

My Commission Expires:

_____

_____
Notary Public in and for _____
County, State of _____

STATE OF Idaho)
) ss.
COUNTY OF Ada)

The foregoing instrument was acknowledged before me this 9th day of January, 1967, by GLADYS E. ~~DEMPSEY~~ Langoire, formerly known as Gladys E. Dempsey

My Commission Expires:

May 12, 1969

Notary Public in and for Ada
County, State of Idaho

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of January, 1967, by CATHERINE B. McELVAIN.

My Commission Expires:

April 4, 1967

Notary Public in and for Santa Fe
County, State of New Mexico

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of January, 1967, by T. H. McELVAIN, JR.

My Commission Expires:

April 4, 1967

Notary Public in and for Santa Fe
County, State of New Mexico

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 3rd day of January, 1967, By CATHERINE FRANCES McELVAIN HARVEY.

My Commission Expires:

April 4, 1967

Notary Public in and for Santa Fe
County, State of New Mexico

645 PAGE 69

Receipt No. 7124
Filed 29 MAR 82

Linda Townsend
Carolyn Bandy
DEPUTY
Fee 13.75

AGREEMENT AND RIGHT OF ENTRY

THE STATE OF NEW MEXICO)

COUNTY OF SAN JUAN)

WHEREAS, Pubco Petroleum Corporation has acquired the right to explore and drill by virtue of an oil and gas mining lease dated May 20, 1947, from George E. Hutchison, as lessor, and Robert L. Maddox, as lessee, which lease appears in the records of San Juan County, New Mexico, in Book 125, Page 228, and covers lands described as follows: Northeast quarter of the Northeast quarter ($NE\frac{1}{4}NE\frac{1}{4}$) and the Southwest quarter of the Northeast quarter ($SW\frac{1}{4}NE\frac{1}{4}$) of Section One (1), Township 29 North, Range 13 West, Except that part of the $SW\frac{1}{4}$ of the $NE\frac{1}{4}$ lying west and north of Highway No. 555 containing approximately 10 acres and owned by Albert Harris, said lease and lands having been committed to a Communitization agreement for the drilling of a Dakota Formation gas well, which agreement embraces the entire $N\frac{1}{2}$ of Section 1, Township 29 North, Range 13 West, San Juan County, New Mexico; and

WHEREAS, Pubco Petroleum Corporation will commence operations for the drilling of said well at a location on the above described lands, with the further intention of drilling such well to completion as either a producer or to the point of plugging and abandoning said well if it is a dry hole; and

WHEREAS, the surface of the above described lands (all of which are hereinbelow referred to as "said lands"), is owned by Gladys Andrews, whose husband is A. H. Andrews; and

WHEREAS, Gladys Andrews desires to grant certain rights with respect to drilling operations as may be conducted on said lands, which rights are more specifically set forth hereinafter in this agreement;

NOW THEREFORE, Know All Men By These Presents: That Gladys Andrews (hereinafter referred to as the undersigned), for and in consideration of the sum of Ten and No/100 Dollars ($10.00) and other good and valuable consideration to the undersigned in hand paid by said Pubco Petroleum Corporation, and in order to resolve and settle all differences with said Pubco Petroleum Corporation concerning its operations upon said lands, in and so far as the well locations, tank batteries, pits and roads are concerned, does hereby covenant, stipulate, agree and bind herself, her successors, heirs and assigns, as follows:

1. The considerations above mentioned are accepted by the undersigned as in full, final and complete satisfaction, payment and discharge of all moneys, claims, damages and demands made or to be made or claimed by the undersigned in connection with the drilling, completion, future operation and eventual abandonment of the well located on the above described lands, and is accepted by the undersigned as settlement in full of all differences and controversies concerning said well arising or to arise between the undersigned and said Pubco Petroleum Corporation, its employees, associates, contractors or subcontractors and any successors of them, or any of them, by reason or any act or omission of them, or any of them, which may occur in connection with the drilling, completion, equipping, operation and eventual abandonment of said well, provided, however, that nothing in paragraph 1 and 2 shall release the said Pubco Petroleum Corporation, its employees, associates, contractors and subcontractors from liability for all or any damages to growing crops, improvements, including irrigation ditches and wells, livestock and grass growing outside the limits of the well location, tank battery sites and roads.

64. 44

2. For said consideration the undersigned does hereby grant to said Pubco Petroleum Corporation, its successors and assigns, the right and privilege to use the lands above mentioned for such purposes as it may deem proper in connection with the drilling, completion, operation and ownership of said well, including but without limitation thereto construction, operation, maintenance and removal of derricks, drilling machines and machinery, pumping units and appurtenant equipment, separators, pipe racks, loading racks, pipe lines, between well and tank battery flow lines, rod lines, slush pits, evaporation pits, and any and all other structures and/or excavations which it may find convenient, desirable or necessary in connection with the drilling, completion, equipping operations, ownership and the taking of production from said well.

3. For said consideration the undersigned does hereby grant, sell and convey unto said Pubco Petroleum Corporation, its successors and assigns, the free uninterrupted use, privilege and easement of ingress and egress, passage and repassage to, over and across said lands, and the right and privilege of constructing, maintaining and using a roadway over and across said lands for any and all of its lawful purposes and convenience in connection with the drilling, completion, equipment, operation and eventual abandonment of said well, including but without limitation the right to install in any fence now or hereafter upon said lands, or upon other lands necessary or convenient to cross to reach the same, cattle guards and/or gates, together with the right to maintain, remove and reinstall the same at its convenience. Nevertheless said Pubco Petroleum Corporation, its successors and assigns, shall from time to time, as the same shall occur, settle with the undersigned for damages done to her property by Pubco's other operations thereon, the release and grants set out in paragraphs 1 and 2 above being restricted solely to its operations in and about the well that may be drilled within the boundaries of the said lands.

4. The roadway above referred to shall enter upon the well location at the nearest accessible point from any existing road and shall be in a route as direct as possible from such accessible point to the well location as well as the necessary road from the well location to a tank battery site or sites.

5. Nothing in this instrument shall ever be deemed in derogation of the rights of said Pubco Petroleum Corporation, as operator under said Communitization agreement, or as lessee in its various oil and gas leases, nor shall the provisions hereof be considered in any manner a waiver of any of its rights as mineral lessee, and this provision hereof shall control over all others in the event of any conflict.

TO HAVE AND TO HOLD unto said Pubco Petroleum Corporation, its successors and assigns, all the rights, titles and privileges hereinabove granted, and the undersigned does hereby bind herself, her heirs and assigns, to warrant and forever defend the same unto said

Pubco Petroleum Corporation, its successors and assigns, against the lawful claims and demands of all persons whomsoever. It is stipulated and agreed that no promises or representations of any kind not embraced herein have been made to induce the execution hereof.

WITNESS OUR HANDS, this 18th day of January, 1967.

Gladys Andrews
Gladys Andrews

A. H. Andrews
A. H. Andrews

STATE OF NEW MEXICO)
SS
COUNTY OF SAN JUAN)

The foregoing instrument was acknowledged before me this 18th day of January, 1967, by Gladys Andrews and A. H. Andrews, her husband.

My Commission Expires:

August 30, 1968

Robert L Bondell
Notary Public in and for San Juan County, New Mexico.