CASE 6933: YATES PETROLEUM CORPORATION FOR TWO COMPULSORY POOLINGS, EDDY COUNTY, NEW MEXICO

CASE NO.

6933

APPLICATION,

TRANSCRIPTS,

SMALL EXHIBITS,

ETC.

YATES PETROLEUM CORPORATION
207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

RETURN RECEIPT REQUESTED

S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC.-TREAS.

File Case 6933

August 18, 1980

TO: UNLEASED MINERAL OWNERS
ADDRESSEE LIST ATTACHED

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Daniel S. Nutter

Re: Rio Penasco "KD" #1
Township 19 South, Range 25 East, NMPM
Section 2: S/2
Eddy County, New Mexico

Ladies and Gentlemen:

Pursuant to Paragraph 5, page 4 of the enclosed Order No. R-6395 which pools the captioned lands for production of the Rio Penasco "KD" #1, we are attaching an itemized schedule of actual expenses thru May 31, 1980, covering the captioned well.

We request that your share of expenses be paid within the time limit recited in Paragraph 6 of page 4. Unless payment is received within this time period we have no choice but to consider your interest pooled under this order and collect the penalty allowed.

Thank you.

Very truly yours,

Randy G. Patterson
Land Department

Kathy Colbert

By: Kathy Colbert

KC:lh
Enclosures

RECEIVED
AUG 21 1980
OIL CONSERVATION DIVISION
SANTA FE

ADDRESSEE LIST
UNLEASED
2-19S-25E

JAMES G. BENNETT HEIRS
BENNETT OFFICE, INC.
1210 BAKER BUILDING
MINNEAPOLIS, MINNESOTA 53402

E. E. MACGIBBON HEIRS
321 LOWELL
ELK RIVER, MINNESOTA 55330

RUFUS R. RAND HEIRS
c/o PALMER FIRST NATIONAL BANK
P. O. BOX 2018
SARASOTA, FLORIDA 33578

YATES PETROLEUM CORPORATION

YATES BUILDING - 207 SOUTH 4TH ST.
ARTESIA, NEW MEXICO - 88210

RECEIVED
AUG 21 1980
OIL CONSERVATION DIVISION
SANTA FE

ANALYSIS OF JOINT OPERATIONS

PROPERTY NO.	PROPERTY NAME	DATE
4742-01-19	RIO PENASCO KD COM #1 YPC	5/31/80

REFERENCE NUMBER	DESCRIPTION OF CHARGES	TYPE OF CHARGE	AMOUNT
INTANGIBLE DRILLING COSTS **********			
3-10	LOSEE, CARSON,D MARCH	EXAM CURATIVE MATL 2-19S-25E	9210	260.00
3-10	LOSEE, CARSON,D MARCH	EXAM ABST 2-19S-25E LC-064388	9210	156.00
3-10	LOSEE, CARSON,D MARCH	EXAM ABST 2-19S-25E NM18420	9210	208.00
5-02	JIM'S WATER SER	A5-21	DRILLING WATER	9214	761.93
5-09	JIM'S WATER SER	A5-21	DRILLING WATER	9214	241.72
5-09	JIM'S WATER SER	A5-22	DRILLING WATER	9214	170.92
4-19	ARTESIA LUMBER	4-132	DRLG MUD-KCL	9215	495.08
4-19	ARTESIA LUMBER	4-132	DRLG MUD-KCL-4/23/80	9215	1,008.34
4-19	ARTESIA LUMBER	4-132	DRILLING MUD-KCL-4/19/80	9215	1,008.34
4-30	ARTESIA LUMBER	4-176	DRILLING MUD	9215	872.35
4-30	ARTESIA LUMBER	4-176	DRILLING MUD	9215	4,560.61
4-30	ARTESIA LUMBER	4-176	DRILLING MUD	9215	3,510.64
5-06	ARTESIA LUMBER	5-029	DRILLING MUD	9215	1,692.65-
5-06	ARTESIA LUMBER	5-029	DRILLING MUD	9215	719.68
5-14	ARTESIA LUMBER	5-094	DRILLING MUD	9215	4,527.70-
5-16	HALLIBURTON	75724	MILEAGE/HOLE TEST/PACKER	9219	2,686.25
5-12	TOTCO DIVISION	12776	SENSOR MUD CONSOLE	9220	1,962.33
5-30			5/80 DRLG.OH-12DAYS AT$105.45	9221	1,277.40
5-22	FIFTY FIVE WELL	2818.	COMP. UNIT 5/15-19/80	9241	2,988.44
5-06	ARTESIA LUMBER	5-029	COMPLETION MUD KCL	9243	375.53
5-03	BENNETT WIRE LI	580-4	TEMPERATURE SURVEY	9244	413.78
5-13	HALLIBURTON	75698	MILEAGE/PUMP CHANGE	9244	9,531.75
5-15	JAER OILFIELD S	1005/	JTS. OF CSG/PUT ON PROTECTOR	9244	795.60
3-04	PEABODY VANN	9257.	ELEC.LOGGING	9245	1,461.31
3-04	PEABODY VANN	9257.	ELEC.LOGGING	9245	4,849.46
4-09	PEABODY VANN	9549.	PERFORATE	9245	4,981.44
4-30	PEABODY VANN	9549.	RENTAL-PACKER ASSEMBLY	9245	1,828.32
5-05	MUNSON EXCAVATI	7819.	LOAD/UNLOAD 2 7/8	9245	385.00
5-15	BOYCE LEASE SER	355.3	FENCE PITS,ML THRD. PROT.	9245	307.49
5-21	HUMPHREY SUPPLY	5-21.	HAUL 2 7/8 TUBING	9245	715.00
5-30			5/80 COMP.OH-3DAYS AT$106.45	9245	319.35
5-31			5/80 ENGRG.SERV-4 DAYS	9245	700.00
5-31			4/80 ENGRG.SERV-7 DAYS	9245	1,225.00
5-14	GEORGE BOYSE JR	2295.	CLEAN LOCATION	9245	298.48
5-19	PEABODY VANN	9894.	PIPE DOPE	9251	54.08
5-20	I & C RENTAL TO	A5561	INSTALL GUYLINE ANCHORS	9251	364.00
			TOTAL INTANGIBLE DRILLING COSTS		49,274.17

*** DISTRIBUTIONS:

OWNER	OWNER'S NAME	INTEREST	SHARE

YOUR AMOUNT IS POSTED TO THE ATTACHED SUMMARY INVOICE

YATES PETROLEUM CORPORATION

YATES BUILDING - 207 SOUTH 4TH ST
ARTESIA, NEW MEXICO - 88210

ANALYSIS OF JOINT OPERATIONS

PROPERTY NO.	PROPERTY NAME		DATE
4742-01-19	RIO PECOS KD COM #1	YPC ** CONTINUED **	5/31/90

REFERENCE NUMBER	DESCRIPTION OF CHARGES	TYPE OF CHARGE	AMOUNT

*** DISTRIBUTIONS:

OWNER	--- OWNER'S NAME ---	INTEREST	SHARE
0059	ABO PETROLEUM CORP.	.04057198	2,004.03
0331	AMOCO PRODUCTION CO.	.04973909	2,451.34
0325	ANADARKO PRODUCTION CO.	.04063690	2,002.35
1072	CHAMPLIN PETROLEUM CO	.04[illegible]57	2,004.35
[illegible]	CORONADO EXPLORATION CORP	.00[illegible]337	124.81
2125	CROWN CENTRAL PETR. CORP.	.03[illegible]707	1,961.45
2441	EXPLORERS PETROLEUM CORP.	.00099520	49.01
3025	DAVID FASKEN	.01243952	612.95
3032	FISCO, INC.	.00165367	81.73
5490	LOS CHICOS	.02033614	1,002.05
5791	WILLIAM G. MCCOY	.00260406	128.31
6400	MYCO INDUSTRIES, INC.	.04[illegible]660	2,096.59
7342	CHARLES C. READ	.00311734	153.49
7350	READING & BATES OIL & GAS	.07961414	3,922.92
7507	RIO PECOS CORPORATION	.02493490	1,228.05
8555	SUBURBAN PROPANE GAS CORP	.14[illegible]317	7,300.62
9789	MARK WILSON	.02493490	1,228.55
9917	FRANK YATES	.01556950	318.45
9922	H.E. YATES OIL COMPANY	.01433555	708.84
9923	FRED G. YATES	.00099520	49.04
9925	HARVEY YATES	.00099520	49.04
9941	YATES DRILLING COMPANY	.06778673	3,340.13
9962	S. P. YATES	.02[illegible]3553	1,374.37
9963	MARTIN YATES III	.04670147	2,301.16
9964	JOHN A. YATES	.04067193	2,004.03
9974	YATES PETROLEUM CORP.	.19[illegible]771	9,537.15
	TOTALS	1.00000000 **	49,274.17 ** <<<<<<<

WELL EQUIPMENT **********

5-30	BETHLEHEM STEEL 2970- 764.7'	5 1/2 17. N80 CSG.	9302	7,037.35
5-30	BETHLEHEM STEEL 2970- 5761.4'	5 1/2 15.5 K55 CSG.	9302	39,751.86
5-31	58068	5 1/2 17# K55 CSG 2917'	9302	19,323.79
5-10	PEABODY VANN 9894,	2 3/8 X 4' J55 SUB	9304	117.50
5-10	PEABODY VANN 9894,	2 3/8 X 6' J55 SUB	9304	136.77
5-10	PEABODY VANN 9894,	2 7/8 X 8' J55 SUB	9304	193.94
5-10	PEABODY VANN 9894,	2 3/8 X 10' J55 SUB [illegible]=2	9304	359.93

YOUR AMOUNT IS POSTED TO THE ATTACHED SUMMARY INVOICE

YATES PETROLEUM CORPORATION
YATES BUILDING - 207 SOUTH 4TH ST.
ARTESIA, NEW MEXICO - 88210

ANALYSIS OF JOINT OPERATIONS

PROPERTY NO.	PROPERTY NAME		DATE
4742-01-19	RIO PECOS KD COM #1 YOL	** CONTINUED **	5/31/80

REFERENCE NUMBER	DESCRIPTION OF CHARGES	TYPE OF CHARGE	AMOUNT
WELL EQUIPMENT **********			
5-19	PEABODY VANN 9894. 2 3/8 J55 COUPLING	9304	53.14
5-19	PEABODY VANN 9894. 4.5 X 2 3/8 BKR ON/OFF TOOL	9304	1,087.34
5-19	PEABODY VANN 9894. 2 3/8 X 2 3/8 10RD CPLG.	9304	46.33
5-19	PEABODY VANN 9894. 2 7/8 X 2 3/8 8RD X-OVER	9304	110.24
5-19	PEABODY VANN 9894. 2 7/8 J55 COUPLINGS-2-	9304	27.44
5-19	PEABODY VANN 9894. 2 7/8 X 6' J55 SUB	9304	153.44
5-19	PEABODY VANN 9894. 5 1/2 X 2 3/8 LOC SET BKR PKR	9304	2,051.93
	TOTAL WELL EQUIPMENT		70,461.54 **

*** DISTRIBUTIONS:

OWNER	*-- O W N E R ' S N A M E --*	INTEREST	SHARE
0050	ADD PETROLEUM CORP.	.04067198	2,865.81
0301	AMOCO PRODUCTION CO.	.04975909	3,505.10
0325	ANADARKO PRODUCTION CO.	.04053690	2,853.34
1672	CHAMPLIN PETROLEUM CO	.04220557	2,970.21
2055	CORONADO EXPLORATION CORP	.00253287	178.47
2125	CROWN CENTRAL PETR. CORP.	.03910707	2,804.87
2941	EXPLORERS PETROLEUM CORP.	.00099520	70.12
3025	DAVID FASKEN	.01243952	875.51
3052	FISCO, INC.	.00165357	116.37
3490	LOS CHICOS	.02033614	1,432.92
3721	WILLIAM G. MCCOY	.00250406	133.49
5400	MYCO INDUSTRIES, INC.	.04255560	2,995.53
7342	CHARLES B. READ	.00331734	233.74
7350	READING & BATES OIL & GAS	.07951414	5,600.73
7507	RIO PECOS CORPORATION	.02473690	1,756.92
8565	SUBURBAN PROPANE GAS CORP	.14816317	10,439.41
9269	MARK WILSON	.02493490	1,755.95
9917	FRANK YATES	.01656950	1,167.51
9922	H.E. YATES OIL COMPANY	.01438555	1,013.53
9925	FRED S. YATES	.00099520	70.12
9928	HARVEY YATES	.00099520	70.12
9941	YATES DRILLING COMPANY	.05778673	4,070.35
9942	S. P. YATES	.03803953	2,680.32
9943	MARTIN YATES III	.04970147	3,500.61
9944	JOHN A. YATES	.04067198	2,865.81
9999	YATES PETROLEUM CORP.	.18659771	13,052.59
	TOTALS	1.00000000 **	70,461.54 ** <<<<<<<

YOUR AMOUNT IS POSTED TO THE ATTACHED SUMMARY INVOICE

YATES PETROLEUM CORPORATION
YATES BUILDING - 207 SOUTH 4TH ST
ARTESIA, NEW MEXICO - 88210

ANALYSIS OF JOINT OPERATIONS

PROPERTY NO.	PROPERTY NAME		DATE
4742-01-19	RIO PENASCO KO COM #1	YPC ** CONTINUED **	5/31/80

REFERENCE NUMBER	DESCRIPTION OF CHARGES	TYPE OF CHARGE	AMOUNT
LEASE OR BATTERY EQUIPMENT **********			
5-19	TIPPS WELDING S 1010, FAB ANCHOR,FNC CORNERS,SIGNS	9491	225.80
	TOTAL LEASE OR BATTERY EQUIP.		228.80 **

*** DISTRIBUTIONS:

OWNER	*-- O W N E R ' S N A M E --*	INTEREST	SHARE
0050	ABO PETROLEUM CORP.	.04067198	9.31
0301	AMOCO PRODUCTION CO.	.04975909	11.38
0325	ANADARKO PRODUCTION CO.	.04061690	9.30
1572	CHAMPLIN PETROLEUM CO	.01229557	2.68
2068	CORONADO EXPLORATION CORP	.00253237	.58
2125	CROWN CENTRAL PETR. CORP.	.03930707	9.11
2341	EXPLORERS PETROLEUM CORP.	.00099520	.23
3025	DAVID FASKEN	.01241952	2.85
3082	FISCO, INC.	.00165967	.38
5490	LOS CHICOS	.02033614	4.65
5791	WILLIAM G. MCCOY	.00260405	.60
6400	MYCO INDUSTRIES, INC.	.04275560	9.74
7342	CHARLES B. READ	.00331734	.75
7350	READING & BATES OIL & GAS	.07951414	18.22
7507	RIO PECOS CORPORATION	.02493490	5.71
8255	SUBURBAN PROPANE GAS CORP	.14510317	33.90
9739	MARK WILSON	.00293490	.71
9917	FRANK YATES	.01533930	3.72
9922	H.L. YATES OIL COMPANY	.01433555	3.28
9923	FRED G. YATES	.00099520	.23
9928	HARVEY YATES	.00099520	.23
9941	YATES DRILLING COMPANY	.05774673	13.51
9942	S. P. YATES	.03303953	3.70
9943	MARTIN YATES III	.04670147	10.69
9944	JOHN A. YATES	.04067198	9.31
9999	YATES PETROLEUM CORP.	.19590771	44.94
	TOTALS	1.00000000 **	228.80 ** <<<<<<

YOUR AMOUNT IS POSTED TO THE ATTACHED SUMMARY INVOICE

YATES PETROLEUM CORPORATION

YATES BUILDING · 207 SOUTH 4TH ST
ARTESIA, NEW MEXICO · 88210

ANALYSIS OF JOINT OPERATIONS

PROPERTY NO	PROPERTY NAME	DATE
4742-01-19	RIO PECNASCO KD COM #1 YPC	4/30/90

REFERENCE NUMBER	DESCRIPTION OF CHARGES	TYPE OF CHARGE	AMOUNT
INTANGIBLE DRILLING COSTS **********			
12-05 CURRIER ABSTRAC	12/78 ABSTRACT 19-25-2 NW4	9210	533.00
4-30 SWEATT CONSTRUC	4-809 LEVEL CALICHE,WATER & BLADE	9211	10,634.37
5-16 MORANCO	79031 DRLG. - FOOTAGE	9212	185,956.32
5-16 MORANCO	79031 DRLG. - DAYWORK	9213	60,723.48
4-06 BLACKBIRD RENTA	APR'8 LINE RES. PITS	9214	1,484.65
4-15 JIM'S WATER SER	A3-15 DRLG. WTR.	9214	358.64
4-17 JIM'S WATER SER	A4-19 DRLG. WTR.	9214	425.51
4-17 JIM'S WATER SER	A4-19 DRLG. WTR.	9214	5,873.33
4-30 JIM'S WATER SER	A4-20 DRILLING WATER	9214	890.75
4-17 ARTESIA LUMBER	4-071 DRLG. MUD	9215	10,261.92
4-24 ARTESIA LUMBER	4-094 DRLG. CHEM.	9215	5,046.22
4-24 ARTESIA LUMBER	4-094 DRLG. CHEM.	9215	1,203.33
4-04 BENNETT WIRE LI	480-6 TEMPERATURE SURVEY 1063'	9217	181.95
4-07 HALLIBURTON	75707 CEMENT 13 3/8	9217	3,725.83
4-07 HALLIBURTON	75707 CEMENT 11INCH	9217	1,049.62
4-09 HALLIBURTON	75730 CEMENT 9 5/8	9217	5,141.17
4-18 DOW CHEMICALS U	5-13- INSERT ORIFICE FILL 8 5/8	9217	191.94
4-27 HALLIBURTON	75693 DST #1 5685'-5821'	9218	2,498.47
4-27 HALLIBURTON	75693 OPEN HOLE TEST #2	9218	2,457.34
4-30 YELLOW JACKET T	32395 PRESSURE TEST	9220	1,245.00
5-22 B. F. WALKER, I	5-112 HAUL 5 1/2 CASING	9220	2,119.63
4-30	4/80 DRLG OH 25DAYS-AT$110	9221	2,750.00
5-19 O & D RENTAL &	3006, BOP RNTL 5/16/80	9245	549.64
5-21 BRANCH WELDING	1140, CUT OFF 5 1/2	9245	68.64
6-02 RUSTY'S WELDING	233.5 CUT OFF 5 1/2	9246	68.64
	TOTAL INTANGIBLE DRILLING COSTS		306,449.40 **

*** DISTRIBUTIONS

OWNER	*-- O W N E R ' S N A M E --*	INTEREST	SHARE
0050	ABO PETROLEUM CORP.	.04067198	12,463.90
0301	AMOCO PRODUCTION CO.	.04975909	15,249.64
0325	ANADARKO PRODUCTION CO.	.04063690	12,453.15
1672	CHAMPLIN PETROLEUM CO	.04229557	12,961.45
2068	CORONADO EXPLORATION CORP	.00253287	776.20
2125	CROWN CENTRAL PETR. CORP.	.03980707	12,198.85
2941	EXPLORERS PETROLEUM CORP.	.00099520	304.99
3025	DAVID FASKEN	.01243952	3,812.08
3082	FISCO, INC.	.00166867	508.30

YOUR AMOUNT IS POSTED TO THE ATTACHED SUMMARY INVOICE

YATES PETROLEUM CORPORATION

YATES BUILDING - 207 SOUTH 4TH ST
ARTESIA, NEW MEXICO - 88210

ANALYSIS OF JOINT OPERATIONS

PROPERTY NO.	PROPERTY NAME		DATE
4742-01-19	RIO PENASCO KD COM #1 YPC	** CONTINUED **	4/30/80

REFERENCE NUMBER	DESCRIPTION OF CHARGES	TYPE OF CHARGE	AMOUNT

*** DISTRIBUTIONS

OWNER	*-- O W N E R ' S N A M E --*	INTEREST	SHARE
5490	LOS CHICOS	.02033614	6,232.00
5791	WILLIAM G. MCCOY	.00260406	798.01
6400	MYCO INDUSTRIES, INC.	.04255560	13,041.14
7342	CHARLES B. READ	.00331734	1,016.60
7350	READING & BATES OIL & GAS	.07961414	24,397.71
7507	RIO PECOS CORPORATION	.02493490	7,641.29
8565	SUBURBAN PROPANE GAS CORP	.14816317	45,404.51
9789	MARK WILSON	.02493490	7,641.29
9917	FRANK YATES	.01656950	5,077.71
9922	H.E. YATES OIL COMPANY	.01430556	4,403.45
9925	FRED G. YATES	.00099520	304.99
9928	HARVEY YATES	.00099520	304.98
9941	YATES DRILLING COMPANY	.06776673	20,773.20
9942	S. P. YATES	.03803953	11,657.19
9943	MARTIN YATES III	.04670147	14,311.44
9944	JOHN A. YATES	.04067198	12,463.99
9999	YATES PETROLEUM CORP.	.19650771	60,247.25
	TOTALS	1.00000000 **	306,449.40 **

WELL EQUIPMENT **********

S-12	BEARING SERVICE 75423 5 1/2 SLIP ASSY. & CPLG.	9301	391.13
S-21	BEARING SERVICE 75540 10IN. TBGHEAD,VLVS,FLANGE	9301	5,496.90
S-21	BEARING SERVICE 75503 WELLHEAD CONN'S-GATE VALVES	9301	8,281.00
	TOTAL WELL EQUIPMENT		14,169.03

*** DISTRIBUTIONS

OWNER	*-- O W N E R ' S N A M E --*	INTEREST	SHARE
0050	ABO PETROLEUM CORP.	.04067198	576.28
0301	AMOCO PRODUCTION CO.	.04975909	705.04
0325	ANADARKO PRODUCTION CO.	.04063690	575.79
1672	CHAMPLIN PETROLEUM CO	.04229557	599.29
2068	CORONADO EXPLORATION CORP	.00253287	35.89
2125	CROWN CENTRAL PETR. CORP.	.03960707	561.03

YOUR AMOUNT IS POSTED TO THE ATTACHED SUMMARY INVOICE

YATES PETROLEUM CORPORATION

YATES BUILDING - 207 SOUTH 4TH ST.
ARTESIA, NEW MEXICO - 88210

ANALYSIS OF JOINT OPERATIONS

PROPERTY NO	PROPERTY NAME		DATE
4742-01-19	RIO PECASCO KD COM #1	YPC ** CONTINUED **	4/30/80

REFERENCE NUMBER	DESCRIPTION OF CHARGES	TYPE OF CHARGE	AMOUNT

*** DISTRIBUTIONS

OWNER	*-- O W N E R ' S N A M E --*	INTEREST	SHARE
2941	EXPLORERS PETROLEUM CORP.	.00099520	14.10
3025	DAVID FASKEN	.01243952	176.26
3062	FISCO, INC.	.00165867	23.50
5490	LOS CHICOS	.02033614	288.14
5791	WILLIAM G. MCCOY	.00260405	36.90
6460	MYCO INDUSTRIES, INC.	.04255560	602.97
7342	CHARLES B. READ	.00331734	47.00
7350	READING & BATES OIL & GAS	.07951414	1,126.66
7507	RIO PECOS CORPORATION	.02493490	353.30
8565	SUBURBAN PROPANE GAS CORP	.14816317	2,099.33
9789	MARK WILSON	.02493490	353.30
9917	FRANK YATES	.01656950	234.77
9922	H.E. YATES OIL COMPANY	.01438556	203.83
9925	FRED G. YATES	.00099520	14.10
9926	HARVEY YATES	.00099520	14.10
9941	YATES DRILLING COMPANY	.06778673	960.47
9942	S. P. YATES	.03803953	538.93
9943	MARTIN YATES III	.04670147	661.71
9944	JOHN A. YATES	.04067198	576.28
9999	YATES PETROLEUM CORP.	.19659771	2,785.61
	TOTALS	1.00000000 **	14,169.03 **

YOUR AMOUNT IS POSTED TO THE ATTACHED SUMMARY INVOICE

YATES PETROLEUM CORPORATION

YATES BUILDING - 207 SOUTH 4TH
ARTESIA, NEW MEXICO 88210

ANALYSIS OF JOINT OPERATIONS

PROPERTY NO	PROPERTY NAME		DATE
4742-01-19	RIO PENASCO KD COM #1	YPC ** CONTINUED **	3/31/80

REFERENCE NUMBER	DESCRIPTION OF CHARGES	TYPE OF CHARGE	AMOUNT

*** DISTRIBUTIONS

OWNER	*-- O W N E R ' S N A M E --*	INTEREST	SHARE
9917	FRANK YATES	.01656950	110.51
9922	H.E. YATES OIL COMPANY	.01438556	95.94
9925	FRED G. YATES	.00099520	6.64
9928	HARVEY YATES	.00099520	6.64
9941	YATES DRILLING COMPANY	.06778673	452.11
9942	S. P. YATES	.03803953	253.71
9943	MARTIN YATES III	.04670147	311.48
9944	JOHN A. YATES	.04067198	271.26
9999	YATES PETROLEUM CORP.	.19659771	1,311.21
	TOTALS	1.00000000 **	6,669.53 **

WELL EQUIPMENT **********

4-08	BEARING SERVICE 75040 8 5/8 STARTING HEAD & CONN.	9301	1,357.50
4-08	BEARING SERVICE 75040 1214.05' 8 5/8 24# J55 CSG.	9302	11,800.11
4-08	BEARING SERVICE 75040 403.95' 13 3/8 54# CASING	9302	6,159.83
	TOTAL WELL EQUIPMENT		19,317.44 **

*** DISTRIBUTIONS

OWNER	*-- O W N E R ' S N A M E --*	INTEREST	SHARE
0050	ABO PETROLEUM CORP.	.04067198	785.68
0301	AMOCO PRODUCTION CO.	.04975909	961.22
0325	ANADARKO PRODUCTION CO.	.04063690	785.00
1672	CHAMPLIN PETROLEUM CO	.04229557	817.04
2068	CORONADO EXPLORATION CORP	.00253287	48.93
2125	CROWN CENTRAL PETR. CORP.	.03980707	768.97
2941	EXPLORERS PETROLEUM CORP.	.00099520	19.22
3025	DAVID FASKEN	.01243952	240.30
3082	FISCO, INC.	.00165867	32.04
5490	LOS CHICOS	.02033614	392.84
5791	WILLIAM G. MCCOY	.00260406	50.30
6400	MYCO INDUSTRIES, INC.	.04255560	822.07
7342	CHARLES B. READ	.00331734	64.08
7350	READING & BATES OIL & GAS	.07961414	1,537.94

YOUR AMOUNT IS POSTED TO THE ATTACHED SUMMARY INVOICE

YATES PETROLEUM CORPORATION
YATES BUILDING 207 SOUTH 4TH ST
ARTESIA NEW MEXICO - 88210

ANALYSIS OF JOINT OPERATIONS

PROPERTY NO	PROPERTY NAME		DATE
4742-01-19	RIO PENASCO KD COM #1	YPC	3/31/80

REFERENCE NUMBER	DESCRIPTION OF CHARGES	TYPE OF CHARGE	AMOUNT
INTANGIBLE DRILLING COSTS			
1-30 CURRIER ABSTRAC	80.05 ABSTRACT #80.050	9210	187.00
2-01 CURRIER ABSTRAC	80052 ABST #80052 S2-19-25	9210	429.00
2-01 CURRIER ABSTRAC	80052 ABST #80051 S2-19-25	9210	1,230.00
2-04 CURRIER ABSTRAC	80057 ABST #80055	9210	192.00
2-04 CURRIER ABSTRAC	80053 ABST #80054 S2-19-25	9210	449.00
2-04 CURRIER ABSTRAC	80053 ABST #80053 S2-19-25	9210	159.00
2-04 CURRIER ABSTRAC	80057 ABST #80057	9210	344.00
2-05 CURRIER ABSTRAC	80056 ABST #80056	9210	1,017.00
3-04 DAN R. REDDY P.	8054 SURVEY & MAKE PLAT	9210	130.63
3-31 RALPH SCHAFER	43232 SURFACE DAMAGES-ROAD	9211	484.85
3-31 RALPH SCHAFER	43232 SURFACE DAMAGES-LOCATION	9211	750.00
4-14 DUDLEY SALES &	35869 FENCE RES. PIT	9211	474.24
4-03 RUSTY'S WELDING	629.3 CUT OFF 13 3/8,WLD FLANGE	9220	80.08
4-03 RUSTY'S WELDING	629.3 HAUL 1INCH PIPE	9220	83.20
4-03 RUSTY'S WELDING	629.3 CUT OFF 13 3/8,8 5/8,WLD NPPL	9220	91.52
4-15 BEARING SERVICE	75149 1INCH LINE PIPE & COUPLING	9224	415.53
4-24 BEARING SERVICE	75249 SAMPLE BAGS	9224	152.48
	TOTAL INTANGIBLE DRILLING COSTS		6,669.53 **

*** DISTRIBUTIONS

OWNER	*-- O W N E R ' S N A M E --*	INTEREST	SHARE
0050	ABO PETROLEUM CORP.	.04067198	271.26
0301	AMOCO PRODUCTION CO.	.04975909	331.87
0325	ANADARKO PRODUCTION CO.	.04063690	271.03
1672	CHAMPLIN PETROLEUM CO	.04229557	282.09
2068	CORONADO EXPLORATION CORP	.00253287	16.89
2125	CROWN CENTRAL PETR. CORP.	.03980707	265.49
2941	EXPLORERS PETROLEUM CORP.	.00099520	6.64
3025	DAVID FASKEN	.01243952	82.97
3082	FISCO, INC.	.00165867	11.06
5490	LOS CHICOS	.02033614	135.63
5791	WILLIAM G. MCCOY	.00260406	17.37
6400	MYCO INDUSTRIES, INC.	.04255560	283.83
7342	CHARLES B. READ	.00331734	22.13
7350	READING & BATES OIL & GAS	.07961414	530.99
7507	RIO PECOS CORPORATION	.02493490	166.30
8565	SUBURBAN PROPANE GAS CORP	.14816317	988.18
9789	MARK WILSON	.02493490	166.30

YOUR AMOUNT IS POSTED TO THE ATTACHED SUMMARY INVOICE

YATES PETROLEUM CORPORATION

YATES BUILDING - 207 SOUTH 4TH ST
ARTESIA, NEW MEXICO - 88210

ANALYSIS OF JOINT OPERATIONS

PROPERTY NO	PROPERTY NAME		DATE
4742-01-19	RIO PENASCO KD COM #1 YPC	** CONTINUED **	3/31/80

REFERENCE NUMBER	DESCRIPTION OF CHARGES	TYPE OF CHARGE	AMOUNT

*** DISTRIBUTIONS

OWNER	*-- O W N E R ' S N A M E --*	INTEREST	SHARE
7507	RIO PECOS CORPORATION	.02493490	481.68
8565	SUBURBAN PROPANE GAS CORP	.14816317	2,862.13
9789	MARK WILSON	.02493490	481.68
9917	FRANK YATES	.01656950	320.08
9922	H.E. YATES OIL COMPANY	.01438556	277.89
9925	FRED G. YATES	.00099520	19.22
9928	HARVEY YATES	.00099520	19.22
9941	YATES DRILLING COMPANY	.06778673	1,309.47
9942	S. P. YATES	.03803953	734.83
9943	MARTIN YATES III	.04670147	902.15
9944	JOHN A. YATES	.04067198	785.68
9999	YATES PETROLEUM CORP.	.19659771	3,797.78
	TOTALS	1.00000000 **	19,317.44 **

YOUR AMOUNT IS POSTED TO THE ATTACHED SUMMARY INVOICE

S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC.-TREAS.

YATES PETROLEUM CORPORATION

207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1331

File Case 6933

November 24, 1980

Unleased Mineral Owner-
Mr. J. Laird Marshall
1411 Bible Camp Road
McFarland, Wisconsin 53558

New Mexico Oil Conservation Division
P. O. Box 288
Santa Fe, New Mexico 87501

Attention: Mr. Daniel S. Nutter

Re: Rio Penasco "KD" Com. #2
Township 19 South, Range 25 East, N.M.P.M.
Section 2: N½
Eddy County, New Mexico

Gentlemen:

We are enclosing Order No. R-6395 which pools the captioned lands for production of the Rio Penasco "KD" Com. #2. Pursuant to Paragraph 5 of Page 4 we are enclosing an itemized schedule of expenses thru September 30, 1980.

We request that your share of expenses be paid within the time limit recited in Paragraph 6 of Page 4. Unless payment is received within this time period we have no choice but to consider your interest pooled under this order and collect the penalty allowed.

Thank you.

RECEIVED
DEC 01 1980
OIL CONSERVATION DIVISION
SANTA FE

Very truly yours,

Randy G. Patterson
Land Department

Kathy Colbert

By: Kathy Colbert

KC/gat
Enclosure

PREPARED BY MRH DATE 11/10/80

YATES PETROLEUM CORP.
RIO PENASCO "KS" COM # 2
Total Cost thru 9-30-80

		1 Intangible Drilling Cost	2 Well & Lease Equipment	3 Operating Expense	4 TOTAL
1	April, 1980	54,100			54,100
2	May "	18,288			18,288
3	June "	-0-			-0-
4	July "	69,689.03	20,564.81	200	90,253.84
5	Aug "	451,559.65	19,588.38		471,148.03
6	Sept "	150,227.24	109,583.61	15,600	275,410.85
7		536,999.80	160,579.72	15,800	713,379.52
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					

RECEIVED
DEC 0 1 1980
OIL CONSERVATION DIVISION
SANTA FE

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6933
Order No. R-6395

APPLICATION OF YATES PETROLEUM
CORPORATION FOR TWO COMPULSORY
POOLINGS, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 25, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 22nd day of July, 1980, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Yates Petroleum Corporation, seeks an order pooling all mineral interests in the Morrow formation underlying two 320-acre proration units, being the N/2 and the S/2 of Section 2, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well on each of said proration units at a standard location thereon.

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

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in each of said units the opportunity to recover or receive without unnecessary expense his just and fair share of

DEC 01 1980
OIL CONSERVATION DIVISION
SANTA FE

the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said units.

(6) That the applicant should be designated the operator of the subject wells and units.

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

(8) That any non-consenting working interest owner who does not pay his share of appropriate estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner who 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.

(11) That $2000.00 per month while drilling and $278.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures chargeable to the appropriate well required for operating the said well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from either of the subject wells 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.

(13) That upon the failure of the operator of said pooled units to commence drilling of the well to which either of said units is dedicated on or before December 1, 1980, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying the N/2 and underlying the S/2 of Section 2, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, are hereby pooled to form two standard 320-acre gas spacing and proration units each to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said units shall commence the drilling of both of said wells on or before the 1st day of December, 1980, and shall thereafter continue the drilling of said wells with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of either of said wells on or before the 1st day of December, 1980, Order (1) of this order shall be null and void and of no effect whatsoever as to such well and unit, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should either of said wells not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded as to such well and unit.

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject wells and units.

(3) That after the effective date of this order and within 90 days prior to commencing either of said wells, the operator shall furnish the Division and each known working interest owner in the appropriate unit an itemized schedule of estimated well costs.

(4) 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 but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who 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.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) 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.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of 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.

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

(9) That $2000.00 per month while drilling and $278.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable under each well to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating each such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) 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.

(11) 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.

(12) That all proceeds from production from the subject wells which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY
Director

S E A L
fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

July 23, 1980

Re: CASE NO. 6933
ORDER NO. R-6395

Mr. Chad Dickerson
Losee, Carson & Dickerson
Attorneys at Law
Post Office Box 239
Artesia, New Mexico 88210

Applicant:

Yates Petroleum Corporation

Dear Sir:

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

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 6933
Order No. R-6395

APPLICATION OF YATES PETROLEUM CORPORATION FOR TWO COMPULSORY POOLINGS, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 25, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 22nd day of July, 1980, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Yates Petroleum Corporation, seeks an order pooling all mineral interests in the Morrow formation underlying two 320-acre proration units, being the N/2 and the S/2 of Section 2, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well on each of said proration units at a standard location thereon.

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

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in each of said units 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 units.

(6) That the applicant should be designated the operator of the subject wells and units.

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

(8) That any non-consenting working interest owner who does not pay his share of appropriate estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner who 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.

(11) That $2000.00 per month while drilling and $278.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures chargeable to the appropriate well required for operating the said well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from either of the subject wells 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.

(13) That upon the failure of the operator of said pooled units to commence drilling of the well to which either of said units is dedicated on or before December 1, 1980, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying the N/2 and underlying the S/2 of Section 2, Township 19 South, Range 25 East, NMPM, Eddy County, New Mexico, are hereby pooled to form two standard 320-acre gas spacing and proration units each to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said units shall commence the drilling of both of said wells on or before the 1st day of December, 1980, and shall thereafter continue the drilling of said wells with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of either of said wells on or before the 1st day of December, 1980, Order (1) of this order shall be null and void and of no effect whatsoever as to such well and unit, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should either of said wells not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded as to such well and unit.

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject wells and units.

(3) That after the effective date of this order and within 90 days prior to commencing either of said wells, the operator shall furnish the Division and each known working interest owner in the appropriate unit an itemized schedule of estimated well costs.

(4) 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 but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who 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.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) 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.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of 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.

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

(9) That $2000.00 per month while drilling and $278.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable under each well to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating each such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) 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.

(11) 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.

(12) That all proceeds from production from the subject wells which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY
Director

S E A L
fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
25 June 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation for two compulsory poolings, Eddy County, New Mexico.

CASE 6933

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: Chad Dickerson, Esq.
LOSEE, CARSON, & DICKERSON P.A.
Artesia, New Mexico 88210

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I N D E X

RANDY PATTERSON

Direct Examination by Mr. Dickerson 3

Cross Examination by Mr. Stamets 11

E X H I B I T S

Applicant Exhibit One, Plats 4

Applicant Exhibit Two, Documents 5

Applicant Exhibit Three, Letters 5

Applicant Exhibit Four, Operating Agreement 7

Applicant Exhibit Five, AFE's 9

Applicant Exhibit Six, Affidavit 9

Applicant Exhibit Seven, Map 10

MR. STAMETS: We'll call now Case 6933.

MR. PADILLA: Application of Yates Petroleum Corporation for two compulsory poolings, Eddy County, New Mexico.

MR. STAMETS: Call for appearances in this case.

MR. DICKERSON: Chad Dickerson on behalf of the applicant and I have one witness.

(Witness sworn.)

MR. STAMETS: Any other appearances?

RANDY PATTERSON

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. DICKERSON:

Q. Will you state your name, your occupation and by whom you're employed, please?

A. Randy Patterson, landman for Yates Petroleum Corporation.

Q. Mr. Patterson, have you previously testified as a landman before this Division?

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

A. Yes, sir.

Q. Are you familiar with the application before the Division today?

A. Yes, sir, I am.

MR. DICKERSON: Is the applicant qualified, Mr. Examiner?

MR. STAMETS: Yes.

Q. Mr. Patterson, will you briefly describe the purpose of Yates Petroleum Corporation's application here today?

A. Yates Petroleum Corporation is seeking the compulsory pooling of several small unleased mineral interests under the Rio Penasco "KD" No. 1 and No. 2, the No. 1 being located in the south half of Section 2, 19 South, 25 East; the No. 2 being located in the north half of Section 2, 19 South, 25 East, Eddy County, New Mexico.

Q. Will you refer to what is marked Exhibit Number 1 and describe what it is?

A. Exhibit Number One is in two pages, the first page is a land plat showing both locations, the "KD" No. 1 being in the south half; "KD" No. 2 being in the north half.

Page number one also shows the proration unit for the No. 1 Well and the 40 acres under that proration unit, which we are seeking pooling.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

The second page shows the proration unit for the "KD" No. 2 Well and 120 acres under which we are seeking pooling.

Q. Refer to Exhibits Numbers Two and correlate those exhibits with Number One, please.

A. Exhibits Number Two are also two pages. The first page shows the ownership of the northeast quarter of the southeast quarter of Section 2, which will be under the south half proration unit.

Number two in this exhibit shows the total ownership of that 40 acres, and then at the bottom of the page shows seven members of the successors in dissolution to Don Phillips and Associates, a limited partnership, and these are the people for which we're seeking compulsory pooling.

The second page of Exhibit Number Two is similar in format to the first page. It covers the ownership of the north half of the northwest quarter and the southwest of the northwest quarter of Section 2, which these lands will be in the north half proration unit, and also shows the seven members at the bottom of the page of the successors in dissolution of Don Phillips and Associates, for which we're seeking compulsory pooling.

Q. Refer to Exhibit Number Three and describe what it is.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

A. Exhibit Number Three is a collection of letters and leases which we have sent to these people, requesting lease/joinder in the drilling of these wells.

Q. And what are the basic terms of the leases offered?

A. We have offered them a one year quarter royalty lease or a joinder to pay their way in the well.

Q. Are those royalty offers in your opinion in accordance with the value of this interest you seek to lease or pool?

A. Yes, sir.

Q. Refer to Exhibit Number Four, Mr. Patterson, and describe what it is.

MR. STAMETS: Let me ask you a question at this point.

You received no response whatsoever to these letters?

A. We received no response from these seven people until yesterday and I received a call -- I received a letter from the attorney of Sally Ellis, stating that they would like to join, and I received a telephone call from Mr. Owen Marshall, stating that he would be returning the lease.

MR. STAMETS: Okay, now Mr. Marshall is Marshall of Marshall and Winston?

A. No, sir. This Mr. Marshall is in Wisconsin.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

MR. STAMETS: I. J. Marshall.

A. Owen Marshall.

MR. STAMETS: Owen. Okay, and where is Ms. Ellis shown on this?

A. She's there at the bottom of the page. These are the people for which we're seeking approval.

MR. STAMETS: Okay. All right.

A. These seven people.

MR. STAMETS: All right, I was not sure on that.

A. The number two, the middle of the page, is the total ownership of those parcels of land.

MR. STAMETS: Okay. Thank you.

Q. Now, Mr. Patterson, turn to Exhibit Number Four and describe briefly what it is.

A. Exhibit Number Four is the operating agreement under which these two wells will be drilled.

Q. And Yates Petroleum Corporation is operator under this agreement?

A. Yes, that is correct.

Q. Have all other working interest owners executed this operating agreement in this form?

A. Yes, they have.

Q. What provision, Mr. Patterson, does the operating agreement make as regards charges for supervision

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

and overhead?

A. Charges for overhead are on a fixed rate basis and on a drilling well rate of $2000 per month; producing well rate, $278 per month.

Q. Is that in accordance with the usual practices in the industry and of Yates Petroleum Corporation as operator?

A. Yes, sir, it is.

Q. And is this the same form of operating abreement that the parties who are sought to be pooled here would be expected to join in the event they elect to participate in the drilling of this well?

A. Yes, sir, it is.

Q. Mr. Patterson, refer to Exhibit Number Five and to the two parts and describe what those instruments show.

A. Exhibit Number Five are the authorities for expenditure for --

MR. STAMETS: I've got one question on the last exhibit.

A. All right.

MR. STAMETS: You said $2000 drilling?

A. Yes, sir. This operating --

MR. STAMETS: And $200?

A. $278.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

MR. STAMETS: $278, okay. I had $200 down and I saw $278 on the exhibit, so I thought -- I knew there had been a mistake and --

A. I might add that these rates have been escalated. This is the 1978 operating agreement and these rates have been escalated under the provisions allowed by COPAS.

MR. STAMETS: Okay.

Q. Refer to Exhibit Number Five again, Mr. Patterson, and describe what it is.

A. Exhibit Number Five, in two parts, are the authority for expenditures for the drilling of the Rio Penasco "KD" No. 1 and No. 2.

Q. And are you generally familiar with AFE's for wells of this depth and in this general vicinity?

A. Yes, sir.

Q. And And are these instruments in accordance with the usual costs incurred in drilling such wells?

A. Yes, sir.

Q. Mr. Patterson, refer to what has been marked Exhibit Number Six, if you will, and describe what it is.

A. Exhibit Number Six is an affidavit of mailing, signed by an employee of Yates Petroleum Corpor-

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

ation that she did actually mail the application, the docket, the operating agreement, and authority for expenditures, to these people who we are seeking to pool.

Q. Mr. Patterson, have you made a survey of certain land factors which bear on the risk to be imposed in the event these parties are pooled in this proceeding?

A. Yes, sir, I have.

Q. And does Exhibit Number Seven reflect your survey?

A. Yes, sir.

Q. Describe what it is, please.

A. Exhibit Number Seven is a 25-section block surrounding the two wells in question. Spotted in red and green are wells that have penetrated the Morrow formation. The red colored spots indicate wells which were dry in the Morrow. The green colored spots indicate wells which were completed and were produced in the Morrow.

We have found that there were a total of 31 wells which penetrated the Morrow section, 20 of which were dry in the Morrow; 11 were completed. Four of these wells will only recover the cost of drilling and completing. Seven of the wells will actually pay out and return a profit.

Q. And based on your survey, Mr. Patterson, do you have a recommendation to the Examiner as to a reasonable charge to be imposed for the risk involved in drilling

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

these two subject wells?

A. Yes, sir. We recommend that a penalty factor be assessed of 200 percent.

Q. That's recovery of actual well costs plus an additional 200 percent as penalty?

A. Yes, sir.

Q. Mr. Patterson, were Exhibits Numbers One through Seven, as applicable, either prepared by you or compiled by you under your direction?

A. Yes, sir, that's correct.

MR. DICKERSON: I move admission of Exhibits One through Seven, Mr. Stamets.

MR. STAMETS: These exhibits will be admitted.

Q. Mr. Patterson, in your opinion would the granting of this application be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A. Yes, it would.

MR. DICKERSON: Mr. Examiner, that's all we have.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Patterson, does the operating agree-

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

ment provide for a risk factor for any interest owners who choose not to pay their share for the drilling of the well?

A. Yes, sir, it does.

Q. What is that rate?

A. It is a 300 percent non-consent provision, which is a 200 percent risk factor.

Q. So that's the same thing as you requested here today?

A. Yes, sir, that's correct.

Q. Okay.

MR. STAMETS: Any other questions of the witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 415-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6933, heard by me on 6-26, 1980.

Richard L. Stamets, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
25 June 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation for two compulsory poolings, Eddy County, New Mexico. CASE 6933

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: Chad Dickerson, Esq.
LOSEE, CARSON, & DICKERSON P.A.
Artesia, New Mexico 88210

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I N D E X

RANDY PATTERSON

Direct Examination by Mr. Dickerson 3

Cross Examination by Mr. Stamets 11

E X H I B I T S

Applicant Exhibit One, Plats 4

Applicant Exhibit Two, Documents 5

Applicant Exhibit Three, Letters 5

Applicant Exhibit Four, Operating Agreement 7

Applicant Exhibit Five, AFE's 9

Applicant Exhibit Six, Affidavit 9

Applicant Exhibit Seven, Map 10

MR. STAMETS: We'll call now Case 6933.

MR. PADILLA: Application of Yates Petroleum Corporation for two compulsory poolings, Eddy County, New Mexico.

MR. STAMETS: Call for appearances in this case.

MR. DICKERSON: Chad Dickerson on behalf of the applicant and I have one witness.

(Witness sworn.)

MR. STAMETS: Any other appearances?

RANDY PATTERSON

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Will you state your name, your occupation and by whom you're employed, please?

A Randy Patterson, landman for Yates Petroleum Corporation.

Q Mr. Patterson, have you previously testified as a landman before this Division?

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

A. Yes, sir.

Q. Are you familiar with the application before the Division today?

A. Yes, sir, I am.

MR. DICKERSON: Is the applicant qualified, Mr. Examiner?

MR. STAMETS: Yes.

Q. Mr. Patterson, will you briefly describe the purpose of Yates Petroleum Corporation's application here today?

A. Yates Petroleum Corporation is seeking the compulsory pooling of several small unleased mineral interests under the Rio Penasco "KD" No. 1 and No. 2, the No. 1 being located in the south half of Section 2, 19 South, 25 East; the No. 2 being located in the north half of Section 2, 19 South, 25 East, Eddy County, New Mexico.

Q. Will you refer to what is marked Exhibit Number 1 and describe what it is?

A. Exhibit Number One is in two pages, the first page is a land plat showing both locations, the "KD" No. 1 being in the south half; "KD" No. 2 being in the north half.

Page number one also shows the proration unit for the No. 1 Well and the 40 acres under that proration unit, which we are seeking pooling.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

The second page shows the proration unit for the "KD" No. 2 Well and 120 acres under which we are seeking pooling.

Q. Refer to Exhibits Numbers Two and correlate those exhibits with Number One, please.

A. Exhibits Number Two are also two pages. The first page shows the ownership of the northeast quarter of the southeast quarter of Section 2, which will be under the south half proration unit.

Number two in this exhibit shows the total ownership of that 40 acres, and then at the bottom of the page shows seven members of the successors in dissolution to Don Phillips and Associates, a limited partnership, and these are the people for which we're seeking compulsory pooling.

The second page of Exhibit Number Two is similar in format to the first page. It covers the ownership of the north half of the northwest quarter and the southwest of the northwest quarter of Section 2, which these lands will be in the north half proration unit, and also shows the seven members at the bottom of the page of the successors in dissolution of Don Phillips and Associates, for which we're seeking compulsory pooling.

Q. Refer to Exhibit Number Three and describe what it is.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

A. Exhibit Number Three is a collection of letters and leases which we have sent to these people, requesting lease/joinder in the drilling of these wells.

Q. And what are the basic terms of the leases offered?

A. We have offered them a one year quarter royalty lease or a joinder to pay their way in the well.

Q. Are those royalty offers in your opinion in accordance with the value of this interest you seek to lease or pool?

A. Yes, sir.

Q. Refer to Exhibit Number Four, Mr. Patterson, and describe what it is.

MR. STAMETS: Let me ask you a question at this point.

You received no response whatsoever to these letters?

A. We received no response from these seven people until yesterday and I received a call -- I received a letter from the attorney of Sally Ellis, stating that they would like to join, and I received a telephone call from Mr. Owen Marshall, stating that he would be returning the lease.

MR. STAMETS: Okay, now Mr. Marshall is Marshall of Marshall and Winston?

A. No, sir. This Mr. Marshall is in Wisconsin.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

MR. STAMETS: I. J. Marshall.

A. Owen Marshall.

MR. STAMETS: Owen. Okay, and where is Ms. Ellis shown on this?

A. She's there at the bottom of the page. These are the people for which we're seeking approval.

MR. STAMETS: Okay. All right.

A. These seven people.

MR. STAMETS: All right, I was not sure on that.

A. The number two, the middle of the page, is the total ownership of those parcels of land.

MR. STAMETS: Okay. Thank you.

Q. Now, Mr. Patterson, turn to Exhibit Number Four and describe briefly what it is.

A. Exhibit Number Four is the operating agreement under which these two wells will be drilled.

Q. And Yates Petroleum Corporation is operator under this agreement?

A. Yes, that is correct.

Q. Have all other working interest owners executed this operating agreement in this form?

A. Yes, they have.

Q. What provision, Mr. Patterson, does the operating agreement make as regards charges for supervision

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

and overhead?

A. Charges for overhead are on a fixed rate basis and on a drilling well rate of $2000 per month; producing well rate, $278 per month.

Q. Is that in accordance with the usual practices in the industry and of Yates Petroleum Corporation as operator?

A. Yes, sir, it is.

Q. And is this the same form of operating abreement that the parties who are sought to be pooled here would be expected to join in the event they elect to participate in the drilling of this well?

A. Yes, sir, it is.

Q. Mr. Patterson, refer to Exhibit Number Five and to the two parts and describe what those instruments show.

A. Exhibit Number Five are the authorities for expenditure for --

MR. STAMETS: I've got one question on the last exhibit.

A. All right.

MR. STAMETS: You said $2000 drilling?

A. Yes, sir. This operating --

MR. STAMETS: And $200?

A. $278.

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

MR. STAMETS: $278, okay. I had $200 down and I saw $278 on the exhibit, so I thought -- I knew there had been a mistake and --

A. I might add that these rates have been escalated. This is the 1978 operating agreement and these rates have been escalated under the provisions allowed by COPAS.

MR. STAMETS: Okay.

Q. Refer to Exhibit Number Five again, Mr. Patterson, and describe what it is.

A. Exhibit Number Five, in two parts, are the authority for expenditures for the drilling of the Rio Penasco "KD" No. 1 and No. 2.

Q. And are you generally familiar with AFE's for wells of this depth and in this general vicinity?

A. Yes, sir.

Q. And And are these instruments in accordance with the usual costs incurred in drilling such wells?

A. Yes, sir.

Q. Mr. Patterson, refer to what has been marked Exhibit Number Six, if you will, and describe what it is.

A. Exhibit Number Six is an affidavit of mailing, signed by an employee of Yates Petroleum Corpor-

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

ation that she did actually mail the application, the docket, the operating agreement, and authority for expenditures, to these people who we are seeking to pool.

Q. Mr. Patterson, have you made a survey of certain land factors which bear on the risk to be imposed in the event these parties are pooled in this proceeding?

A. Yes, sir, I have.

Q. And does Exhibit Number Seven reflect your survey?

A. Yes, sir.

Q. Describe what it is, please.

A. Exhibit Number Seven is a 25-section block surrounding the two wells in question. Spotted in red and green are wells that have penetrated the Morrow formation. The red colored spots indicate wells which were dry in the Morrow. The green colored spots indicate wells which were completed and were produced in the Morrow.

We have found that there were a total of 31 wells which penetrated the Morrow section, 20 of which were dry in the Morrow; 11 were completed. Four of these wells will only recover the cost of drilling and completing. Seven of the wells will actually pay out and return a profit.

Q. And based on your survey, Mr. Patterson, do you have a recommendation to the Examiner as to a reasonable charge to be imposed for the risk involved in drilling

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

these two subject wells?

A. Yes, sir. We recommend that a penalty factor be assessed of 200 percent.

Q. That's recovery of actual well costs plus an additional 200 percent as penalty?

A. Yes, sir.

Q. Mr. Patterson, were Exhibits Numbers One through Seven, as applicable, either prepared by you or compiled by you under your direction?

A. Yes, sir, that's correct.

MR. DICKERSON: I move admission of Exhibits One through Seven, Mr. Stamets.

MR. STAMETS: These exhibits will be admitted.

Q. Mr. Patterson, in your opinion would the granting of this application be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A. Yes, it would.

MR. DICKERSON: Mr. Examiner, that's all we have.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Patterson, does the operating agree-

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

ment provide for a risk factor for any interest owners who choose not to pay their share for the drilling of the well?

A. Yes, sir, it does.

Q. What is that rate?

A. It is a 300 percent non-consent provision, which is a 200 percent risk factor.

Q. So that's the same thing as you requested here today?

A. Yes, sir, that's correct.

Q. Okay.

MR. STAMETS: Any other questions of the witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

_____

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____ heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

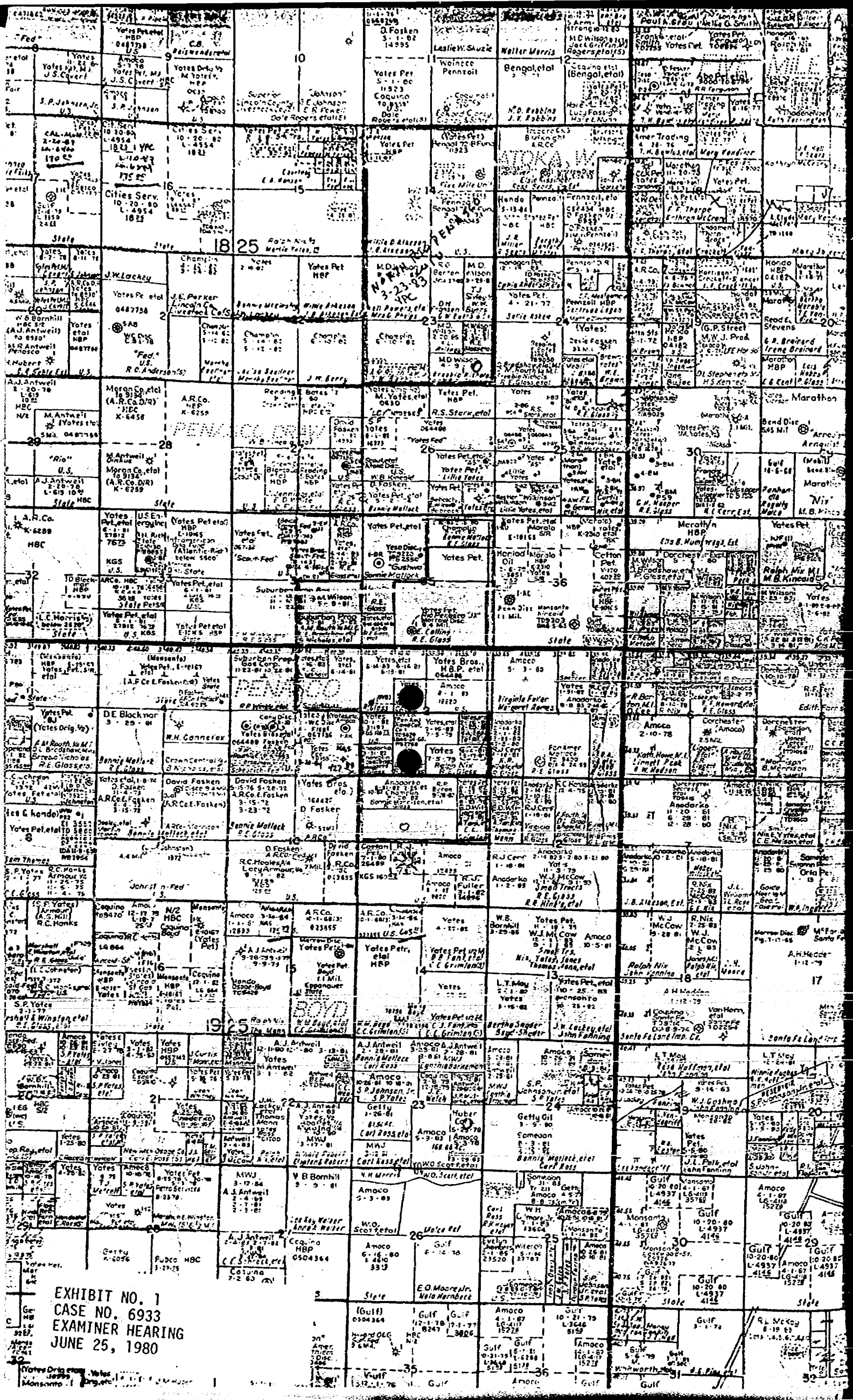
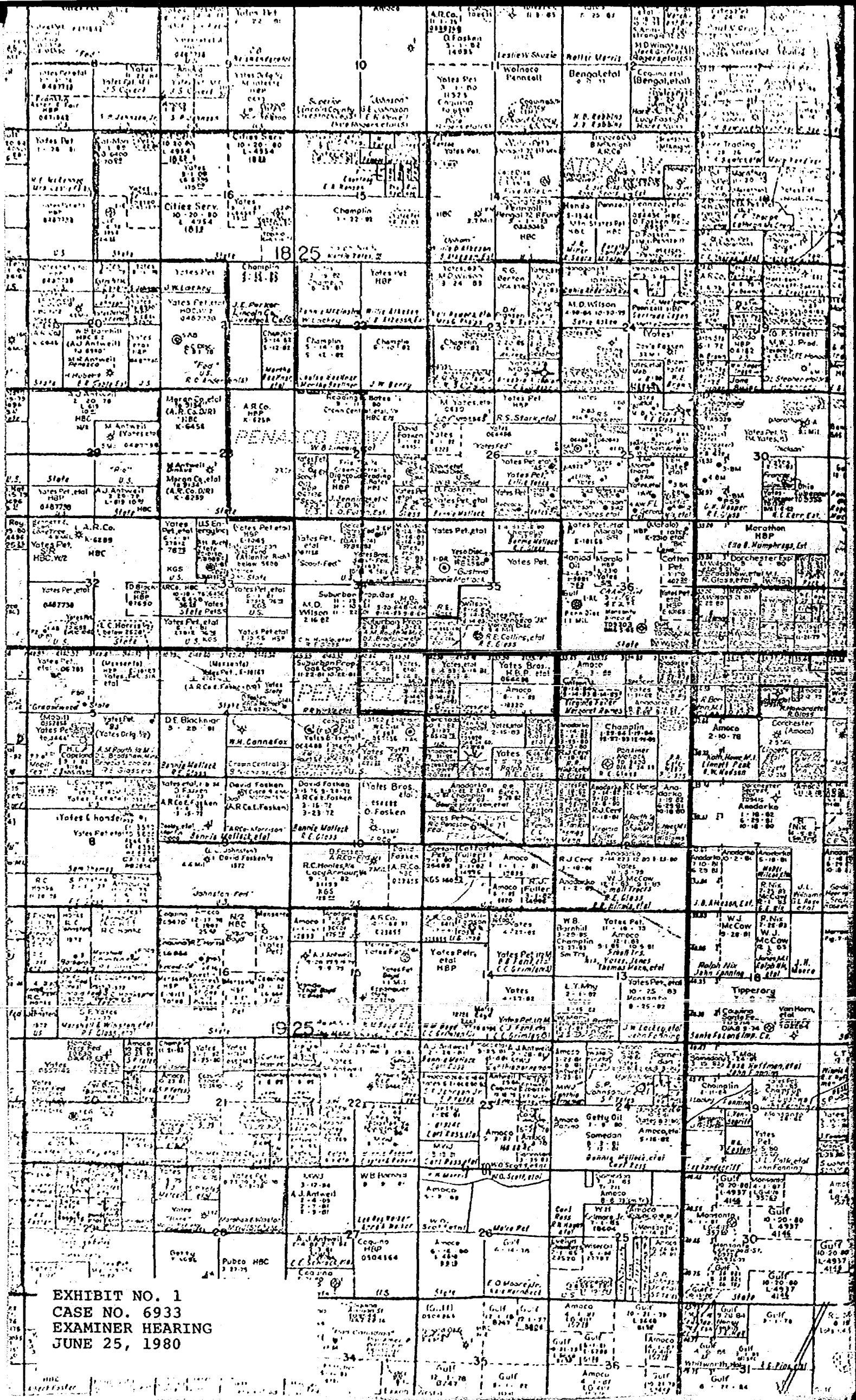


EXHIBIT NO. 1
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980


PENASCO DRAW
EXHIBIT NO. 1
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

1) The NE/4 SE/4 of Section 2, Township 19 South, Range 25 East, N.M.P.M. is held by the Working Interest Owners of the Rio Penasco Working Interest Unit under numerous fee leases.

2) The ownership of the NE/4 SE/4 of Section 2, Township 19 South, Range 25 East is as follows:

Marshall & Winston, Inc.	240/1920
Quetico Superior Foundation	60/1920
The First National Bank of Roswell, New Mexico, Trustee under the Last Will and Testament of Rolla R. Hinkle, deceased	120/1920
Clarence E. Hinkle, whose wife is Lillian T. Hinkle	120/1920
I. J. Marshall, whose wife is Claribel Marshall	60/1920
The heirs and devises of Margaret Childress, deceased, who appear to be Elizabeh Ann Baer, Floyd Childress, II and James W. Childress	60/1920
C.A. Land and Cattle Company, Inc.	60/1920
The First National Bank of Roswell, New Mexico and T. T. Sanders, Jr., as Trustees under the Last Will and Testament of Floyd Childress, deceased	60/1920
The successors in dissolution to Don Phillips and Associates, a limited partnership	180/1920
* R.E. Glass, whose wife is Mary Milner Glass	480/1920
* Cordella Kincaid, a widow	240/1920
* Thelma May Schafer	60/1920
* Madlyn Cauhape	60/1920
* Hugh M. Kincaid, sole surviving Trustee for Ella Lavada Swope	60/1920
* Sterling Marc Carter	20/1920
* Kenna Carter Scott	20/1920
* Michael T. Carter	20/1920

* As to 1/2 thereof, however, subject to a perpetual, non-participating, royalty interest in favor of the following:

Gayle McDonald, as his sole and separate property	64/128
Yates Brothers, a partnership	32/128
Ray Hall Beck, a single man	8/128
William J. McCaw	3/128
Mary G. Riddle	3/128
Dorothy G. Kemper, whose husband is Lonnie Kemper	6/128
B. W. Harper and Ruthe Harper, his wife, as joint tenants	8/128
Eddie M. Mahfood and Shirley Mahfood, his wife, as joint tenants	4/128

The Working Interest Owners of the Rio Penasco Working Interest Unit now hold leases from all of the owners of the NE/4 SE/4 with the exception of the successors in the dissolution of Don Phillips & Associates listed below. The outstanding members have been offered leases and the opportunity to participate in drilling. They have also been advised of the compulsory pooling proceedings.

	Net Acres	Percentage of Well
Sally Ellis, heir of Hayward Ayers and Marguerite B. Ayers	.125000	.039062%
The heirs and devisees of James G. Bennett, deceased	.250000	.078125
The heirs and devisees of E. E. MacGibbon, deceased	.125000	.039062
Owen Marshall	.041666	.013026
Mrs. James J. (Margaret) Norton	.125000	.039062
Mary A. Phillips Baida	.312500	.097656
The heirs and devisees of Rufus R. Rand, deceased	.125000	.039062

EXHIBIT NO. 2
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

1) The N/2 NW/4 and the SW/4 NW/4 of Section 2, Township 19 South, Range 25 East, N.M.P.M. are held by the Working Interest Owners of the Rio Penasco Working Interest Unit under numerous fee leases.

2) The ownership of the N/2 NW/4 and the SW/4 NW/4 of Section 2, Township 19 South, Range 25 East is as follows:

Marshall & Winston, Inc.	240/1920
Quetico Superior Foundation	60/1920
The First National Bank of Roswell, New Mexico, Trustee under the Last Will and Testament of Rolla R. Hinkle, deceased	120/1920
Clarence E. Hinkle, whose wife is Lillian T. Hinkle	120/1920
I. J. Marshall, whose wife is Claribel Marshall	60/1920
The heirs and devisees of Margaret Childress, deceased, who appear to be Elizabeh Ann Baer, Floyd Childress, II and James W. Childress	60/1920
C.A. Land and Cattle Company, Inc.	60/1920
The First National Bank of Roswell, New Mexico and T. T. Sanders, Jr., as Trustees under the Last Will and Testament of Floyd Childress, deceased	60/1920
The successors in dissolution to Don Phillips and Associates, a limited partnership	180/1920
* R.E. Glass, whose wife is Mary Milner Glass	480/1920
* Cordella Kincaid, a widow	240/1920
* Thelma May Schafer	60/1920
* Madlyn Cauhape	60/1920
* Hugh M. Kincaid, sole surviving Trustee for Ella Lavada Swope	60/1920
* Sterling Marc Carter	20/1920
* Kenna Carter Scott	20/1920
* Michael T. Carter	20/1920

* As to 1/2 thereof, however, subject to a perpetual, non-participating, royalty interest in favor of the following:

Gayle McDonald, as his sole and separate property	64/128
Yates Brothers, a partnership	32/128
Ray Hall Beck, a single man	8/128
William J. McCaw	3/128
Mary G. Riddle	3/128
Dorothy G. Kemper, whose husband is Lonnie Kemper	6/128
B. W. Harper and Ruthe Harper, his wife, as joint tenants	8/128
Eddie M. Mahfood and Shirley Mahfood, his wife, as joint tenants	4/128

The Working Interest Owners of the Rio Penasco Working Interest Unit now hold leases from all of the owners of the N/2 NW/4 and the SW/4 NW/4 with the exception of the successors in the dissolution of Don Phillips & Associates listed below. The outstanding members have been offered leases and the opportunity to participate in drilling. They have also been advised of the compulsory pooling proceedings.

	Net Acres	Percentage of Well
Sally Ellis, heir of Hayward Ayers and Marguerite B. Ayers	.376250	.117578%
The heirs and devisees of James G. Bennett, deceased	.752500	.235156
The heirs and devisees of E. E. MacGibbon, deceased	.376250	.117578
Owen Marshall	.125417	.039193
Mrs. James J. (Margaret) Norton	.376250	.117578
Mary A. Phillips Baida	.940625	.293945
The heirs and devisees of Rufus R. Rand, deceased	.376250	.117578

EXHIBIT NO. 2
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9888

May 9, 1979

Mrs. Margaret M. Norton
2880 Lorain Road
San Marino, California

Re: Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 34: E/2 NE/4, N/2 SE/4
Section 35: SW/4 SW/4

Township 19 South, Range 25 East, N.M.P.M.
Section 2: N/2 NW/4, SW/4 NW/4, NE/4 SE/4
Section 3: S/2 NE/4, NE/4 NE/4
containing 480.78 acres, more or less (45.073125 net acres)
Eddy County, New Mexico

Dear Mrs. Norton:

We informed you that we had successfully formed an exploratory unit covering approximately 2,000 acres and drilled and completed a 9,200 foot gas well in the S/2 Section 35, T-18-S, R-25-E, the spacing unit for the well. Further, we sent you an oil and gas lease covering your interest in the captioned acreage which is located in the exploratory unit. The lease provided for a 5-year primary term and a 1/4th royalty. To date, we have not received any indication that you will execute the lease.

Once again, we request that you execute the lease previously sent to you. If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate compulsory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well.

Please inform us of your decision by May 31, 1979. If you need another lease to execute, please contact me and I shall send you a lease.

Very truly yours,

Scott E. Wilson
Landman

SEW:dlw

...as to any of said lands on paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

_____
_____
_____
Lessor

Margaret M. Norton
_____
_____
Lessor

EXHIBIT NO. 3
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

CERTIFIED MAIL
RETURN RECEIPT
REQUESTED

YATES PETROLEUM CORPORATION

207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC.-TREAS.

June 19, 1980

TO: UNLEASED MINERAL OWNERS
ADDRESSEE LIST ATTACHED

Re: Rio Penasco "KD" Com. #1
Township 19 South, Range 25 East, NMPM
Section 2: S/2
Rio Penasco "KD" Com. #2
Township 19 South, Range 25 East, NMPM
Section 2: N/2
Eddy County, New Mexico

Ladies and Gentlemen:

As we have not heard from you regarding our latest letter dated May 9, 1979, concerning the captioned acreage, we are enclosing the following copies:

1. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #1 located in the S/2 of Section 2, Township 19 South, Range 25 East.
2. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #2 located in the N/2 of Section 2, Township 19 South, Range 25 East.
3. Docket reflecting hearing on both Applications at the Oil Conservation Division in Santa Fe, New Mexico, to be on the 25th day of June, 1980.
4. Operating Agreement dated July 1, 1978, covering both wells.
5. Authority for Expenditure on the "KD" #1 dated February 8, 1980.
6. Authority for Expenditure on the "KD" #2 dated May 22, 1980 .
7. Oil and Gas Lease dated June 19, 1980, 1 year term, with 1/4 overriding royalty.

We invite you to participate in the drilling of these wells by paying your share of the expenses should you wish to do so. We would still be glad to accept a lease from you covering your interest under this acreage. If we don't hear from you in regard to the options above, we will have no choice but to think you choose to be force pooled as per the terms of the enclosed application and and proceed as such.

Very truly yours,

Randy G. Patterson
Land Department

Kathy Colbert
By: Kathy Colbert

/kc
Enclosures

UNLEASED

2-19S-25E

SALLY ELLIS, HEIR OF HAYWARD & MARGUERITE AYERS
c/o Mr. Stanley Black
Hutchinson, Black, Hill, Buchanan & Cook
Attorneys at Law
P. O. Box 1170
Boulder, Colorado 80306

JAMES G. BENNETT HEIRS
Bennett Office, Inc.
1210 Baker Building
Minneapolis, Minnesota 55402

E. E. MACGIBBON HEIRS
321 Lowell
Elk River, Minnesota 55330

OWEN MARSHALL
608 Putnam Drive
Eou Claire, Wisconsin 54701

MARGARET NORTON (MRS. JAMES J.)
2880 Lorain Road
San Marino, California 91108

MARY PHILLIPS BAIDA
2244 Q Via Puerta
Laguna Hills, California 92653

RUFUS R. RAND HEIRS
c/o Palmer First National Bank & Trust Co.
P. O. Box 2018
Sarasota, Florida 33578

Producers 88 Rev. (1 Year Lease) 10-57

(ONE YEAR PAID UP LEASE)

OIL AND GAS LEASE

Form 345
Hall-Poorbaugh Press
Roswell, New Mexico

THIS AGREEMENT made this 19th day of June, 19 80, between

Lessor (whether one or more), whose address is:

and YATES PETROLEUM CORPORATION, a New Mexico corporation Lessee, WITNESSETH:

1. Lessor in consideration of TEN AND NO/100---------- Dollars ($ 10.00) in hand paid, 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 and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in Eddy County, New Mexico, to-wit:

Township 19 South, Range 25 East, N.M.P.M.
Section 2: N½NW¼, SW¼NW¼, NE¼SE¼

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 without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of 1 year from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to paid by Lessee are: (a) on oil, 1/4 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of $1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, 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 in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction 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 under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to 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 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 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 its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease 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 gas, or either of them, 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. 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, 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, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation 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, 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, 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. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary terms, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 leased premises are situated at any time after the completion of a dry hole or the cessation of production 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 lease 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. 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.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either 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; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of 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 commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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 Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Lessor

Lessor

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

RIO PENASCO
WORKING INTEREST UNIT
OPERATING AGREEMENT

DATED

July 1, 1978,

OPERATOR _____

CONTRACT AREA TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
SECTION 34: E/2
SECTION 35: ALL
TOWNSHIP 19 SOUTH, RANGE 25 EAST, N.M.P.M.
SECTION 2: ALL
SECTION 3: NE/4
SECTION 11: N/2

COUNTY OR PARISH OF EDDY STATE OF NEW MEXICO

COPYRIGHT 1977 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

Bill to stay
copy to Acct - Mark
11/16/78 RJ

EXHIBIT NO. 4
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

GUIDANCE IN THE PREPARATION OF THIS AGREEMENT:

1. Title Page - Fill in blank as applicable.

2. Preamble, Page 1 - Name of Operator.

3. Article II - Exhibits:
   (a) Indicate Exhibits to be attached.
   (b) If it is desired that no reference be made to Non-discrimination, the reference to Exhibit "F" should be deleted.

4. Article IV.A - Title Examination - Select option as agreed to by the parties.

5. Article IV.B - Loss of Title - If "Joint Loss" of Title is desired, the following changes should be made:
   (a) Delete Articles IV.B.1 and IV.B.2.
   (b) Article IV.B.3 - Delete phrase "other than those set forth in Articles IV.B.1 and IV.B.2 above."
   (c) Article VII.F. - Change reference at end of the first grammatical paragraph from "Article IV.B.2" to "Article IV.B.3."

6. Article V - Operator - Enter name of Operator.

7. Article VI.A - Initial Well:
   (a) Date of commencement of drilling.
   (b) Location of well.
   (c) Obligation depth.

8. Article VI.B.2.(b) - Subsequent Operations - Enter penalty percentage as agreed to by parties.

9. Article VII.D.1. - Limitation of Expenditures - Select option as agreed to by parties.

10. Article VII.D.3. - Limitation of Expenditures - Enter limitation of expenditure of Operator for single project and amount above which Operator may furnish information AFE.

11. Article VII.E. - Royalties, Overriding Royalties and Other Payments - Enter royalty fraction as agreed to by parties.

12. Article X. - Claims and Lawsuits - Enter claim limit as agreed to by parties.

13. Article XIII. - Term of Agreement:
   (a) Select Option as agreed to by parties.
   (b) If Option No. 2 is selected, enter agreed number of days in two (2) blanks.

14. Signature Page - Enter effective date.

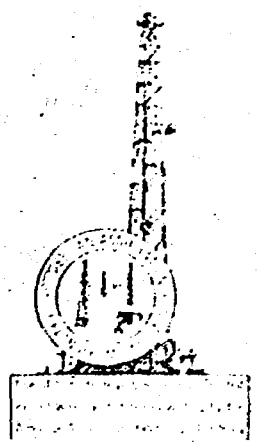


TABLE OF CONTENTS

Article	Title	Page
I.	DEFINITIONS	1
II.	EXHIBITS	1
III.	INTERESTS OF PARTIES	2
	A. OIL AND GAS INTERESTS	2
	B. INTEREST OF PARTIES IN COSTS AND PRODUCTION	2
IV.	TITLES	2
	A. TITLE EXAMINATION	2
	B. LOSS OF TITLE	2
	1. Failure of Title	2-3
	2. Loss by Non-Payment or Erroneous Payment of Amount Due	3
	3. Other Losses	3
V.	OPERATOR	3
	A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR	3
	B. RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR	4
	1. Resignation or Removal of Operator	4
	2. Selection of Successor Operator	4
	C. EMPLOYEES	4
	D. DRILLING CONTRACTS	4
VI.	DRILLING AND DEVELOPMENT	4
	A. INITIAL WELL	4
	B. SUBSEQUENT OPERATIONS	5
	1. Proposed Operations	5
	2. Operations by Less than All Parties	5-6
	C. RIGHT TO TAKE PRODUCTION IN KIND	6-7
	D. ACCESS TO CONTRACT AREA AND INFORMATION	7
	E. ABANDONMENT OF WELLS	7
	1. Abandonment of Dry Holes	7
	2. Abandonment of Wells that have Produced	7-8
VII.	EXPENDITURES AND LIABILITY OF PARTIES	8
	A. LIABILITY OF PARTIES	8
	B. LIENS AND PAYMENT DEFAULTS	8
	C. PAYMENTS AND ACCOUNTING	8
	D. LIMITATION OF EXPENDITURES	9
	1. Drill or Deepen	9
	2. Rework or Plug Back	9
	3. Other Operations	9
	E. ROYALTIES, OVERRIDING ROYALTIES AND OTHER PAYMENTS	9
	F. RENTALS, SHUT-IN WELL PAYMENTS AND MINIMUM ROYALTIES	9-10
	G. TAXES	10
	H. INSURANCE	10
VIII.	ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST	10
	A. SURRENDER OF LEASES	10-11
	B. RENEWAL OR EXTENSION OF LEASES	11
	C. ACREAGE OR CASH CONTRIBUTION	11
	D. SUBSEQUENTLY CREATED INTEREST	11-12
	E. MAINTENANCE OF UNIFORM INTEREST	12
	F. WAIVER OF RIGHT TO PARTITION	12
	~~G. PREFERENTIAL RIGHT TO PURCHASE~~	~~12~~
IX.	INTERNAL REVENUE CODE ELECTION	12-13
X.	CLAIMS AND LAWSUITS	13
XI.	FORCE MAJEURE	13
XII.	NOTICES	13
XIII.	TERM OF AGREEMENT	13-14
XIV.	COMPLIANCE WITH LAWS AND REGULATIONS	14
	A. LAWS, REGULATIONS AND ORDERS	14
	B. GOVERNING LAW	14
XV.	OTHER PROVISIONS	14
XVI.	MISCELLANEOUS	15

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between YATES PETROLEUM CORPORATION, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators",

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

☒ A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

☒ B. Exhibit "B", Form of Lease.

☒ C. Exhibit "C", Accounting Procedure.

☒ D. Exhibit "D", Insurance.

☒ E. Exhibit "E", Gas Balancing Agreement.

☐ ~~F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.~~

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". 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.

B. Interest of Parties in Costs and Production:

Exhibits ~~"A"~~ "A-4" and "A-5" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibits ~~"A"~~ "A-4" and "A-5". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the Joint Account~~, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

~~☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.~~

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and -

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost; and

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

YATES PETROLEUM CORPORATION shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 27 day of August, 1978, Operator shall commence the drilling of ~~a well~~ an Initial Test Well for oil and gas at the following location:

1980'FWL and 660'FSL of Section 35, Township 18 South, Range 25 East, Eddy County, New Mexico

and shall thereafter continue the drilling of the ~~well~~ Initial Test Well with due diligence to the "Objective Depth", being a depth sufficient to test the Morrow series of the Pennsylvanian system by drilling at least 40 feet into the Mississippian Chester Limestone, which depth is estimated to be 9200 feet,

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the ~~well~~ Initial Test Well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the ~~well~~ Initial Test Well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the ~~well~~ Initial Test Well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back 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, the party desiring to drill, rework, deepen or plug back such a well shall 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 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. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (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. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. 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 Parties. 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 drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and or 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 drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal 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 Article, 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) 300 % of that portion of the costs and expenses of drilling reworking, deepening, or plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

300% of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non-Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non-Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non-Consenting Party's relinquished interest. If such Non-Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the recoupment period.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

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, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, 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 drilling, 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, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for 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 oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. 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; and 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 interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, 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, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale or purchase, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale, **and obtaining written consent of such other party.**

In the event any party hereto is not at any time taking or marketing its share of gas production and Operator is either (i) unwilling to purchase or sell or (ii) unable to obtain the prior written consent to purchase or sell such party's share of gas production, or in the event any party has contracted to sell its share of gas produced from the Contract Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, then in any such event the terms and conditions of the Gas Balancing Agreement attached hereto as Exhibit "E" and incorporated herein shall automatically become effective.

or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, 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 well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one year and so long thereafter as oil and/or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

~~[ ] Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing, and equipping of the well, including necessary tankage and or surface facilities.~~

[X] Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Ten Thousand ---------- Dollars ($ 10,000) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in 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 to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Five Thousand ---------- Dollars ($ 5,000).

E. Royalties, Overriding Royalties and Other Payments:

~~Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of~~ _____ due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account ~~for or cause to be accounted for, such interest to the owners thereof~~.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article VI.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties of production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and or gas produced under the terms of this agreement.

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If (1) any renewal lease is acquired by a party to this Agreement and subject to Article XV.D. of this Agreement, the party or parties who originally participated in the Contract Area with said lease elect not to pay for the lease acquisition cost in exchange for an assignment of said lease, or if (2) a lease is acquired on the KGS tract described in Article XV.E. by a party to this Agreement, or if (3) any new lease is acquired within the Contract Area by a party to this Agreement, said lease shall be offered to the parties in proportion to their interest in the Deep Unit Area on an after-payout basis.

Notwithstanding anything herein to the contrary, the parties will have 30 days upon written notification to elect to participate in the ownership of any such lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area. Should all such parties elect to participate in the lease, the lease will be subject to this Agreement and the interests of the parties to this Agreement will not change. Upon the termination of this Agreement, any such lease still in force and effect will be owned by the parties in proportion to their interest in the Deep Unit Area on an after-payout basis.

However, should less than all such parties elect to participate in the lease, the lease will be owned by such parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Deep Unit Area on an after-payout basis to the aggregate of the percentage of participation in the Deep Unit Area on an after-payout basis of all such parties participating in the purchase of the lease. Any lease in which less than all the parties to the Deep Unit Area elect to participate shall not be subject to this Agreement.

Notwithstanding anything to the contrary, any legal title acquired covering the 3/32nds mineral interest in the SW/4 SW/4 Section 35, Township 18 South, Range 25 East, owned by the successors in dissolution to Don Phillips and Associates, a limited partnership, will be paid for and owned by the parties hereto in proportion to their interests in the Deep Unit Area on an after-payout basis. No party may elect not to acquire his proportionate share of said interest. Otherwise, the acquisition will be treated as a new lease as provided for herein. ?

Each party who participates in the purchase of a renewal lease shall be given an assignment without warranty of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any new or renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a new or renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~**G. Preferential Right to Purchase:**~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and~~ interests in the Contract Area, it shall promptly give written notice to the other parties, with ~~full~~ information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent ~~company, or to any company in which any one party owns a majority of the stock~~.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Five Thousand Dollars ($ 5,000) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest contributed by any other party beyond the term of this agreement.

[ ] Option No. 1: ~~So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise, and or so long as oil and/or gas production continues from any lease or oil and gas interest.~~

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 180 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

A. Test Wells:

The term "Shallow Unit Area" shall mean those horizons underlying the lands described in Paragraph 1.a. of Exhibit "A" that are found from the surface to a depth of 5,500 feet below the surface of the ground; notwithstanding anything to the contrary, if any well is completed in the interval from 5,500 feet to 5,800 feet on a spacing unit that encompasses a lease in which Eagle Group (Yates Petroleum Corporation-1/2, Yates Drilling Company-1/6, Martin Yates, III-1/6, John A. Yates-1/6) owns the leasehold covering said interval, the well shall be treated as a Shallow Unit Area well and completion.

The term "Deep Unit Area" shall mean those horizons underlying the lands described in Paragraph 1.b. of Exhibit "A" that are found between a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone. The term "Contract Area" shall mean both the Shallow Unit Area and the Deep Unit Area.

If any well is dry in the Deep Unit Area, and any party owning an interest in the Shallow Unit Area desires to attempt completion therein, then the costs of drilling the well to the total depth and plugging it back to the selected point in the Shallow Unit Area shall be borne by the Drilling Parties who initially participated in drilling the well, and such Drilling Parties shall be reimbursed by the parties attempting completion for 1/2 of the shallow and intermediate casing costs, including cementing costs and rig time used in running and cementing the casing. Thereafter, the Drilling Parties attempting completion shall own the hole and casing therein and shall be responsible for completing the well as a producer or dry hole.

No well shall be dually completed in the Contract Area until a mutual agreement is reached between all the parties who participated in the cost of drilling the well.

If in the drilling of the Initial Test Well, Operator loses the hole or encounters mechanical difficulties rendering it impracticable, in the opinion of Operator, to drill the well to the Objective Depth, then and in any of such

events, on or before 30 days after completion of the Initial Test Well, Operator shall have the option to commence the actual drilling of another well ("Substitute Test Well") in the Contract Area at a lawful location mutually acceptable to the Drilling Parties, and Operator shall prosecute the drilling of said well with due diligence and in a good and workmanlike manner to the Objective Depth. For all purposes of this Agreement, the drilling of the Substitute Test Well shall be considered as the drilling of the Initial Test Well.

The execution and delivery of this Agreement by the parties hereto shall not be deemed as consenting to the drilling of the Initial Test Well until an AFE has been approved by all of the Drilling Parties.

B. Rights Earned:

Amoco Production Company, David Fasken and Richard S. Brooks, who presently own interests in the Contract Area, are contributing a portion of such interest to the drilling of the Initial Test Well, and will hereinafter be referred to as "Contributing Parties." Yates Petroleum Corporation, its successors and assigns, will pay for the Contributing Parties' share of the Initial Test Well.

In consideration of payment of expenses set forth in Exhibits "A-4" and "A-5" hereof, performance of all the terms and provisions of this Agreement, and completion of the Initial or Substitute Test Well as a well capable of producing oil or gas in paying quantities (quantities sufficient to return the cost of operating the well and a reasonable profit), Yates Petroleum Corporation, its successors and assigns, shall earn oil and gas rights in the Contract Area equal to (a) the entire present interest of Contributing Parties in the largest proration unit initially assigned by the New Mexico Oil Conservation Commission (the "Proration Unit") to the Initial or Substitute Test Well which is first completed as a producing oil or gas well, and (b), an undivided 1/2 of the present interest of Contributing Parties in the Contract Area outside of the Proration Unit. The Contributing Parties, in proportion to their interests in the Contract Area, except and reserve from the Proration Unit a total overriding royalty, subject to proportionate reduction, equal to the difference between all royalties, overriding royalties, production payments and other lease burdens and 25.00% of all (8/8ths) of the oil and gas produced, saved and marketed from the Proration Unit. This total overriding royalty shall include and absorb all overriding royalties and other obligations payable out of production from the Proration Unit. After Yates Petroleum Corporation, its successors and assigns, has earned an interest in the Contract Area as provided hereinabove, and upon request of Yates Petroleum Corporation, its successors and assigns, Contributing Parties shall execute and deliver assignments of operating rights, without warranties of title, confirming the oil and gas operating rights earned.

"Payout" is defined to be the date on which the net proceeds attributable to Yates Petroleum Corporation's interest in the Proration Unit shall equal Yates Petroleum Corporation's share of the cost and expense, both tangible and intangible, of drilling, equipping (an oil well through the oil storage tanks and a gas well through the Christmas tree), testing and completing said well for production, and of operating the said well to produce such amount. The net proceeds are defined as the total proceeds received from or credited or allocated to Yates Petroleum Corporation's interest in production, less severance, production and other taxes payable on production therefrom, together with all royalties, shut-in gas royalties, overriding royalties and payments out of production presently in effect or created by this agreement. Charges and expenses to be made by Operator shall be made in accordance with and accounted for as set forth in Exhibit "C" hereto. During Payout, Operator shall furnish Contributing Parties with current monthly statements summarizing income and expenses properly chargeable to Payout. Within 30 days after Payout has occurred, Operator shall give Contributing Parties written notice of Payout, and they shall have 30 days after receipt of such notice within which to severally elect to convert, effective at 7:00 A.M. on the date next succeeding Payout, their respective overriding royalties into working interests equal to 1/2 of Contributing Parties' present interest in the Proration Unit. The failure of a Contributing Party to make such election within said 30-day period shall be deemed an election by that Contributing Party to continue the overriding royalty into force.

The covenants of this Article XV.B. shall only affect Yates Petroleum Corporation, its successors and assigns, and the Contributing Parties as defined herein.

C. Beneficial Interests:

Exhibits "A-1", "A-2", "A-3", "A-4", and "A-5", attached hereto show present percentage ownership, burdens, net revenue interest, and beneficial interests in the Contract Area; and the interests contributed, percentage share of costs and production from Initial Test Well and percentage share of costs and production from Initial Test Well after Payout and subsequent wells. The beneficial interest of the respective parties has been determined in the Contract Area as to each party on an adjusted surface acreage basis. The adjustment in surface area has been made by determining a percentage of total production from or allocated to any tract which is required to meet all royalty, overriding royalty, production payment or other obligations payable out of production on such tract and multiplying that percentage by the number of acres contained in such tract and deducting the product from the total number of acres in said tract, the remainder being the adjusted surface acreage for such tract. The beneficial interest of each party represents the sum of the net acre interest of each party in all tracts in the Contract Area divided by the total number of net acres committed to the Contract Area. The exhibits have been prepared on the basis of a flat 12.5% royalty on each federal, step- or sliding-scale lease. In the event any royalty on a federal, step- or sliding-scale lease shall exceed 12.5%, or in the event any production payment on any oil and gas interest committed to this agreement shall be liquidated, or in the event of mathematical error in preparing the exhibits, there shall be a readjustment of the adjusted surface acres on the basis set forth above and the interests of the parties recomputed on the basis of the revised adjusted surface acreage. If any oil and gas leasehold interest committed to this agreement hereafter becomes burdened by any additional overriding royalties, obligations payable out of production or like obligations other than those shown on Exhibit "A-1" attached hereto, the burden thereof shall be borne exclusively by the party or parties who create such additional obligation.

D. Renewal or Extension of Leases:

Notwithstanding anything to the contrary in Article VIII.B. or any other provision in this Agreement, if a new oil and gas lease or a renewal or extension of an oil and gas lease subject to this Agreement is acquired by a party hereto during the term of this Agreement or within 6 months after the termination of this Agreement, the party or parties who originally participated in the Contract Area with said lease may elect within 10 days after written notification to pay for the lease acquisition costs (bonus and broker's fee, if any) in exchange for an assignment of said lease. If so elected, any new oil and gas lease or a renewal or extension of an oil and gas lease paid for by a party who originally participated in the Contract Area with said lease will be owned by said party and will be subject to this Agreement if this Agreement is still in force and effect, and the interests of the parties in the Contract Area will not change. The intent of this provision is to give any party who originally participated with an oil and gas lease in the Contract Area the opportunity to pay for any subsequent lease (covering the same interest) acquired by a party hereto during the term of this Agreement or within 6 months after the termination of this Agreement so that the subsequent lease will be owned by said party if said lease is in effect when this Agreement expires or is acquired within 6 months after the termination of this Agreement.

E. Purchase of KGS Tract:

It has been requested that the S/2 SE/4 Section 3, Township 19 South, Range 25 East, N.M.P.M. be put on the earliest possible KGS sale. The Operator will bid on the tract and if he or any other party to this Agreement is successful, the successful party will offer it to the parties as provided for in Article VIII.B.

F. Limitation on HBP Leases:

Notwithstanding anything herein to the contrary, this Agreement shall terminate as to any lease listed as HBP in Exhibit "A-1" on 8-1-83, unless said lease or a portion of said lease is within the spacing unit of a productive well drilled under this Agreement, or operations under this Agreement are being conducted on said lease or a designated spacing unit in which a portion of said lease is included with no cessation of more than ninety (90) consecutive days between operations and so long thereafter as oil or gas in paying quantities can be produced therefrom.

G. Prior Operating Agreement:

Notwithstanding anything to the contrary, the terms and provisions of this Agreement shall prevail over the terms and provisions contained in that certain Operating Agreement dated September 23, 1974, by and between Yates Petroleum Corporation, Operator, and Marshall and Winston, Inc., and David Fasken, non-operators, covering NW/4, NW/4 SW/4 Section 35, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

H. Mark D. Wilson Leasehold:

Yates Petroleum Corporation, its successors and assigns, shall be assigned an undivided 82.9628% interest in all the oil and gas leases owned by Mark D. Wilson as described in Exhibit "A-1" hereto. As a result of the conveyance, Mark D. Wilson and Yates Petroleum Corporation, its successors and assigns, will own interests in the Contract Area as shown in Exhibits "A-4" and "A-5" hereto.

I. Nondiscrimination:

In the performance of this contract, Operator shall not engage in any conduct or practice which violates any applicable law, order or regulation prohibiting discrimination against any person by reason of his race, religion, color, sex, national origin or age, and Operator further agrees to comply with the non-discrimination provisions of Section 202 of Executive Order No. 11246 (30 F.R. 12319) as amended by Executive Order No. 11375.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:
Assistant Secretary

By: _____
Vice President

NON-OPERATORS

_____
Mary Lou Wilson

ATTEST:
Assistant Secretary

_____
Mark D. Wilson

YATES PETROLEUM CORPORATION

ATTEST:
Secretary

By: _____
Vice President

SUBURBAN PROPANE GAS CORPORATION

_____
Secretary

By: _____
President

ATTEST:

AMOCO PRODUCTION COMPANY

_____
Secretary

By: _____
President

ATTEST:

READING & BATES OIL AND GAS COMPANY

_____
Secretary

By: _____
President

ATTEST:

CHAMPLIN PETROLEUM COMPANY

_____
Secretary

By: _____
President

716

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1977

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By: President

NON-OPERATORS

Mary Lou Wilson

Mary Lou Wilson

Mark D. Wilson

ATTEST:

YATES PETROLEUM CORPORATION

Secretary

By: President

ATTEST:

SUBURBAN PROPANE GAS CORPORATION

Secretary

By: President

ATTEST:

AMOCO PRODUCTION COMPANY

Secretary

By: President

ATTEST:

READING & BATES OIL AND GAS COMPANY

Secretary

By: President

ATTEST:

CHAMPLIN PETROLEUM COMPANY

Secretary

By: President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By: President

NON-OPERATORS

Mary Lou Wilson

Mark D. Wilson

ATTEST:

Secretary

YATES PETROLEUM CORPORATION

By: President

ATTEST:

Secretary

SUBURBAN PROPANE GAS CORPORATION

By: ~~President~~
J. C. ELDRED
Agent and Attorney-in-Fact

ATTEST:

Secretary

AMOCO PRODUCTION COMPANY

By: President

ATTEST:

Secretary

READING & BATES OIL AND GAS COMPANY

By: President

ATTEST:

Secretary

CHAMPLIN PETROLEUM COMPANY

By: President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

_____ By: _____
Secretary President

NON-OPERATORS

_____ _____
Mary Lou Wilson Mark D. Wilson

ATTEST: YATES PETROLEUM CORPORATION

_____ By: _____
Secretary President

ATTEST: SUBURBAN PROPANE GAS CORPORATION

_____ By: _____
Secretary President

~~ATTEST:~~ AMOCO PRODUCTION COMPANY

APPROVED

_____ By: C. N. Menninger
~~Secretary~~ ~~President~~ ATTORNEY-IN-FACT

ATTEST: READING & BATES OIL AND GAS COMPANY

_____ By: _____
Secretary President

ATTEST: CHAMPLIN PETROLEUM COMPANY

_____ By: _____
Secretary President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By:
President

NON-OPERATORS

'Mary Lou Wilson

Mark D. Wilson

ATTEST:

YATES PETROLEUM CORPORATION

Secretary

By:
President

ATTEST:

SUBURBAN PROPANE GAS CORPORATION

Secretary

By:
President

ATTEST:

AMOCO PRODUCTION COMPANY

Secretary

By:
President

READING & BATES PETROLEUM CO. (Formerly Reading & Bates Oil and Gas Co.)

ATTEST:

W. M. Hackett, Asst. Secretary

By:
D. G. Campbell, Vice President

ATTEST:

CHAMPLIN PETROLEUM COMPANY

Secretary

By:
President

720

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By:
President

NON-OPERATORS

'Mary Lou Wilson

Mark D. Wilson

ATTEST:

Secretary

YATES PETROLEUM CORPORATION

By:
President

ATTEST:

Secretary

SUBURBAN PROPANE GAS CORPORATION

By:
President

ATTEST:

Secretary

AMOCO PRODUCTION COMPANY

By:
President

ATTEST:

Secretary

READING & BATES OIL AND GAS COMPANY

By:
President

ATTEST:

Secretary

CHAMPLIN PETROLEUM COMPANY

By:
Vice President

834

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: Ben T. Whitefield
Ben T. Whitefield
Agent and Attorney-in-Fact

APPROVED

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

_____
Barbara Fasken

_____
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

FISCO, INC.

By: _____
President

_____ Brooks

_____
Richard S. Brooks

THE STATE OF TEXAS X
X
COUNTY OF HARRIS X

BEFORE ME, the undersigned authority, on this day personally appeared Ben T. Whitefield, known to me to be the person whose name is subscribed to the foregoing instrument, as Agent and Attorney-in-Fact of Anadarko Production Company, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 18th day of July A.D., 1978.

My Commission Expires
LINDA BORCHARDT
Notary Public in and for Harris County, Texas
My Commission Expires May 2, 1979

Linda Borchardt
Notary Public in and for
Harris County, Texas

22

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag[illegible]ment, dated July 1, 1978, Town[illegible]os 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
R. M. KOBDISH VICE PRESIDENT

_____
Barbara Fasken

_____
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

FISCO, INC.

By: _____
President

_____
_____ Brooks

_____
Richard S. Brooks

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

Barbara Fasken
Barbara Fasken

David Fasken
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

FISCO, INC.

By: _____
President

Annie May Brooks
Annie May Brooks

Richard S. Brooks
Richard S. Brooks

Rio Penasco Working Interest Unit Operating Agreement
Dated July 1, 1978, T-18-S, R-25-E, N.M.P.M.
Section 34: E/2, Section 35: All
T-19-S, R-25-E, N.M.P.M.
Section 2: All, Section 3: NE/4, Section 11: N/2
Eddy County, New Mexico

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

Secretary

ANADARKO PRODUCTION COMPANY

By: President

ATTEST:

Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: President

Barbara Fasken

David Fasken

Lillie M. Yates ATTORNEY-IN-FACT

Martin Yates, III ATTORNEY-IN-FACT

~~Peter A. Yates~~

John A. Yates,

ATTEST: ASSISTANT Secretary

YATES DRILLING COMPANY

By: President

Estevie R. Yates ATTORNEY-IN-FACT

S. P. Yates ATTORNEY-IN-FACT

ATTEST:

Secretary

FISCO, INC.

By: President

Brooks

Richard S. Brooks

ATTEST: Secretary

MYCO INDUSTRIES, INC.

By: President

ATTEST: Secretary

ABO PETROLEUM CORPORATION

By: President

FRANK YATES

LOS CHICOS, a Partnership

By: ~~Partner~~ AGENT

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

_____
Barbara Fasken

_____
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

Secretary

FISCO, INC.

By: N. L. Stevens
Vice President

_____ Brooks

_____
Richard S. Brooks

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agr ent, dated July 1, 1978, Towns s 18 and 19 South, Range 25 East, ddy County, New Mexico.

ATTEST:

Secretary

ANADARKO PRODUCTION COMPANY

By: President

ATTEST:

Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: President

Barbara Fesken

David Fasken

Lillie M. Yates

Martin Yates, III

Peggy A. Yates

John A. Yates,

ATTEST:

Secretary

YATES DRILLING COMPANY

By: President

Estelle H. Yates

S. P. Yates

ATTEST:

Secretary

FISCO, INC.

By: President

Brooks

Richard S. Brooks

Harvey E. Yates

Harvey E. Yates

~~Louise D. Yates~~

ATTEST:

Secretary

~~EXPLORERS~~ PETROLEUM CORPORATION

By: President

ATTEST:

Secretary

FRED G. YATES, INC.

By: President

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

Assistant Secretary

HARVEY E. YATES COMPANY, ~~INC.~~

By _____
President

ATTEST:

_____
Secretary

CORONADO EXPLORATION CORPORATION

By _____
President

Attached to and made a part of Rio Penasco [illegible]rking Interest Units, Operating [illegible]eement, dated July 1, 1978, T[illegible]ships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

HARVEY E. YATES COMPANY, INC.

_____
Secretary

By _____
President

ATTEST:

CORONADO EXPLORATION CORPORATION

_____
Secretary

By _____
President

Attached to and made a part of Rio Penasco Working Interest Units, Operating A ment, dated July 1, 1978, To ips 18 and 19 South, Range 25 Eas., Eddy County, New Mexico.

ATTEST:

_____
Secretary

HARVEY E. YATES COMPANY, INC.

By _____
President

ATTEST:

_____
Secretary

CORONADO EXPLORATION CORPORATION

By _____
President

Jean Read
Jean Read

Charles B. Read
Charles B. Read

730

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF New Mexico)
: ss. (Operator)
COUNTY OF Eddy)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by John A. Yates, Vice President of Yates Petroleum Corporation, a New Mexico corporation, on behalf of said corporation.

My commission expires:
6-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by John A. Yates, Vice President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
6-23-81

Kathy Collert
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag ment, dated July 1, 1978, Town ps 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF _____)
: ss. (Operator)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 1st day of August, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag ment, dated July 1, 1978, Town ps 18 and 19 South, Range 25 Eas. Eddy County, New Mexico.

STATE OF _____)
: ss. (Operator)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS I
I
COUNTY OF BEXAR I

BEFORE ME, the undersigned authority, on this day personally appeared V. C. Eldred, Agent and Attorney-in-Fact of SUBURBAN PROPANE GAS CORPORATION, a corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 22nd day of August, 1978.

Edna L. Drews
Notary Public in and for
Bexar County, Texas
EDNA L. DREWS
Notary Public, Bexar County, Texas

My Commission Expires: May 31, 1979

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____) (Operator)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 25th day of October, 1978, by C. H. Hennager, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
10-31-78

Irene Haldas
Notary Public

IRENE HALDAS
Notary Public in and for Harris County, Texas

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Operating Agreement, dated July 1, 1978, Township 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF _____)
: ss.
COUNTY OF _____)

(Operator)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:

_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:

_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:

_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:

_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:

_____

_____
Notary Public

STATE OF OKLAHOMA)
: ss.
COUNTY OF TEXAS)

The foregoing instrument was acknowledged before me this 31st day of July, 1978, by D. G. CAMPBELL, Vice President of READING & BATES PETROLEUM CO., a Texas corporation, on behalf of said corporation.

My commission expires:
3-7-81

Lynne E. Plumlee
Notary Public Lynne E. Plumlee

LYNNE E. PLUMLEE
NOTARY PUBLIC
TULSA

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 31st day of July, 1978, by E. A Chittick, Jr., Vice President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:

Ella M. Lawrence
Notary Public
ELLA M. LAWRENCE
Notary Public in and for Harris County, Texas
My Commission Expires November 30, 1978

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CROWN CENTRAL PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife.

My commission expires:

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

/

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF Texas)
: ss.
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 14th day of AUGUST, 1978, by R.W. KOBDISH, Vice President of CROWN CENTRAL PETROLEUM CORPORATION, a MARYLAND corporation, on behalf of said corporation.

My commission expires:
[illegible]

Cindy L. Sancie
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CROWN CENTRAL PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF CALIFORNIA)
CITY AND : ss.
COUNTY OF SAN FRANCISCO)

The foregoing instrument was acknowledged before me this 4th day of August, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:
April 20, 1979

Norbert J. Dickman
Notary Public City and County of San Francisco, California

OFFICIAL SEAL
NORBERT J. DICKMAN
NOTARY PUBLIC - CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO
My Commission Expires April 20, 1979

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Pinardo Working Interest Unit Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by JOHN A. YATES and PEGGY A. YATES, his wife

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by S. P. YATES and ESTELLE H. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FISCO, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 27th day of July, 1978, by RICHARD S. BROOKS and Annie May BROOKS, his wife.

My commission expires:
January 27, 1980

Paulette V. Bynum
Notary Public Midland County, Texas

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

/

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CROWN CENTRAL PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife, by Attorney-in-Fact, Frank Yates.

My commission expires:
8-23-81

Kathy Colbert
Notary Public

NOTARY PUBLIC STATE OF NEW MEXICO

740

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15 day of November, 1978, by JOHN A. YATES ~~and PEGGY A. YATES, his wife~~

My commission expires:
8-19-80

Scott Ee Wilson
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November 1978, by Peyton Yates, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
8-23-81

Kathy Colbert
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by S. P. YATES and ESTELLE H. YATES, his wife, by Attorney-in-Fact, Peyton Yates.

My commission expires:
8-23-81

Kathy Colbert
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FISCO, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by RICHARD S. BROOKS and _____ BROOKS, his wife.

My commission expires:
_____

_____
Notary Public

Attached to and made a t of Rio Penasco Working Inter Units, Operating Agreement, dated July 1, 1978, Township 18 and 19 South, Range 25 East, Eddy County, New Mexico

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

~~August~~ November, The foregoing instrument was acknowledged before me this 15th day of ~~August~~, 1978, by Frank Yates, President of MYCO INDUSTRIES, INC., a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

8-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

~~August~~ November, The foregoing instrument was acknowledged before me this 15th day of ~~August~~, 1978, by John A. Yates, President of ABO PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

8-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

~~August~~ November, The foregoing instrument was acknowledged before me this 15th day of ~~August~~, 1978, by FRANK YATES.

My Commission Expires:

8-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

~~August~~ November, The foregoing instrument was acknowledged before me this 15th day of ~~August~~, 1978, by John A. Yates, Agent for LOS CHICOS, a partnership.

My Commission Expires:

8-23-81

Kathy Collert
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag ment, dated July 1, 1978, Towr ips 18 and 19 South, Range 25 Eas. Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by JOHN A. YATES and PEGGY A. YATES, his wife

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by S. P. YATES and ESTELLE H. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF Texas)
: ss.
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 13TH day of July, 1978, by N. L. Stevens, III, Vice President of FISCO, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:
6-30-80

Margery L Beery
Notary Public
MARGERY L. BEERY
Notary Public In and for Harris County, Texas
My Commission Expires 6-30-80

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by RICHARD S. BROOKS and _____ BROOKS, his wife.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agr ient, dated July 1, 1978, Town ps 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 5th day of August, 1978, by HARVEY E. YATES, a married man dealing in his sole and separate property.

My commission expires:
[illegible] 1982

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

~~The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by LOUISE D. YATES.~~

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 23 day of August, 1978, by GEORGE M. YATES, _____ President of EXPLORERS PETROLEUM CORPORATION, a New Mexco corporation, on behalf of said corporation.

My commission expires:
July 27, 1980

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 25 day of August, 1978, by FRED G. YATES, _____ President of FRED G. YATES, INC., a NEW MEXICO corporation, on behalf of said corporation.

My commission expires:
July 27, 1980

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 23rd day of August, 1978, by George M. Yates, Vice President of HARVEY E. YATES COMPANY, ~~INC.~~, a New Mexico corporation, on behalf of said corporation.

My commission expires:
July 27, 1980

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ president of CORONADO EXPLORATION CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

744

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by HARVEY E. YATES, a married man dealing in his sole and separate property.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

~~The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by LOUISE D. YATES.~~

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of EXPLORERS PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FRED G. YATES, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of HARVEY E. YATES COMPANY, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this 15th day of September, 1978, by Harvey E. Yates, Jr., _____ president of GORRONO EXPLORATION CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
July 5, 1982

Kathy Ballard
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by JOHN A. YATES and PEGGY A. YATES, his wife

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by S. P. YATES and ESTELLE H. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 19th day of Sept., 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
May 31, 1981

Karen J. McLaden
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FISCO, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by RICHARD S. BROOKS and _____ BROOKS, his wife.

My commission expires:
_____

_____
Notary Public

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF
RIO PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
DATED JULY 1, 1978
TOWNSHIPS 18 AND 19 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

1. Contract Area

   a. Shallow Unit Area:

   Township 18 South, Range 25 East, N.M.P.M.

   Section 34: SE/4
   Section 35: E/2, E/2 SW/4, SW/4 SW/4

   Township 19 South, Range 25 East, N.M.P.M.

   Section 2: All
   Section 3: NE/4
   Section 11: N/2

   b. Deep Unit Area:

   Township 18 South, Range 25 East, N.M.P.M.

   Section 34: E/2
   Section 35: All

   Township 19 South, Range 25 East, N.M.P.M.

   Section 2: All
   Section 3: NE/4
   Section 11: N/2

2. Depth Restrictions

   a. The Shallow Unit Area covers only the oil and gas rights from the surface to a depth of 5,500 feet below the surface of the ground.

   b. The Deep Unit Area covers only the oil and gas rights from a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone.

3. The interests of the parties to this Agreement are calculated in Exhibits "A-2" and "A-3" and are summarized in Exhibits "A-4" and "A-5".

4. The oil and gas leases and interests subject to this Agreement are set forth in Exhibit "A-1".

5. Addressess of Parties for Notices:

Mark D. Wilson
212 American Home Building
Artesia, New Mexico 88210

Yates Petroleum Corporation
Yates Drilling Company
S. P. Yates
Martin Yates, III
John A. Yates
207 South Fourth Street
Artesia, New Mexico 88210
Attention: Mr. Jack W. McCaw

Suburban Propane Gas Corporation
P. O. Box 17689
San Antonio, Texas 78217
Attention: Mr. Tom McGaughy

Amoco Production Company
P. O. Box 3092
Houston, Texas 77001
Attention: Mr. Tom Morrow

Reading and Bates Oil and Gas Co.
3800 First Place
Tulsa, Oklahoma 74103
Attention: Mr. Denny Whinery

EXHIBIT "A" - Continued

Champlin Petroleum Company
300 Wilco Building
Midland, Texas 79701
Attention: Mr. R. L. Lanning

Crown Central Petroleum Corporation
Wilco Building, Suite 1002
Midland, Texas 79701
Attention: Mr. W. P. Baswell, Jr.

Charles B. Read
P. O. Box 2126
Roswell, New Mexico 88201

Harvey E. Yates
Explorers Petroleum Corporation
Fred G. Yates, Inc.
Harvey E. Yates Company, Inc.
Suite 1000
Security National Bank Building
Roswell, New Mexico 88201

Coronado Exploration Corporation
1007 Marquette Ave., N.W.
Albuquerque, New Mexico 87102

Anadarko Production Company
Two Greenway Plaza East, Suite 410
Houston, Texas 77046
Attention: Mr. Gerard Stafford

David Fasken
Richard S. Brooks
608 First National Bank Building
Midland, Texas 79701

FISCO, INC.
P. O. Box 2126
Roswell, New Mexico 88201
Attention: Mr. Norman S. Stevens, Jr.

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
BASES OWNED BY MARK D. WILSON:							
1. MARSHALL AND WINSTON, INC. T18S, R25E Sec. 34: E/2 NE/4, N/2 SE/4 Sec. 35: SW/4 SW/4	200.00	12.50000	25.00000	2-8-79	25.00	-0-	75.00
T18S, R25E Sec. 35: NW/4, NW/4 SW/4	200.00	25.00000	50.00000				
2. MARSHALL AND WINSTON, INC. T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4, NE/4 SE/4, SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	320.40	12.50000	40.05000	2-8-80	25.00	-0-	75.00
T19S, R25E Sec. 2: SE/4 NW/4, E/2 SW/4, NW/4 SE/4	160.00	25.00000	40.00000				
T19S, R25E Sec. 11: E/2 NE/4	80.00	31.25000	25.00000				
3. QUETICO SUPERIOR FOUNDATION T18S, R25E Sec. 34: E/2 NE/4, N/2 SE/4 Sec. 35: SW/4 SW/4	200.00	3.12500	6.25000	2-8-79	25.00	-0-	75.00
4. QUETICO SUPERIOR FOUNDATION T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4, NE/4 SE/4 Sec. 3: S/2 NE/4, NE/4 NE/4	280.78	3.12500	8.77438	2-8-80	25.00	-0-	75.00

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Township 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
5. I. J. MARSHALL, ET UX T18S, R25E Sec. 35: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	3.12500	3.75000	2-20-81	18.75	-0-	81.25
6. CLARENCE E. HINKLE, ET UX T18S, R25E Sec. 35: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	6.25000	7.50000	2-20-81	18.75	-0-	81.25
7. C.A. BAR LAND AND CATTLE COMPANY, INC. T18S, R25E Sec. 35: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	3.12500	3.75000	2-20-81	18.75	-0-	81.25
8. RICHARD I. FLOYD T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
9. JOHNNIE LEE BYBEE, ET AL T18S, R25E Sec. 35: N/2 NE/4	80.00	9.37500	7.50000	2-16-83	12.50	-0-	87.50
10. OLA MAE FLOYD, ET AL T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50

672

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. ALLEN:							
11. ADA L. GRUHLKEY T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
12. DENA A. BYBEE T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
13. GEORGE W. GUSHWA, ET AL T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
14. ROY E. GLASS, ET UX T19S, R25E Sec. 2: NE/4 SE/4	40.00	25.00000	10.00000	2-16-83	18.75	-0-	81.25
15. BONNIE M. MORRISON T19S, R25E Sec. 2: E/2 SW/4, SE/4 NW/4, NW/4 SE/4	160.00	25.00000	40.00000	2-15-83	18.75	-0-	81.25
16. MAY ADAMS T19S, R25E Sec. 3: NW/4 NE/4	40.36	100.00000	40.36000	2-15-83	12.50	-0-	87.50
17. ROLLA ROBERTS HINKLE TRUST T18S, R25E Sec. 34: N/2 SE/4, E/2 NE/4	160.00	6.25000	10.00000	5-1-81	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
18. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 2: NE/4 SE/4	40.00	6.25000	2.50000	5-1-81	18.75	-0-	81.25
19. MARGARET W. CHILDRESS, ET AL T18S, R25E Sec. 34: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	6.25000	7.50000	3-17-81	18.75	-0-	81.25
20. SELMA E. ANDREWS TRUST T18S, R25E Sec. 35: N/2 NE/4	80.00	25.00000	20.00000	2-18-80	25.00	-0-	75.00
21. ROY E. GLASS, ET UX T18S, R25E Sec. 34: E/2 NE/4	80.00	25.00000	20.00000	6-14-83	18.75	-0-	81.25
22. ROY E. GLASS, ET UX T18S, R25E Sec. 35: SW/4 SW/4	40.00	25.00000	10.00000	6-14-83	18.75	-0-	81.25
23. ROY E. GLASS, ET UX T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	120.40	25.00000	30.10000	6-14-83	18.75	-0-	81.25
24. MARGARET W. CHILDRESS, ET AL T18S, R25E Sec. 35: SW/4 SW/4 T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	160.40	6.25000	10.02500	6-13-81	18.75	-0-	81.25

251

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
25. I. J. MARSHALL, ET UX T18S, R25E Sec. 35: SW/4 SW/4 T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	160.40	3.12500	5.01250	6-13-81	18.75	-0-	81.25
26. CLARENCE E. HINKLE, ET UX T18S, R25E Sec. 35: SW/4 SW/4 T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	160.40	6.25000	10.02500	6-13-81	18.75	-0-	81.25
27. C.A. BAR LAND AND CATTLE COMPANY, INC. T18S, R25E Sec. 35: SW/4 SW/4	40.00	3.12500	1.25000	6-14-81	18.75	-0-	81.25
28. C.A. BAR LAND AND CATTLE COMPANY, INC. T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	120.40	3.12500	3.76250	6-14-81	18.75	-0-	81.25
29. ROLLA ROBERTS HINKLE TRUST T18S, R25E Sec. 35: SW/4 SW/4	40.00	6.25000	2.50000	6-14-81	18.75	-0-	81.25
30. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	120.40	6.25000	7.52500	6-14-81	18.75	-0-	81.25

752

EXHIBIT "A-1"
RIO PENASCO WORKING INTERESTS UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORRI Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	6.25000	7.52375	6-14-81	18.75	-0-	81.25
32. CORDELLA M. KINCAID, ET AL T19S, R25E Sec. 2: NE/4 SE/4, SW/4 NW/4, N/2 NW/4	160.40	21.87500	35.08750	6-14-81	18.75	-0-	81.25
33. STERLING M. CARTER, ET AL T19S, R25E Sec. 2: NE/4 SE/4, SW/4 NW/4, N/2 NW/4	160.40	3.12500	5.01250	6-14-81	18.75	-0-	81.25
34. RALPH NIX, ET AL T19S, R25E Sec. 2: S/2 SE/4	80.00	100.00000	80.00000	7-5-80	22.50	-0-	77.50
LEASES OWNED BY YATES PETROLEUM CORPORATION:							
1. CORDELLA M. KINCAID, ET AL T18S, R25E Sec. 34: E/2 NE/4 Sec. 35: SW/4 SW/4	120.00 (Limited to Rights Below 5,800')	25.00000	30.00000	HBP	12.50	5.00 PP	82.50
2. NM-12246 T18S, R25E Sec. 34: N/2 NE/4	80.00 (Limited to Rights Below 5,500')	100.00000	80.00000	HBP	12.50 U.S.A.	5.00	82.50

252

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY YATES PETROLEUM CORPORATION:							
a. GEORGE W. GUSHMA, ET UX T18S, R25E Sec. 35: NW/4, NW/4 SW/4 T19S, R25E Sec. 2: SE/4 NW/4, E/2 SW/4, NW/4 SE/4	360.00 (Limited to Rights Below 5,800')	50.00000	180.00000	HBP	18.75	5.00 PP	76.25
b. NM-0611468 T19S, R25E Sec. 2: N/2 NE/4	79.60 (Limited to Rights Below 5,800')	100.00000	79.60000	HBP	12.50 U.S.A.	5.00	82.50
c. NANCY P. TONKIN, ET AL T19S, R25E Sec. 11: S/2 NE/4	80.00	31.87500	25.50000	8-18-82	18.75	-0-	81.25
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
1. I. J. MARSHALL, ET UX T18S, R25E Sec. 30: N/2 SE/4	80.00	3.12500	2.50000	11-12-81	18.75	-0-	81.25
2. CLARENCE E. HINKLE, ET UX T18S, R25E Sec. 30: N/2 SE/4	80.00	6.25000	5.00000	11-12-81	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
3. C. A. LAND AND CATTLE COMPANY, INC. T18S, R25E Sec. 34: N/2 SE/4	80.00	3.12500	2.50000	11-12-81	18.75	-0-	81.25
4. ROY E. GLASS, ET UX T18S, R25E Sec. 34: N/2 SE/4	80.00	25.00000	20.00000	11-10-81	18.75	-0-	81.25
5. CORDELLA M. KINCAID, ET AL T18S, R25E Sec. 34: N/2 SE/4	80.00	21.87500	17.50000	11-22-81	18.75	-0-	81.25
6. STERLING M. CARTER, ET AL T18S, R25E Sec. 34: N/2 SE/4	80.00	3.12500	2.50000	11-22-81	18.75	-0-	81.25
7. MARGARET W. CHILDRESS, ET AL T18S, R25E Sec. 34: N/2 SE/4	80.00	6.25000	5.00000	11-22-81	18.75	-0-	81.25
8. DON L. BRADSHAW T18S, R25E Sec. 34: S/2 SE/4	80.00	15.14285	12.11428	3-9-82	20.00	-0-	80.00
9. A. M. ROUTH T18S, R25E Sec. 34: S/2 SE/4	80.00	25.00000	20.00000	3-3-82	20.00	-0-	80.00

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
10. JACK B. WILKINSON, ET UX T18S, R25E Sec. 34: S/2 SE/4	80.00	9.85715	7.88572	6-27-81	25.00	-0-	75.00
11. BARNES ADELANTE TRUSTS, ET AL T18S, R25E Sec. 34: S/2 SE/4	80.00	50.00000	40.00000	6-27-81	25.00	-0-	75.00
12. EARL COLLINS, ET UX T18S, R25E Sec. 35: SE/4, S/2 NE/4, E/2 SW/4	320.00	25.00000	80.00000	8-28-78	12.50	-0-	87.50
13. CORDELLA M. KINCAID, ET AL T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	21.87500	26.33313	11-22-81	18.75	-0-	81.25
14. STERLING M. CARTER, ET AL T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	3.12500	3.76187	11-22-81	18.75	-0-	81.25
15. ROY E. GLASS, ET UX T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	25.00000	30.09500	10-22-81	18.75	-0-	81.25
16. I. J. MARSHALL, ET UX T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	3.12500	3.76187	11-22-81	18.75	-0-	81.25

256

EXHIBIT "A-1"
RIO PECASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
17. CLARENCE E. HINKLE, ET UX T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	6.25000	7.52375	11-22-81	18.75	-0-	81.25
18. C.A. LAND AND CATTLE COMPANY, INC. T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	3.12500	3.76188	11-22-81	18.75	-0-	81.25
19. MARGARET W. CHILDRESS, ET AL T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	6.25000	7.52375	11-22-81	18.75	-0-	81.25
LEASES OWNED BY AMOCO PRODUCTION COMPANY:							
1. NM-18820 T19S, R25E Sec. 2: S/2 NE/4	80.00	100.00000	80.00000	8-1-83	12.50 U.S.A.	5.00	82.50
2. NM-12833 T19S, R25E Sec. 11: S/2 NW/4, SW/4 NE/4	120.00	100.00000	120.00000	1-1-81	12.50 U.S.A.	5.00	82.50
LEASE OWNED BY READING AND BATES, INC.:							
1. EARL COLLINS, ET UX T18S, R25E Sec. 35: SE/4, S/2 NE/4,	320.00	50.00000	160.00000	8-28-78	12.50	-0-	87.50

757

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY CHAMPLIN PETROLEUM COMPANY:							
1. BONNIE M. MORRISON T18S, R25E Sec. 35: N/2 NE/4	80.00	50.00000	40.00000	8-17-82	18.75	-0-	81.25
2. BONNIE M. MORRISON T19S, R25E Sec. 2: SW/4 SW/4	40.00	12.50000	5.00000	8-17-82	18.75	-0-	81.25
3. BOY SCOUTS OF AMERICA T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: NW/4 NE/4, N/2 NW/4	160.00	1.25000	2.00000	9-28-82	18.75	-0-	81.25
4. THE LAW SCHOOL OF UNM T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: NW/4 NE/4, N/2 NW/4	160.00	20.00000	32.00000	9-28-82	18.75	-0-	81.25
5. NEW MEXICO MILITARY INSTITUTE T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: NW/4 NE/4, N/2 NW/4	160.00	3.75000	6.00000	9-28-82	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY ANADARKO PRODUCTION COMPANY:							
1. GLADYS L. GREGG, ET VIR T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	20.83333	33.33333	3-31-82	18.75	-0-	81.25
2. PLAZA BANK AND TRUST CO., EXECUTOR T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	20.83333	33.33334	3-10-82	18.75	-0-	81.25
3. BONNIE M. MORRISON T19S, R25E Sec. 11: N/2 NW/4, NW/4 NE/4	120.00	12.50000	15.00000	2-25-80	18.75	-0-	81.25
LEASE OWNED BY CROWN CENTRAL PETROLEUM CORPORATION:							
1. EARL COLLINS, ET UX T18S, R25E Sec. 35: SE/4, S/2 NE/4, E/2 SW/4	320.00	25.00000	80.00000	8-28-78	12.50	-0-	87.50
LEASE OWNED BY DAVID FASKEN:							
1. BONNIE M. MORRISON T18S, R25E Sec. 35: NW/4, NW/4 SW/4	200.00	24.50000	49.00000	HBP	12.50	-0-	87.50

259

EXHIBIT "A-1"
RIO PECOS WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARTIN YATES, III:							
1. CLARENCE E. HINKLE, ET UX T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16666	HBP	18.75	-0-	81.25
2. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16667	HBP	18.75	12.50	68.75
LEASES OWNED BY S. P. YATES:							
1. CLARENCE E. HINKLE, ET UX T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16667	HBP	18.75	-0-	81.25
2. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16666	HBP	18.75	12.50	68.75
MINERALS OWNED BY CHARLES B. READ:							
1. T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	4.16667	6.66667				
MINERALS OWNED BY FISCO, INC:							
1. T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	2.08333	3.33333				

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASE OWNED BY RICHARD S. BROOKS:							
1. BONNIE M. MORRISON	200.00	.50000	1.00000	HBP	12.50	-0-	87.50
LEASES OWNED BY EAGLE GROUP: (YATES PETROLEUM CORPORATION - 1/2; YATES DRILLING COMPANY - 1/6; MARTIN YATES, III - 1/6; JOHN A. YATES - 1/6)							
1. CORDELLA M. KINCAID, ET AL T18S, R25E Sec. 35: SW/4 SW/4	40.00	25.00000 (Limited to Rights From Surface to 5,800')	10.00000	HBP	12.50	-0-	87.50
2. GEORGE W. GUSHWA, ET UX T19S, R25E Sec. 2: SE/4 NW/4, E/2 SW/4 NW/4 SE/4	160.00	50.00000 (Limited to Rights From Surface to 5,800')	80.00000	HBP	12.50	-0-	87.50
NM-05488 T19S, R25E Sec. 2: N/2 NE/4	79.60	100.00000 (Limited to Rights From Surface to 5,800')	79.60000	HBP	12.50 U.S.A.	5.00	82.50
LEASE OWNED BY HARVEY E. YATES COMPANY, INC., ET AL:							
1. NM-31197* T19S, R25E Sec. 2: NW/4 SW/4	40.00	100.00000	40.00000	10-1-82	12.50 U.S.A. (KGS Sliding-Scale)	1.50	86.00

* Lease owned by Harvey E. Yates Company, Inc. - 72.2746%, Harvey E. Yates - 5.0000%, Explorers Petroleum Corporation - 5.0000%, Fred G. Yates, Inc. - 5.0000%, Coronado Exploration Corp. - 12.7254%.

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership in Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
MARK D. WILSON	1	75.00000		75.000	56.25000	
	2	105.05000		75.000	78.78750	
	3	6.25000		75.000	4.68750	
	4	8.77438		75.000	6.58079	
	5	3.75000		81.250	3.04688	
	6	7.50000		81.250	6.09375	
	7	3.75000		81.250	3.04688	
	8	2.50000		87.500	2.18750	
	9	7.50000		87.500	6.56250	
	10	2.50000		87.500	2.18750	
	11	2.50000		87.500	2.18750	
	12	2.50000		87.500	2.18750	
	13	2.50000		87.500	2.18750	
	14	10.00000		81.250	8.12500	
	15	40.00000		81.250	32.50000	
	16	40.36000		87.500	35.31500	
	17	10.00000		81.250	8.12500	
	18	2.50000		81.250	2.03125	
	19	7.50000		81.250	6.09375	
	20	20.00000		75.000	15.00000	
	21	20.00000		81.250	16.25000	
	22	10.00000		81.250	8.12500	
	23	30.10000		81.250	24.45625	
	24	10.02500		81.250	8.14531	
	25	5.01250		81.250	4.07266	
	26	10.02500		81.250	8.14531	
	27	1.25000		81.250	1.01563	
	28	3.76250		81.250	3.05703	
	29	2.50000		81.250	2.03125	
	30	7.52500		81.250	6.11406	
	31	7.52375		81.250	6.11305	
	32	35.08750		81.250	28.50859	
	33	5.01250		81.250	4.07266	
	34	80.00000		77.500	62.00000	
MARK D. WILSON TOTAL		588.25813	29.3476		465.29010	28.4757

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
YATES PETROLEUM CORPORATION	1	30.00000		82.500	24.75000	
	2	80.00000		82.500	66.00000	
	3	180.60000		76.250	137.70750	
	4	79.60000		82.500	65.67000	
	5	25.50000		81.250	20.71875	
YATES PETROLEUM CORPORATION TOTAL		395.10000	19.7111		315.34625	19.2992
SUBURBAN PROPANE GAS CORPORATION	1	2.50000		81.250	2.03125	
	2	5.00000		81.250	4.06250	
	3	2.50000		81.250	2.03125	
	4	20.00000		81.250	16.25000	
	5	17.50000		81.250	14.21875	
	6	2.50000		81.250	2.03125	
	7	5.00000		81.250	4.06250	
	8	12.11428		80.000	9.69142	
	9	20.00000		80.000	16.00000	
	10	7.38572		75.000	5.91429	
	11	40.00000		75.000	30.00000	
	12	80.00000		87.500	70.00000	
	13	26.33313		81.250	21.39567	
	14	3.76187		81.250	3.05652	
	15	30.09500		81.250	24.45219	
	16	3.76187		81.250	3.05652	
	17	7.52375		81.250	6.11305	
	18	3.76188		81.250	3.05653	
	19	7.52375		81.250	6.11305	
SUBURBAN PROPANE GAS CORPORATION TOTAL		297.76125	14.8550		243.53674	14.9044
HARVEY E. YATES CO., INC., ET AL	1	40.00000		86.000	34.4000	
HARVEY E. YATES CO., INC. TOTAL		40.00000	1.9956		34.4000	2.1053

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
AMOCO PRODUCTION COMPANY	1	80.00000		82.500	66.00000	
	2	120.00000		82.500	99.00000	
AMOCO PRODUCTION COMPANY TOTAL		200.00000	9.9778		165.00000	10.0980
READING & BATES OIL AND GAS COMPANY	1	160.00000		87.500	140.00000	
READING & BATES OIL AND GAS COMPANY TOTAL		160.00000	7.9822		140.00000	8.5680
CHAMPLIN PETROLEUM COMPANY	1	40.00000		81.250	32.50000	
	2	5.00000		81.250	4.06250	
	3	2.00000		81.250	1.62500	
	4	32.00000		81.250	26.00000	
	5	6.00000		81.250	4.87500	
CHAMPLIN PETROLEUM COMPANY TOTAL		85.00000	4.2406		69.06250	4.2266
ANADARKO PRODUCTION COMPANY	1	33.33333		81.250	27.08333	
	2	33.33334		81.250	27.08334	
	3	15.00000		81.250	12.18750	
ANADARKO PRODUCTION COMPANY TOTAL		81.66667	4.0743		66.35417	4.0609
CROWN CENTRAL PETROLEUM CORPORATION	1	80.00000		87.500	70.00000	
CROWN CENTRAL PETROLEUM CORPORATION TOTAL		80.00000	3.9911		70.00000	4.2840
DAVID FASKEN	1	49.00000		87.500	42.87500	
DAVID FASKEN TOTAL		49.00000	2.4445		42.87500	2.6239
MARTIN YATES, III	1	4.16666		81.250	3.38541	
	2	4.16667		68.750	2.86459	
MARTIN YATES, III TOTAL		8.33333	.4157		6.25000	.3825

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
S. P. YATES	1	4.16667		81.250	3.38542	
	2	4.16666		68.750	2.86458	
S. P. YATES TOTAL		8.33333	.4157		6.25000	.3825
CHARLES B. READ	1	6.66667		87.5000	5.83334	
CHARLES B. READ TOTAL		6.66667	.3326		5.83334	.3570
FISCO, INC.	1	3.33333		87.5000	2.91666	
FISCO, INC. TOTAL		3.33333	.1663		2.91666	.1785
RICHARD S. BROOKS	1	1.00000		87.500	.87500	
RICHARD S. BROOKS TOTAL		1.00000	.0499		.87500	.0535
DEEP UNIT TOTALS		2004.45271	100.0000		1633.98976	100.0000

765

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
MARK D. WILSON	1	15.00000		75.000	11.25000	
	2	105.05000		75.000	78.78750	
	3	3.75000		75.000	2.81250	
	4	8.77438		75.000	6.58079	
	5	1.25000		81.250	1.01563	
	6	2.50000		81.250	2.03125	
	7	1.25000		81.250	1.01563	
	8	2.50000		87.500	2.18750	
	9	7.50000		87.500	6.56250	
	10	2.50000		87.500	2.18750	
	11	2.50000		87.500	2.18750	
	12	2.50000		87.500	2.18750	
	13	2.50000		87.500	2.18750	
	14	10.00000		81.250	8.12500	
	15	40.00000		81.250	32.50000	
	16	40.36000		87.500	35.31500	
	17	5.00000		81.250	4.06250	
	18	2.50000		81.250	2.03125	
	19	2.50000		81.250	2.03125	
	20	20.00000		75.000	15.00000	
	22	10.00000		81.250	8.12500	
	23	30.10000		81.250	24.45625	
	24	10.02500		81.250	8.14531	
	25	5.01250		81.250	4.07266	
	26	10.02500		81.250	8.14531	
	27	1.25000		81.250	1.01563	
	28	3.76250		81.250	3.05703	
	29	2.50000		81.250	2.03125	
	30	7.52500		81.250	6.11406	
	31	7.52375		81.250	6.11305	
	32	35.08750		81.250	28.50859	
	33	5.01250		81.250	4.07266	
	34	80.00000		77.500	62.00000	
MARK D. WILSON TOTAL		485.75813	29.4051		385.91510	28.4196

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
YATES PETROLEUM CORPORATION						
	5	25.50000		81.250	20.71875	
	1	5.00000		82.500	4.12500	
	2	40.00000		87.500	35.00000	
	3	39.80000		76.250	30.34750	
YATES PETROLEUM CORPORATION TOTAL		110.30000	6.6769		90.19125	6.6419
SUBURBAN PROPANE GAS CORPORATION	1	2.50000		81.250	2.03125	
	2	5.00000		81.250	4.06250	
	3	2.50000		81.250	2.03125	
	4	20.00000		81.250	16.25000	
	5	17.50000		81.250	14.21875	
	6	2.50000		81.250	2.03125	
	7	5.00000		81.250	4.06250	
	8	12.11428		80.000	9.69142	
	9	20.00000		80.000	16.00000	
	10	7.88972		75.000	5.91729	
	11	40.00000		75.000	30.00000	
	12	80.00000		87.500	70.00000	
	13	26.33313		81.250	21.39567	
	14	3.76187		81.250	3.05652	
	15	30.09500		81.250	24.45219	
	16	3.76187		81.250	3.05652	
	17	7.52375		81.250	6.11305	
	18	3.76183		81.250	3.05653	
	19	7.52375		81.250	6.11305	
SUBURBAN PROPANE GAS CORPORATION TOTAL		297.76125	18.0248		243.53674	17.9345
AMOCO PRODUCTION COMPANY	1	80.00000		82.500	66.00000	
	2	120.00000		82.500	99.00000	
AMOCO PRODUCTION COMPANY TOTAL		200.00000	12.1069		165.00000	12.1509
HARVEY E. YATES CO., INC., ET AL	1	40.00000		86.000	34.40000	
HARVEY E. YATES CO., INC., ET AL TOTAL		40.00000	2.4214		34.40000	2.5333

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
READING & BATES OIL AND GAS COMPANY	1	160.00000		87.500	140.00000	
READING & BATES OIL AND GAS COMPANY TOTAL		160.00000	9.6855		140.00000	10.3099
CHAMPLIN PETROLEUM COMPANY	1	40.00000		81.250	32.50000	
	2	5.00000		81.250	4.06250	
	3	32.00000		81.250	1.62500	
	4	32.00000		81.250	26.00000	
	5	6.00000		81.250	4.87500	
CHAMPLIN PETROLEUM COMPANY TOTAL		85.00000	5.1454		69.06250	5.0859
ANADARKO PRODUCTION COMPANY	1	33.33333		81.250	27.08333	
	2	33.33334		81.250	27.08334	
	3	15.00000		81.250	12.18750	
ANADARKO PRODUCTION COMPANY TOTAL		81.66667	4.9436		66.35417	4.8864
CROWN CENTRAL PETROLEUM CORPORATION	1	80.00000		87.500	70.00000	
CROWN CENTRAL PETROLEUM CORPORATION TOTAL		80.00000	4.8428		70.00000	5.1549
MARTIN YATES, III	1	4.16666		81.250	3.38541	
	2	4.16667		68.750	2.86459	
(EAGLE GROUP LEASES)	1	1.66667		87.500	1.45834	
	2	13.33333		87.500	11.66666	
	3	13.26667		82.500	10.94500	
MARTIN YATES, III AND EAGLE GROUP LEASES TOTAL		36.60000	2.2156		30.32000	2.2328

768

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
JOHN A. YATES	1	1.66667		87.500	1.45834	
	2.	13.33333		87.500	11.66666	
	3	13.26667		82.500	10.94500	
JOHN A. YATES TOTAL		28.26667	1.7111		24.07000	1.7726
YATES DRILLING COMPANY	1	1.66666		87.500	1.45833	
	2	13.33334		87.500	11.66667	
	3	13.26667		82.500	10.94500	
YATES DRILLING COMPANY TOTAL		28.26667	1.7111		24.07000	1.7726
S. P. YATES	1	4.16667		81.250	3.38542	
	2	4.16666		68.750	2.86458	
S. P. YATES TOTAL		8.33333	.5044		6.25000	.4603
CHARLES B. READ	1	6.66667		87.500	5.83334	
CHARLES B. READ TOTAL		6.66667	.4036		5.83334	.4296
FISCO, INC.	1	3.33333		87.500	2.91666	
FISCO, INC. TOTAL		3.33333	.2018		2.91666	.2148
SHALLOW UNIT TOTALS		1651.95272	100.0000		1357.91976	100.0000

765

AMENDED EXHIBIT "A-4"

SCHEDULE SHOWING INTERESTS CONTRIBUTED, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL AFTER PAYOUT AND ALL SUBSEQUENT WELLS IN RIO PENASCO DEEP UNIT

	Contribution for Initial Test Well		Initial Test Well Until Payout		Subsequent Wells and Initial Well After Payout	
			Costs	Production	Costs	Production
	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Owner	Percentage of Unit	Percentage Beneficial Interest	Percentage Costs	Beneficial Percentage Production	Percentage Costs	Beneficial Percentage Production
Mark D. Wilson	5.0000	4.8515	5.0000	4.8515	5.0000	4.8515
Yates Petroleum Corporation	19.7111	19.2992	19.7111	19.2992	19.7111	19.2992
Suburban Propane Gas Corporation	14.8550	14.9044	14.8550	14.9044	14.8550	14.9044
Amoco Production Company	9.9778	10.0980	-0-	-0-	4.9889	5.0490
Reading & Bates Oil and Gas Company	7.9822	8.5680	7.9822	8.5680	7.9822	8.5680
Champlin Petroleum Company	4.2406	4.2266	4.2406	4.2266	4.2406	4.2266
Anadarko Production Company	4.0743	4.0609	4.0743	4.0609	4.0743	4.0609
Crown Central Petroleum Corporation	3.9911	4.2840	3.9911	4.2840	3.9911	4.2840
David Fasken	2.4445	2.6239	-0-	-0-	1.2222	1.3119
vey E. Yates Company, et al*	1.9956	2.1053	1.9956	2.1053	1.9956	2.1053
Martin Yates, III	.4157	.3825	.4157	.3825	.4157	.3825
John A. Yates	-0-	-0-	-0-	-0-	-0-	-0-
Yates Drilling Company	-0-	-0-	-0-	-0-	-0-	-0-
S. P. Yates	.4157	.3825	.4157	.3825	.4157	.3825
Charles B. Read	.3326	.3570	.3326	.3570	.3326	.3570
FISCO, INC.	.1663	.1785	.1663	.1785	.1663	.1785
Richard S. Brooks	.0499	.0535	-0-	-0-	.0250	.0268
Operator†	24.3476	23.6242	36.8198	36.3996	30.5837	30.0119
	100.0000	100.0000	100.0000	100.0000	100.0000	100.0000

AMENDED EXHIBIT "A-4"
Page 2

*Harvey E. Yates Company, et al, is composed of:

Harvey E. Yates Company	72.2746%
Harvey E. Yates	5.0000%
Explorers Petroleum Corporation	5.0000%
Fred G. Yates, Inc.	5.0000%
Coronado Exploration Corporation	12.7254%

The Operator's interest is owned and paid for by:

John A. Yates	13.3333%
Abo Petroleum Corporation	13.3333%
Los Chicos	6.6667%
Yates Drilling Company	22.2222%
S. P. Yates	11.1111%
Martin Yates, III	13.9507%
Myco Industries, Inc.	13.9508%
Frank Yates	5.4319%

AMENDED EXHIBIT "A-5"

SCHEDULE SHOWING INTERESTS CONTRIBUTED, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL AFTER PAYOUT AND ALL SUBSEQUENT WELLS IN RIO PENASCO SHALLOW UNIT

	Contribution for Initial Test Well		Initial Test Well Until Payout		Subsequent Wells and Initial Well After Payout	
			Costs	Production	Costs	Production
Owner	Column 1 Percentage of Unit	Column 2 Percentage Beneficial Interest	Column 3 Percentage Costs	Column 4 Beneficial Percentage Production	Column 5 Percentage Costs	Column 6 Beneficial Percentage Production
Mark D. Wilson	5.0098	4.8419	5.0098	4.8419	5.0098	4.8419
Yates Petroleum Corporation	6.6769	6.6419	6.6769	6.6419	6.6769	6.6419
Suburban Propane Gas Corporation	18.0248	17.9345	18.0248	17.9345	18.0248	17.9345
Amoco Production Company	12.1069	12.1509	-0-	-0-	6.0535	6.0755
Reading & Bates Oil and Gas Company	9.6855	10.3099	9.6855	10.3099	9.6855	10.3099
Champlin Petroleum Company	5.1454	5.0859	5.1454	5.0859	5.1454	5.0859
Anadarko Production Company	4.9436	4.8864	4.9436	4.8864	4.9436	4.8864
Crown Central Petroleum Corporation	4.8428	5.1549	4.8428	5.1549	4.8428	5.1549
David Fasken	-0-	-0-	-0-	-0-	-0-	-0-
Ha y E. Yates Company, et al*	2.4214	2.5333	2.4214	2.5333	2.4214	2.5333
Martin Yates, III	2.2156	2.2328	2.2156	2.2328	2.2156	2.2328
John A. Yates	1.7111	1.7726	1.7111	1.7726	1.7111	1.7726
Yates Drilling Company	1.7111	1.7726	1.7111	1.7726	1.7111	1.7726
S. P. Yates	.5044	.4603	.5044	.4603	.5044	.4603
Charles B. Read	.4036	.4296	.4036	.4296	.4036	.4296
FISCO, INC.	.2018	.2148	.2018	.2148	.2018	.2148
Richard S. Brooks	-0-	-0-	-0-	-0-	-0-	-0-
Operator+	24.3953	23.5777	36.5022	35.7286	30.4487	29.6531
	100.0000	100.0000	100.0000	100.0000	100.0000	100.0000

*Harvey E. Yates Company, et al, is composed of:

Harvey E. Yates Company	72.2746%
Harvey E. Yates	5.0000%
Explorers Petroleum Corporation	5.0000%
Fred G. Yates, Inc.	5.0000%
Coronado Exploration Corporation	12.7254%

+The Operator's interest is owned and paid for by:

John A. Yates	13.3333%
Abo Petroleum Corporation	13.3333%
Los Chicos	6.6667%
Yates Drilling Company	22.2222%
S. P. Yates	11.1111%
Martin Yates, III	13.9507%
Myco Industries, Inc.	13.9508%
Frank Yates	5.4319%

774

Producers 88 Rev. (5 Year Lease) 10-57

EXHIBIT "B"

(FIVE YEAR PAID UP LEASE)

OIL AND GAS LEASE

Form 345
Hall-Poorbaugh Press
Roswell, New Mexico

THIS AGREEMENT made this ..... day of ....., 19 78, between

.....

.....

Lessor (whether one or more), whose address is: .....

and ..... Lessee, WITNESSETH:

1. Lessor in consideration of Ten ..... Dollars ($ 10.00) in hand paid, 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 and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in ..... Eddy ..... County, ... New Mexico ....., to-wit:

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 without further payments 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 this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, 1/8 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/8 of the 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; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of $1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, 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 in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction 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 under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to 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 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 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 its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease 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 gas, or either of them, 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. 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, 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, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation 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, 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, 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. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary terms, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 leased premises are situated at any time after the completion of a dry hole or the cessation of production 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 lease 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. 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.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either 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; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of 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 commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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 revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor [redacted] agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

.....	.....
.....	.....
..... Lessor	..... Lessor

COPAS - 1978

Recommended by the Council of Petroleum Accountants Societies of North America

COPAS

EXHIBIT "C"

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, Dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy 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.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"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. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator 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 Controllable Material as provided for in Section V.

5. 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 Joint Account 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 adjustments of accounts as provided for in Paragraph 4 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. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

COPIES

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs 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. 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 costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs 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 chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. 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, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

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, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. 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 other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. 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.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. 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 in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(XX) Fixed Rate Basis, Paragraph 1A, or
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. 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 the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (x) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 2,000.00
Producing Well Rate $ 278.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the 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 suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April 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 calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:
For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000.00 :

A. 5 % of total costs if such costs are more than $ 25,000.00 but less than $ 100,000.00 ; plus
B. 3 % of total costs in excess of $ 100,000.00 but less than $1,000,000; plus
C. 2 % of total costs in excess of $1,000,000.

Total cost shall mean the 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 and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

COPAS

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) 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 published or listed prices 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 providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided 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 ten 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.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. 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.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable 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.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

30 Attached to and made a part of Rio Penasco Working Interest Unit, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, y County, New Mexico.

EXHIBIT "D"

INSURANCE

Operator shall secure and maintain during the term of this agreement insurance to cover Operator's operations on the contract acreage covered by this agreement as follows:

(a) Workmen's Compensation Insurance to fully comply with the laws of the State where operations are to be performed, and with employers liability insurance including, if any operations hereunder are to be conducted in inland waters, bays or marshes, endorsements covering:

(1) United States Longshoremen's and Harbor Worker's Compensation Act.

(2) Employer's Liability covering maritime operations with limits of liability of $500,000 for death or injury to one person and $500,000 for deaths or injuries arising out of one accident.

(b) Comprehensive General Liability Insurance, excluding products, but if any operations hereunder are to be conducted in inland waters, bays or marshes, including watercraft liability: A single combined limit of $500,000 each accident for bodily injuries or death and property damage.

(c) Comprehensive Automobile Public Liability and Property Damage Insurance with a single combined limit of $500,000 each accident for bodily injuries or death and property damage.

Operator shall require Operator's contractors and subcontractors working or performing services on the contract acreage to comply with the Workmen's Compensation laws of the State where the contract acreage is located, and to carry such other insurance and in such amounts as Operator deems necessary.

EXHIBIT "E"

ATTACHED TO AND MADE A PART OF
RIO PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
DATED JULY 1, 1978
TOWNSHIPS 18 AND 19 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

GAS BALANCING AGREEMENT

In accordance with the terms of the Operating Agreement and upon completion of a gas well, this Gas Balancing Agreement shall become effective in accordance with Article VI.C and shall apply to each well severally.

It is the intention of the parties hereto that Operator shall have the duty of controlling gas well production and the responsibility of administering the provisions of this agreement. Operator shall cause deliveries to be made to gas purchasers at such rates as may be required to give effect to the intent that the gas production accounts of all parties are to be brought into balance under the provisions contained herein.

Each party has made (or will make) arrangements to sell or utilize its share of the gas produced from each well in the Contract Area. It appears, however, that the respective gas markets of the parties may be limited from time to time; therefore, to permit the parties as much flexibility as possible in meeting the demands of their respective markets, the parties hereto agree to the storage arrangements herein set forth.

1.

From and after the date of initial delivery of gas from said well, during any period when a party is taking less than its share of the gas produced from said well, any other party may produce from said well and take or deliver to a purchaser, each month, all or a part of that portion of the allowable gas production which is not produced by a party taking less than its full share. The parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests.

2.

On a cumulative basis, a party taking less than its full share of the gas produced shall be credited with gas in storage equal to its full share of the total gas produced and saved, less that portion of the gas such party took or delivered to a purchaser. Operator will maintain an account of the gas balance as between the parties hereto and will furnish each party monthly statements showing the total quantity of gas produced, the total quantity of gas taken by each party, and the monthly and cumulative over and under delivery of each party.

3.

After notice to the Operator, any party may at any time begin taking or delivering to a purchaser its full share of gas produced (less such party's share of gas used in operations, vented or lost). To allow the recovery of gas in storage and to balance the gas account of the parties in accordance with their respective interests, a party with gas in storage shall be entitled to take or deliver to a purchaser its current share of the gas produced, plus a share of gas not exceeding its gas storage, determined by multiplying 50% of the interest in the current gas production of the party or parties without gas in storage by a fraction, the numerator of which is the interest in said well of such party with gas in storage and the denominator of which is the total percentage interest in said well of all parties with gas in storage currently taking or delivering to a purchaser.

4.

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability test required by its purchaser. Each party shall, at all times, use its best efforts to regulate its takes and deliveries from said well so that said well will not be shut in for over producing the allowable thereto assigned by the applicable regulatory authority.

5.

Other provisions contained in the Operating Agreement notwithstanding, each party shall be responsible for the entire payment to each royalty, overriding royalty and production payment owner entitled to a portion of the proceeds received for the gas which such party takes, such payment to be based upon the gas produced and the price received. Each party hereto hereby indemnifies the other parties hereto against the claims, demands and causes of action which have as their basis an alleged entitlement to payment in excess of that received by the party taking the gas, of royalty, overriding royalty and production payment owners to whom such indemnitor is obligated under the applicable leases or other instruments which create such interests.

If, however, any party is obligated pursuant to said Operating Agreement or instruments of title as reflected in the chain of title to such party's interest to assume and alone bear any overriding royalty or other obligation or portion hereon out of such obligated party's share of production, such obligated party shall promptly reimburse each party taking gas for all amounts paid to the owner of such excess interest, which are attributable to such excess interest. If such obligated party fails to make such reimbursement within 15 days after receiving a statement therefor, all reimbursed amounts shall thereafter bear interest at the rate of 10% per annum and the unreimbursed party (whether Operator or Non-Operator) shall have the benefits of all of the liens and other rights provided for in Article VII.8 of the Operating Agreement to secure the payment of such unreimbursed amounts plus interest thereon.

6.

Each party producing and taking or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

7.

Should production of gas from said well be permanently discontinued before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid by the overproduced party or parties, based on the actual price received, month by month, for the volumes of gas as and when the same were produced, less applicable taxes theretofore paid.

8.

Nothing herein shall change or affect each party's obligations to pay its proportionate share of all costs and liabilities incurred, as its share thereof is set forth in the Operating Agreement.

9.

This agreement shall be considered as a separate and distinct agreement with respect to each separate common source of supply for each separate Contract Area well.

10.

This agreement is binding upon the heirs, successors and assigns of the signatory parties hereto, it being agreed that this agreement is a covenant

running with the oil and gas leases contributed by the parties to this agreement. The parties hereto agree to give notice of the existence of this agreement to any successor in interest of such signatory party to any oil and gas lease subject to the terms of this agreement. This agreement shall be and remain in force and effect for a term concurrent with the term of the Operating Agreement between the parties hereto.

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 4th day of May A.D. 79 at 11:10 o'clock A.M., and duly recorded in Book 110 page 693 of the Records of Miscellaneous

GERALDINE MAHAFFEY, County Clerk

By Geraldine Bolt Deputy

Yates Petroleum Corporation
AUTHORITY FOR EXPENDITURE

AFE # 80-028-0
Revision #
Date 2-8-80

Lease Name Rio Penasco KD Com #1 Location S/2 Section 2-19S-25E
County Eddy State NM Field Undes. (Boyd Morrow)
Horizon Morrow Est.T.D. 9400 Est. Spud Date April 1980
Est. Completion Date May 1980 Drilling Contractor

Primary Objective: ☐ Oil ☒ Gas ☐ Oil and/or Gas
Purpose : ☒ Drilling-New ☐ Recompletion ☐ Other (Supplement AFE, etc)
Type Well : ☐ Development ☐ Exploratory

	INTANGIBLE COSTS:	Dry Hole	Completion
9210	Staking Permit & Legal Fees	$ 700	$ 700
9211	Location, Right-of-Way	$ 8300	$ 9300
9212	Drilling, Footage 9400' @$21	$ 197400	$ 197400
9213	Drilling, Daywork 5 days @ $4350 /day	$ 21700	$ 21700
9212/9213	Moving in, Rigging up, Rigging down	$ -	$ -
9224	Bits, Tools & Supplies	$ 500	$ 800
9214	Drilling Water	$ 17500	$ 18800
9215	Drilling Mud & Additives	$ 29200	$ 29200
9216	Mud Logging Unit	$ 8500	$ 8500
9217	Cement, Tools & Services, Temp. Surveys	$ 13500	$ 18100
9218	Drill Stem Testing	$ 5600	$ 5600
9219	Electric Logs & Perforating	$ 19800	$ 26300
9220	Tool & Equip. Rental, Trucking, Welding	$ 4900	$ 5900
9221	Supervision & Overhead	$ 4500	$ 6000
9223	Coring, Tools & Services	$ -	$ -
9241	Completion Unit 10 days @ $1050 /day	$ -	$ 10500
9247	Stimulation	$ -	$ 25500
9222	Contingency	$ 36900	$ 42700
	TOTAL INTANGIBLES	$ 369,000	$ 427,000
	WELL EQUIPMENT COSTS:		
9301	Christmas Tree and Well Head	$ 1500	$ 15000
9302	Casing: 13 3/8" 48# J-55 - 380	$ 7100	$ 7100
9302	8 5/8" 24# J-55 - 1200	$ 11400	$ 11400
9302	5 1/2" 15.5-17# K&N N 9400	$	$ 64100
9303	Tubing: 2 3/8" 4.7# J-55 - 9200	$ -	$ 23400
9304	Packer & Special Equipment	$ -	$ 3600
9350	Contingency	$ 1000	$ 8400
	TOTAL WELL EQUIPMENT	$ 21,000	$ 133,000
	LEASE & BATTERY EQUIPMENT COSTS:		
9401	Pumping Equipment	$	$
9402	Storage 2-210 b. welded w/stair,walk,frgls t	$	$ 9800
9403	Separation Eq., Flowlines, Valves & Fittings	$	$ 19200
9404	Trucking & Construction Costs	$	$ 6000
	TOTAL LEASE & BATTERY EQUIP.	$	$ 35000
	TOTALS	$ 390,000	$ 595,000

Approval of this AFE constitutes approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

YATES PETROLEUM CORPORATION Share - 19.659771%

By Eddie M. Mathews Date 2-8-80

S. P. YATES 3.803953

By Date

YATES DRILLING COMPANY 6.778673

By Date

4.255560

EXHIBIT NO. 5
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

Date

AFE #80-028-0
DATE 2-8-80

MARTIN YATES, III	4.670147%
By_____ Date_____	
FRANK YATES	1.656950
By_____ Date_____	
ABO PETROLEUM CORPORATION	4.067198
By_____ Date_____	
JOHN A. YATES	4.067198
By_____ Date_____	
LOS CHICOS, A PARTNERSHIP	2.033614
By_____ Date_____	
MARK D. WILSON	2.493490
By_____ Date_____	
SUBURBAN PROPANE GAS CORPORATION	14.816317
By_____ Date_____	
READING & BATES OIL & GAS COMPANY	7.961414
By_____ Date_____	
CHAMPLIN PETROLEUM COMPANY	4.229557
By_____ Date_____	
ANADARKO PRODUCTION COMPANY	4.063690
By_____ Date_____	
CROWN CENTRAL PETROLEUM CORPORATION	3.980707
By_____ Date_____	
CHARLES B. READ	.331734
By_____ Date_____	
FISCO, INC.	.165867
By_____ Date_____	
HARVEY E. YATES	.099520
By_____ Date_____	
EXPLORERS PETROLEUM CORPORATION	.099520
By_____ Date_____	
FRED G. YATES , INC.	.099520
By_____ Date_____	
HEYCO	1.438556
By_____ Date_____	
DAVID FASKEN	1.219017
By_____ Date_____	

AFE # 80-028-0
DATE 2-8-80

RICHARD S. BROOKS	.024935%
By_____ Date_____	
AMOCO PRODUCTION COMPANY	4.975909
By_____ Date_____	
WILLIAM MCCOY	.260406
By_____ Date_____	
CORONADO EXPLORATION CORPORATION	.253287
By_____ Date_____	
RIO PECOS CORPORATION	2.493490
By_____ Date_____	

YATES PETROLEUM CORPORATION
AUTHORITY FOR EXPENDITURE

AFE # 80-093-0
Revision #
Date 5/22/80

Lease Name Rio Penasco KD Com #2 — Location N/2 Section 2-19S-25E
County Eddy — State NM — Field Boyd Morrow
Horizon Morrow — Est. T.D. 9400 — Est. Spud Date June 1980
Est. Completion Date July 1980 — Drilling Contractor

Primary Objective: [ ] Oil [X] Gas [ ] Oil and/or Gas
Purpose : [X] Drilling-New [ ] Recompletion [ ] Other (Supplement AFE, etc.)
Type Well : [ ] Development [ ] Exploratory

	INTANGIBLE COSTS:	Dry Hole	Completion
9210	Staking Permit & Legal Fees	$ 700	$ 700
9211	Location, Right-of-Way	8300	9300
9212	Drilling, Footage 9400' @$23.50	220900	220900
9213	Drilling, Daywork 5 days @ $4785 /day	23900	23900
9212/9213	Moving in, Rigging up, Rigging down	-	-
9224	Bits, Tools & Supplies	500	800
9214	Drilling Water	17500	18800
9215	Drilling Mud & Additives	31000	31000
9216	Mud Logging Unit	8800	8800
9217	Cement, Tools & Services, Temp. Surveys	14300	19200
9218	Drill Stem Testing	5600	5600
9219	Electric Logs & Perforating	21000	27900
9220	Tool & Equip. Rental, Trucking, Welding	4900	5900
9221	Supervision & Overhead	4500	6000
9223	Coring, Tools & Services	-	-
9241	Completion Unit 10 days @ $1120 /day	-	11200
9247	Stimulation	-	25500
9222	Contingency	40200	46200
	TOTAL INTANGIBLES	$ 402100	$ 461700

	WELL EQUIPMENT COSTS:		
9301	Christmas Tree and Well Head	$ 1600	$ 16000
9302	Casing: 13 3/8" 48# J-55- 380	7600	7600
9302	8 5/8 24# - J-55 - 1200	12200	12200
9302	5 1/2" 15.5-17# K&N N 9400		68600
9303	Tubing: 2 3/8" 4.7# - J-55 - 9200	-	25300
9304	Packer & Special Equipment	-	3800
9350	Contingency	1100	10000
	TOTAL WELL EQUIPMENT	$ 22500	$ 143500

	LEASE & BATTERY EQUIPMENT COSTS:		
9401	Pumping Equipment	$	$ 10400
9402	Storage 2-210 b. welded w/stair,walk, fbrgls		20400
9403	Separation Eq., Flowlines, Valves & Fittings		6000
9404	Trucking & Construction Costs		
	TOTAL LEASE & BATTERY EQUIP.	$	$ 36800
	TOTALS	$ 424600	$ 642000

Approval of this AFE constitues approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

YATES PETROLEUM CORPORATION — Share -
By Eddie M Mahfood — Date 5-22-80 — 19.7111%

YATES DRILLING COMPANY
By: _____ — Date _____ — 6.7964

S. P. YATES
_____ — Date _____ — 3.8139

EXHIBIT NO. 5
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

MARK D. WILSON

By_____ Date_____ 5.0000%

SUBURBAN PROPANE GAS CORPORATION

By_____ Date_____ 14.8550

AMOCO PRODUCTION COMPANY

By_____ Date_____ 4.9889

READING & BATES OIL & GAS COMPANY

By_____ Date_____ 7.9822

CHAMPLIN PETROLEUM COMPANY

By_____ Date_____ 4.2406

ANADARKO PRODUCTION COMPANY

By_____ Date_____ 4.0743

CROWN CENTRAL PETROLEUM CORPORATION

By_____ Date_____ 3.9911

DAVID FASKEN

By_____ Date_____ 1.2222

HEYCO

By_____ Date_____ 1.4423

HARVEY E. YATES

By_____ Date_____ .0998

EXPLORERS PETROLEUM CORPORATION

By_____ Date_____ .0998

FRED G. YATES

By_____ Date_____ .0998

CORONADO EXPLORATION CORP.

By_____ Date_____ .2539

CHARLES B. READ

By_____ Date_____ .3326

FISCO, INC.

By_____ Date_____ .1663

RICHARD S. BROOKS

By_____ Date_____ .0250

MYCO INDUSTRIES, INC.

By_____ Date_____ 4.2666

MARTIN YATES, III

By_____ Date_____ 4.6824

FRANK YATES

By_____ Date_____ 1.6613

ABO PETROLEUM CORPORATION

By_____ Date_____ 4.0778%

JOHN A. YATES

By_____ Date_____ 4.0778

LOS CHICOS

By_____ Date_____ 2.0389

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORORATION FOR COMPLUSORY POOLING, EDDY COUNTY NEW MEXICO

CASE NO. 6933

AFFIDAVIT OF MAILING

STATE OF NEW MEXICO)
: §
COUNTY OF EDDY)

The undersigned, being first duly sworn, upon oath, states that the undersigned is an employee of Applicant, and that on the 19th day of June, 1980, the undersigned did mail in the United States Post office at Artesia, New Mexico, true copies of the following instruments:

1. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #1 located in the S/2 of Section 2, Township 19 South, Range 25 East.

2. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #2 located in the N/2 of Section 2, Township 19 South, Range 25 East.

3. Docket reflecting hearing on both Applications at the Oil Conservation Division in Santa Fe, New Mexico, to be on the 25th day of June, 1980.

4. Operating Agreement dated July 1, 1978, covering both wells.

5. Authority for Expenditure on the "KD" #1 dated February 8, 1980.

6. Authority for Expenditure on the "KD" #2 dated May 22, 1980 .

7. Oil and Gas Lease dated June 19, 1980, 1 year term, with 1/4 overriding royalty.

in securely sealed, postage prepaid, certified, return receipt requested envelopes addressed to the following named persons:

EXHIBIT NO. 6
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

SALLY ELLIS, HEIR OF HAYWARD & MARGUERITE AYERS	c/o Mr. Stanley Black Hutchinson, Black, Hill, Buchanan & Cook P. O. Box 1170 Boulder, Colorado 80306
JAMES G. BENNETT HEIRS	Bennett Office, Inc. 1210 Baker Building Minneapolis, Minnesota 55402
E. E. MACGIBBON HEIRS	321 Lowell Elk River, Minnesota 55330
OWEN MARSHALL	608 Putnam Drive Eou Claire, Wisconsin 54701
MARGARET NORTON	2880 Lorain Road San Marino, California 91108
MARY PHILLIPS BAIDA	2244 Q Via Puerta Laguna Hills, California 92653
RUFUS R. RAND HEIRS	c/o Palmer First National Bank & Trust Co. P.O. Box 2018 Sarasota, Florida 33578

Kathy J. Colbert
KATHY J. COLBERT

SUBSCRIBED AND SWORN TO before me this 19th day of June, 1980.

Janet Moreau
Notary Public

My Commission Expires:

8-20-80

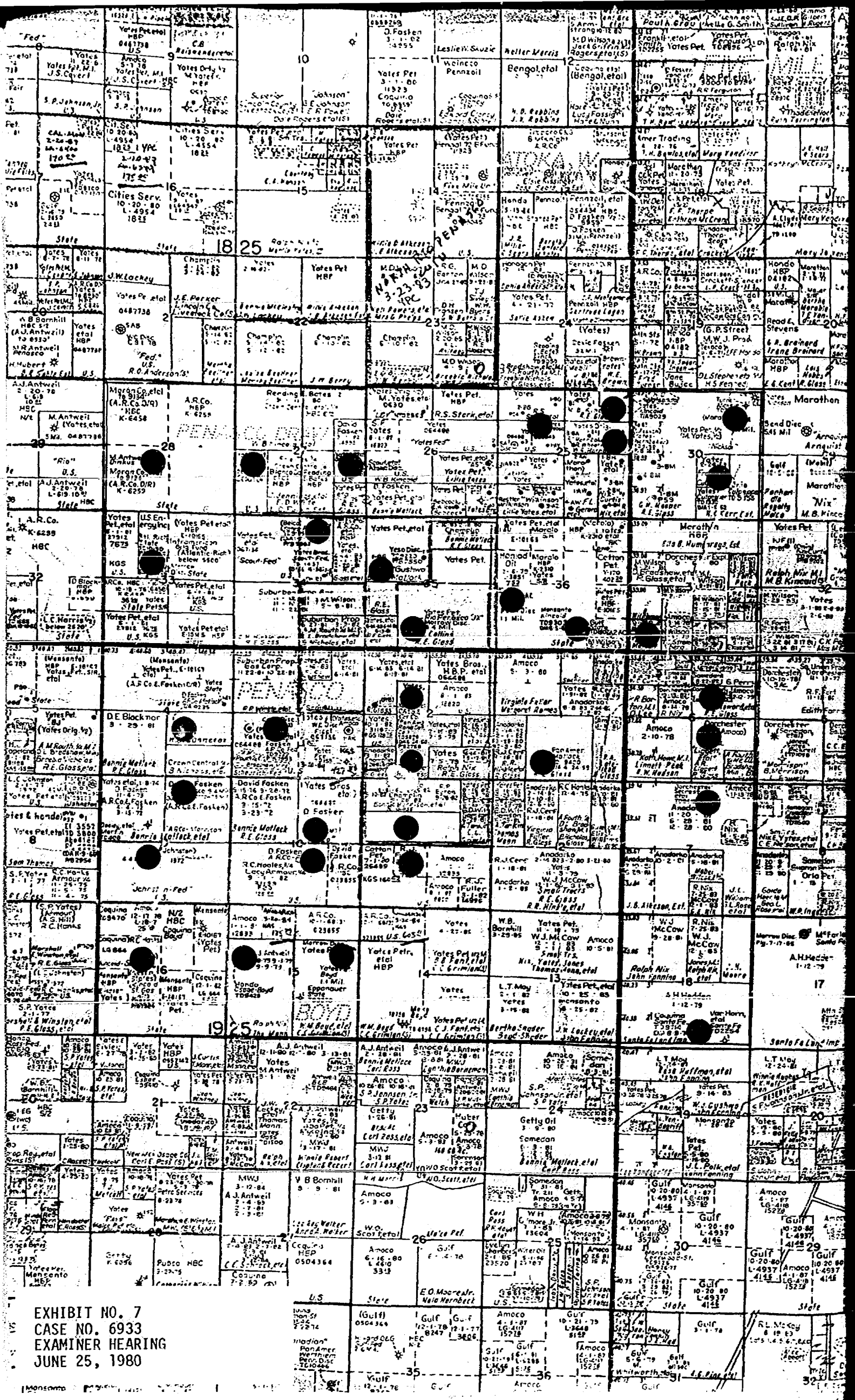


EXHIBIT NO. 7
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

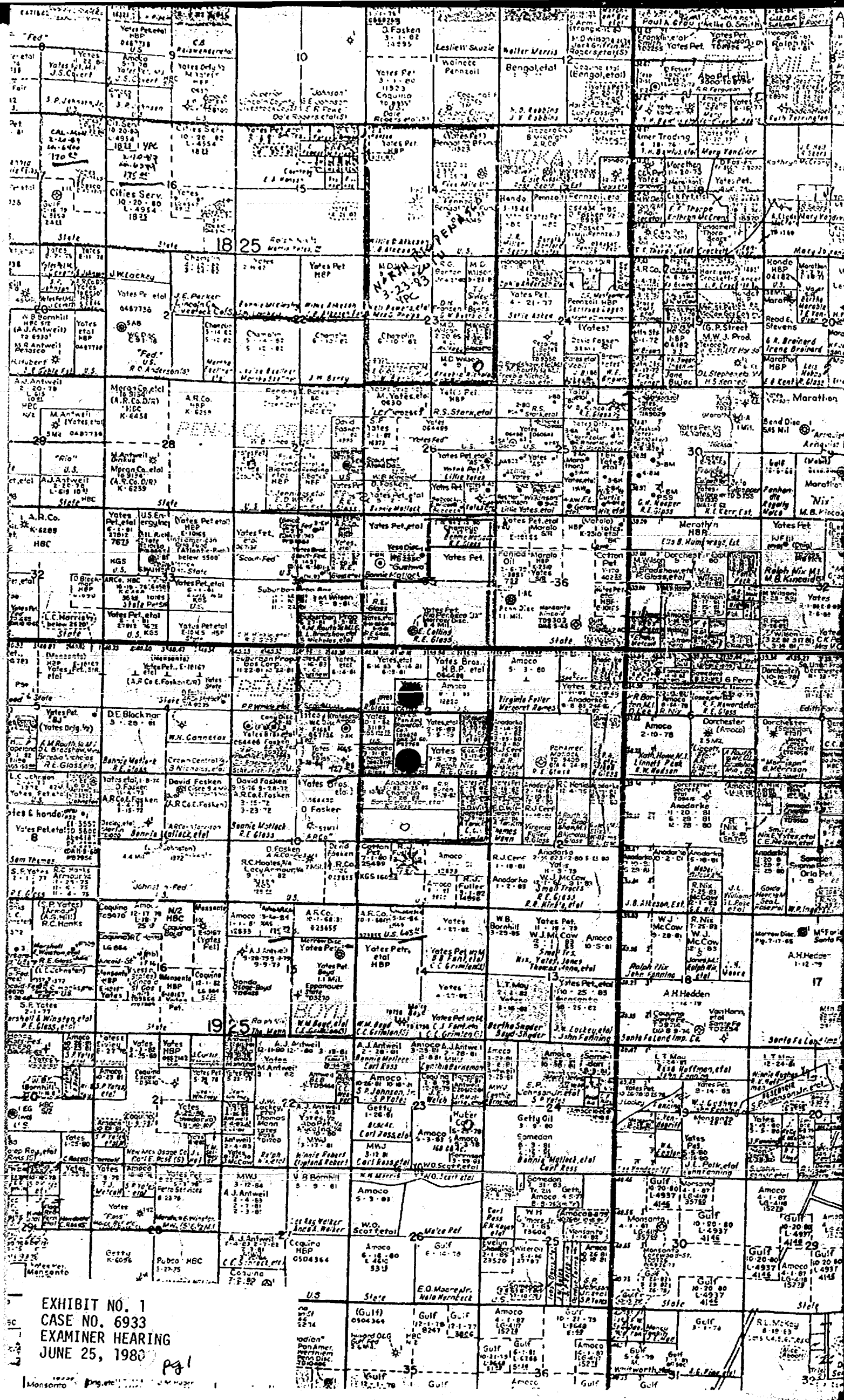
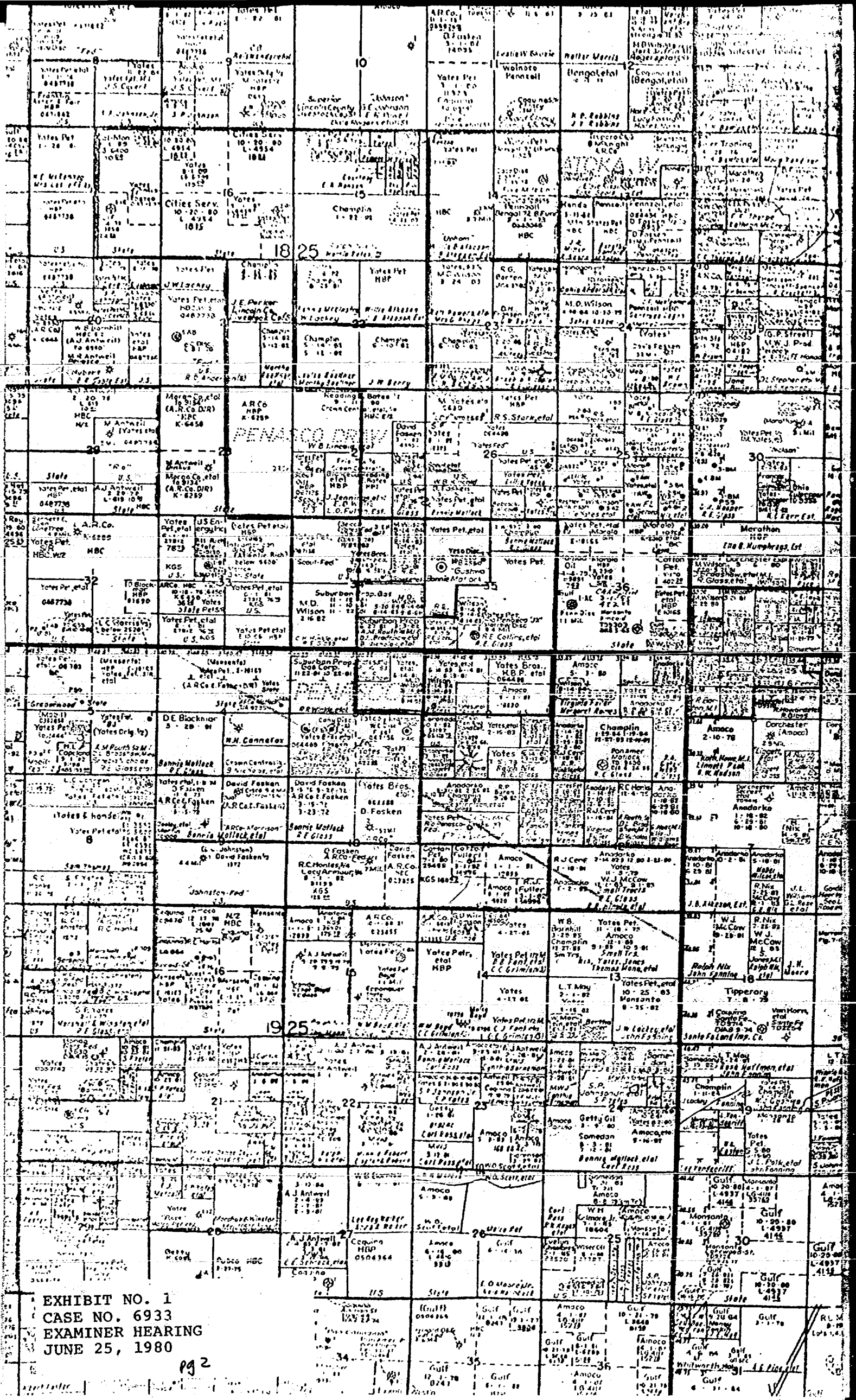


EXHIBIT NO. 1
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980


PENASCO DRAW
EXHIBIT NO. 1
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980
pg 2

1) The NE/4 SE/4 of Section 2, Township 19 South, Range 25 East, N.M.P.M. is held by the Working Interest Owners of the Rio Penasco Working Interest Unit under numerous fee leases.

2) The ownership of the NE/4 SE/4 of Section 2, Township 19 South, Range 25 East is as follows:

Marshall & Winston, Inc.	240/1920
Quetico Superior Foundation	60/1920
The First National Bank of Roswell, New Mexico, Trustee under the Last Will and Testament of Rolla R. Hinkle, deceased	120/1920
Clarence E. Hinkle, whose wife is Lillian T. Hinkle	120/1920
I. J. Marshall, whose wife is Claribel Marshall	60/1920
The heirs and devises of Margaret Childress, deceased, who appear to be Elizabeh Ann Baer, Floyd Childress, II and James W. Childress	60/1920
C.A. Land and Cattle Company, Inc.	60/1920
The First National Bank of Roswell, New Mexico and T. T. Sanders, Jr., as Trustees under the Last Will and Testament of Floyd Childress, deceased	60/1920
The successors in dissolution to Don Phillips and Associates, a limited partnership	180/1920
* R.E. Glass, whose wife is Mary Milner Glass	480/1920
* Cordella Kincaid, a widow	240/1920
* Thelma May Schafer	60/1920
* Madlyn Cauhape	60/1920
* Hugh M. Kincaid, sole surviving Trustee for Ella Lavada Swope	60/1920
* Sterling Marc Carter	20/1920
* Kenna Carter Scott	20/1920
* Michael T. Carter	20/1920

* As to 1/2 thereof, however, subject to a perpetual, non-participating, royalty interest in favor of the following:

Gayle McDonald, as his sole and separate property	64/128
Yates Brothers, a partnership	32/128
Ray Hall Beck, a single man	8/128
William J. McCaw	3/128
Mary G. Riddle	3/128
Dorothy G. Kemper, whose husband is Lonnie Kemper	6/128
B. W. Harper and Ruthe Harper, his wife, as joint tenants	8/128
Eddie M. Mahfood and Shirley Mahfood, his wife, as joint tenants	4/128

The Working Interest Owners of the Rio Penasco Working Interest Unit now hold leases from all of the owners of the NE/4 SE/4 with the exception of the successors in the dissolution of Don Phillips & Associates listed below. The outstanding members have been offered leases and the opportunity to participate in drilling. They have also been advised of the compulsory pooling proceedings.

	Net Acres	Percentage of Well
Sally Ellis, heir of Hayward Ayers and Marguerite B. Ayers	.125000	.039062%
The heirs and devisees of James G. Bennett, deceased	.250000	.078125
The heirs and devisees of E. E. MacGibbon, deceased	.125000	.039062
Owen Marshall	.041666	.013026
Mrs. James J. (Margaret) Norton	.125000	.039062
Mary A. Phillips Baida	.312500	.097656
The heirs and devisees of Rufus R. Rand, deceased	.125000	.039062

EXHIBIT NO. 2
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

1) The N/2 NW/4 and the SW/4 NW/4 of Section 2, Township 19 South, Range 25 East, N.M.P.M. are held by the Working Interest Owners of the Rio Penasco Working Interest Unit under numerous fee leases.

2) The ownership of the N/2 NW/4 and the SW/4 NW/4 of Section 2, Township 19 South, Range 25 East is as follows:

Marshall & Winston, Inc.	240/1920
Quetico Superior Foundation	60/1920
The First National Bank of Roswell, New Mexico, Trustee under the Last Will and Testament of Rolla R. Hinkle, deceased	120/1920
Clarence E. Hinkle, whose wife is Lillian T. Hinkle	120/1920
I. J. Marshall, whose wife is Claribel Marshall	60/1920
The heirs and devisees of Margaret Childress, deceased, who appear to be Elizabeh Ann Baer, Floyd Childress, II and James W. Childress	60/1920
C.A. Land and Cattle Company, Inc.	60/1920
The First National Bank of Roswell, New Mexico and T. T. Sanders, Jr., as Trustees under the Last Will and Testament of Floyd Childress, deceased	60/1920
The successors in dissolution to Don Phillips and Associates, a limited partnership	180/1920
* R.E. Glass, whose wife is Mary Milner Glass	480/1920
* Cordella Kincaid, a widow	240/1920
* Thelma May Schafer	60/1920
* Madlyn Cauhape	60/1920
* Hugh M. Kincaid, sole surviving Trustee for Ella Lavada Swope	60/1920
* Sterling Marc Carter	20/1920
* Kenna Carter Scott	20/1920
* Michael T. Carter	20/1920

* As to 1/2 thereof, however, subject to a perpetual, non-participating, royalty interest in favor of the following:

Gayle McDonald, as his sole and separate property	64/128
Yates Brothers, a partnership	32/128
Ray Hall Beck, a single man	8/128
William J. McCaw	3/128
Mary G. Riddle	3/128
Dorothy G. Kemper, whose husband is Lonnie Kemper	6/128
B. W. Harper and Ruthe Harper, his wife, as joint tenants	8/128
Eddie M. Mahfood and Shirley Mahfood, his wife, as joint tenants	4/128

The Working Interest Owners of the Rio Penasco Working Interest Unit now hold leases from all of the owners of the N/2 NW/4 and the SW/4 NW/4 with the exception of the successors in the dissolution of Don Phillips & Associates listed below. The outstanding members have been offered leases and the opportunity to participate in drilling. They have also been advised of the compulsory pooling proceedings.

	Net Acres	Percentage of Well
Sally Ellis, heir of Hayward Ayers and Marguerite B. Ayers	.376250	.117578%
The heirs and devisees of James G. Bennett, deceased	.752500	.235156
The heirs and devisees of E. E. MacGibbon, deceased	.376250	.117578
Owen Marshall	.125417	.039193
Mrs. James J. (Margaret) Norton	.376250	.117578
Mary A. Phillips Baida	.940625	.293945
The heirs and devisees of Rufus R. Rand, deceased	.376250	.117578

EXHIBIT NO. 2
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

pg 2

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-8246
LAND (505) 746-9668

May 9, 1979

Mrs. Margaret M. Norton
2880 Lorain Road
San Marino, California

Re: Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 34: E/2 NE/4, N/2 SE/4
Section 35: SW/4 SW/4

Township 19 South, Range 25 East, N.M.P.M.
Section 2: N/2 NW/4, SW/4 NW/4, NE/4 SE/4
Section 3: S/2 NE/4, NE/4 NE/4
containing 480.78 acres, more or less (45.073125 net acres)
Eddy County, New Mexico

Dear Mrs. Norton:

We informed you that we had successfully formed an exploratory unit covering approximately 2,000 acres and drilled and completed a 9,200 foot gas well in the S/2 Section 35, T-18-S, R-25-E, the spacing unit for the well. Further, we sent you an oil and gas lease covering your interest in the captioned acreage which is located in the exploratory unit. The lease provided for a 5-year primary term and a 1/4th royalty. To date, we have not received any indication that you will execute the lease.

Once again, we request that you execute the lease previously sent to you. If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate compulsory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well.

Please inform us of your decision by May 31, 1979. If you need another lease to execute, please contact me and I shall send you a lease.

Very truly yours,

Scott E. Wilson

Scott E. Wilson
Landman

SEW:sl

...unless and thereafter as long as gas is paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

EXHIBIT NO. 3
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

Margaret M. Norton

Lessor

Lessor

CERTIFIED MAIL
RETURN RECEIPT
REQUESTED

YATES PETROLEUM CORPORATION
207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC.-TREAS.

June 19, 1980

TO: UNLEASED MINERAL OWNERS
ADDRESSEE LIST ATTACHED

Re: Rio Penasco "KD" Com. #1
Township 19 South, Range 25 East, NMPM
Section 2: S/2
Rio Penasco "KD" Com. #2
Township 19 South, Range 25 East, NMPM
Section 2: N/2
Eddy County, New Mexico

Ladies and Gentlemen:

As we have not heard from you regarding our latest letter dated May 9, 1979, concerning the captioned acreage, we are enclosing the following copies:

1. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #1 located in the S/2 of Section 2, Township 19 South, Range 25 East.
2. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #2 located in the N/2 of Section 2, Township 19 South, Range 25 East.
3. Docket reflecting hearing on both Applications at the Oil Conservation Division in Santa Fe, New Mexico, to be on the 25th day of June, 1980.
4. Operating Agreement dated July 1, 1978, covering both wells.
5. Authority for Expenditure on the "KD" #1 dated February 8, 1980.
6. Authority for Expenditure on the "KD" #2 dated May 22, 1980 .
7. Oil and Gas Lease dated June 19, 1980, 1 year term, with 1/4 overriding royalty.

We invite you to participate in the drilling of these wells by paying your share of the expenses should you wish to do so. We would still be glad to accept a lease from you covering your interest under this acreage. If we don't hear from you in regard to the options above, we will have no choice but to think you choose to be force pooled as per the terms of the enclosed application and and proceed as such.

Very truly yours,

Randy G. Patterson
Land Department

Kathy Colbert
By: Kathy Colbert

/kc
Enclosures

1

UNLEASED

2-19S-25E

SALLY ELLIS, HEIR OF HAYWARD & MARGUERITE AYERS
c/o Mr. Stanley Black
Hutchinson, Black, Hill, Buchanan & Cook
Attorneys at Law
P. O. Box 1170
Boulder, Colorado 80306

JAMES G. BENNETT HEIRS
Bennett Office, Inc.
1210 Baker Building
Minneapolis, Minnesota 55402

E. E. MACGIBBON HEIRS
321 Lowell
Elk River, Minnesota 55330

OWEN MARSHALL
608 Putnam Drive
Eou Claire, Wisconsin 54701

MARGARET NORTON (MRS. JAMES J.)
2880 Lorain Road
San Marino, California 91108

MARY PHILLIPS BAIDA
2244 Q Via Puerta
Laguna Hills, California 92653

RUFUS R. RAND HEIRS
c/o Palmer First National Bank & Trust Co.
P. O. Box 2018
Sarasota, Florida 33578

Producers 88 Rev. (1 Year Lease) 10-57

(ONE YEAR PAID UP LEASE)

OIL AND GAS LEASE

Form 345
Hall-Poorbaugh Press
Roswell, New Mexico

THIS AGREEMENT made this 19th day of June, 19 80, between

Lessor (whether one or more), whose address is:

and YATES PETROLEUM CORPORATION, a New Mexico corporation Lessee, WITNESSETH:

1. Lessor in consideration of TEN AND NO/100---------- Dollars ($ 10.00) in hand paid, 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 and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in Eddy County, New Mexico, to-wit:

Township 19 South, Range 25 East, N.M.P.M.
Section 2: N½NW¼, SW¼NW¼, NE¼SE¼

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 without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of 1 year from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to paid by Lessee are: (a) on oil, 1/4 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of $1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, 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 in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction 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 under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to 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 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 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 its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease 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 gas, or either of them, 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. 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, 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, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation 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, 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, 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. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary terms, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 leased premises are situated at any time after the completion of a dry hole or the cessation of production 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 lease 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. 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.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either 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, and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of 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 commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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 revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Lessor

Lessor

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

RIO PENASCO
WORKING INTEREST UNIT
OPERATING AGREEMENT

DATED

July 1, 1978,

OPERATOR _____

CONTRACT AREA TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
SECTION 34: E/2
SECTION 35: ALL
TOWNSHIP 19 SOUTH, RANGE 25 EAST, N.M.P.M.
SECTION 2: ALL
SECTION 3: NE/4
SECTION 11: N/2

COUNTY OR PARISH OF EDDY STATE OF NEW MEXICO

COPYRIGHT 1977 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

Bill F. 5/2/79
Acct. Mail
copy to
11/16/79 RJ

EXHIBIT NO. 4
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

GUIDANCE IN THE PREPARATION OF THIS AGREEMENT:

1. Title Page - Fill in blank as applicable.

2. Preamble, Page 1 - Name of Operator.

3. Article II - Exhibits:
   (a) Indicate Exhibits to be attached.
   (b) If it is desired that no reference be made to Non-discrimination, the reference to Exhibit "F" should be deleted.

4. Article IV.A - Title Examination - Select option as agreed to by the parties.

5. Article IV.B - Loss of Title - If "Joint Loss" of Title is desired, the following changes should be made:
   (a) Delete Articles IV.B.1 and IV.B.2.
   (b) Article IV.B.3 - Delete phrase "other than those set forth in Articles IV.B.1 and IV.B.2 above."
   (c) Article VII.F. - Change reference at end of the first grammatical paragraph from "Article IV.B.2" to "Article IV.B.3."

6. Article V - Operator - Enter name of Operator.

7. Article VI.A - Initial Well:
   (a) Date of commencement of drilling.
   (b) Location of well.
   (c) Obligation depth.

8. Article VI.B.2.(b) - Subsequent Operations - Enter penalty percentage as agreed to by parties.

9. Article VII.D.1. - Limitation of Expenditures - Select option as agreed to by parties.

10. Article VII.D.3. - Limitation of Expenditures - Enter limitation of expenditure of Operator for single project and amount above which Operator may furnish information AFE.

11. Article VII.E. - Royalties, Overriding Royalties and Other Payments - Enter royalty fraction as agreed to by parties.

12. Article X. - Claims and Lawsuits - Enter claim limit as agreed to by parties.

13. Article XIII. - Term of Agreement:
    (a) Select Option as agreed to by parties.
    (b) If Option No. 2 is selected, enter agreed number of days in two (2) blanks.

14. Signature Page - Enter effective date.

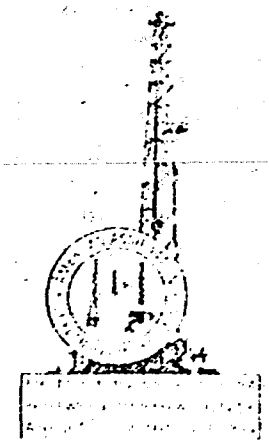


TABLE OF CONTENTS

Article	Title	Page
I.	DEFINITIONS	1
II.	EXHIBITS	1
III.	INTERESTS OF PARTIES	2
	A. OIL AND GAS INTERESTS	2
	B. INTEREST OF PARTIES IN COSTS AND PRODUCTION	2
IV.	TITLES	2
	A. TITLE EXAMINATION	2
	B. LOSS OF TITLE	2
	1. Failure of Title	2-3
	2. Loss by Non-Payment or Erroneous Payment of Amount Due	3
	3. Other Losses	3
V.	OPERATOR	3
	A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR	3
	B. RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR	4
	1. Resignation or Removal of Operator	4
	2. Selection of Successor Operator	4
	C. EMPLOYEES	4
	D. DRILLING CONTRACTS	4
VI.	DRILLING AND DEVELOPMENT	4
	A. INITIAL WELL	4
	B. SUBSEQUENT OPERATIONS	5
	1. Proposed Operations	5
	2. Operations by Less than All Parties	5-6
	C. RIGHT TO TAKE PRODUCTION IN KIND	6-7
	D. ACCESS TO CONTRACT AREA AND INFORMATION	7
	E. ABANDONMENT OF WELLS	7
	1. Abandonment of Dry Holes	7
	2. Abandonment of Wells that have Produced	7-8
VII.	EXPENDITURES AND LIABILITY OF PARTIES	8
	A. LIABILITY OF PARTIES	8
	B. LIENS AND PAYMENT DEFAULTS	8
	C. PAYMENTS AND ACCOUNTING	8
	D. LIMITATION OF EXPENDITURES	9
	1. Drill or Deepen	9
	2. Rework or Plug Back	9
	3. Other Operations	9
	E. ROYALTIES, OVERRIDING ROYALTIES AND OTHER PAYMENTS	9
	F. RENTALS, SHUT-IN WELL PAYMENTS AND MINIMUM ROYALTIES	9-10
	G. TAXES	10
	H. INSURANCE	10
VIII.	ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST	10
	A. SURRENDER OF LEASES	10-11
	B. RENEWAL OR EXTENSION OF LEASES	11
	C. ACREAGE OR CASH CONTRIBUTION	11
	D. SUBSEQUENTLY CREATED INTEREST	11-12
	E. MAINTENANCE OF UNIFORM INTEREST	12
	F. WAIVER OF RIGHT TO PARTITION	12
	~~G. PREFERENTIAL RIGHT TO PURCHASE~~	~~12~~
IX.	INTERNAL REVENUE CODE ELECTION	12-13
X.	CLAIMS AND LAWSUITS	13
XI.	FORCE MAJEURE	13
XII.	NOTICES	13
XIII.	TERM OF AGREEMENT	13-14
XIV.	COMPLIANCE WITH LAWS AND REGULATIONS	14
	A. LAWS, REGULATIONS AND ORDERS	14
	B. GOVERNING LAW	14
XV.	OTHER PROVISIONS	14
XVI.	MISCELLANEOUS	15

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between YATES PETROLEUM CORPORATION, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators".

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

☒ A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

☒ B. Exhibit "B", Form of Lease.

☒ C. Exhibit "C", Accounting Procedure.

☒ D. Exhibit "D", Insurance.

☒ E. Exhibit "E", Gas Balancing Agreement.

☐ ~~F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.~~

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". 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.

B. Interest of Parties in Costs and Production:

Exhibits ~~"A"~~ "A-4" and "A-5" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibits ~~"A"~~ "A-4" and "A-5". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the Joint Account~~, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

~~[ ] Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.~~

[X] Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost; and

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

YATES PETROLEUM CORPORATION shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 27 day of August, 1978, Operator shall commence the drilling of ~~a well~~ an Initial Test Well for oil and gas at the following location:

1980'FWL and 660'FSL of Section 35, Township 18 South, Range 25 East, Eddy County, New Mexico

and shall thereafter continue the drilling of the ~~well~~ Initial Test Well with due diligence to the "Objective Depth", being a depth sufficient to test the Morrow series of the Pennsylvanian system by drilling at least 40 feet into the Mississippian Chester Limestone, which depth is estimated to be 9200 feet,

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the ~~well~~ Initial Test Well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the ~~well~~ Initial Test Well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the ~~well~~ Initial Test Well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back 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, the party desiring to drill, rework, deepen or plug back such a well shall 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 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. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (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. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. 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 Parties. 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 drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and or 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 drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal 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 Article, 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) 300% of that portion of the costs and expenses of drilling reworking, deepening, or plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

300% of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non - Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non - Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non - Consenting Party's relinquished interest. If such Non - Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the recoupment period.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

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, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, 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 drilling, 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, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for 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 oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. 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; and 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 interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, 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, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale or purchase including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale, and obtaining written consent of such other party.

In the event any party hereto is not at any time taking or marketing its share of gas production and Operator is either (i) unwilling to purchase or sell or (ii) unable to obtain the prior written consent to purchase or sell such party's share of gas production, or in the event any party has contracted to sell its share of gas produced from the Contract Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, then in any such event the terms and conditions of the Gas Balancing Agreement attached hereto as Exhibit "E" and incorporated herein shall automatically become effective.

or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, 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 well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one year and so long thereafter as oil and or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

~~[ ] Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and or surface facilities.~~

[X] Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Ten Thousand ---------- Dollars ($ 10,000) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in 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 to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Five Thousand ---------- Dollars ($ 5,000).

E. Royalties, Overriding Royalties and Other Payments:

~~Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of~~ _____ due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account ~~for all values to be accounted for such interest to the owners thereof~~.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and or gas produced under the terms of this agreement.

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If (1) any renewal lease is acquired by a party to this Agreement and subject to Article XV.D. of this Agreement, the party or parties who originally participated in the Contract Area with said lease elect not to pay for the lease acquisition cost in exchange for an assignment of said lease, or if (2) a lease is acquired on the KGS tract described in Article XV.E by a party to this Agreement, or if (3) any new lease is acquired within the Contract Area by a party to this Agreement, said lease shall be offered to the parties in proportion to their interest in the Deep Unit Area on an after-payout basis.

Notwithstanding anything herein to the contrary, the parties will have 30 days upon written notification to elect to participate in the ownership of any such lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area. Should all such parties elect to participate in the lease, the lease will be subject to this Agreement and the interests of the parties to this Agreement will not change. Upon the termination of this Agreement, any such lease still in force and effect will be owned by the parties in proportion to their interest in the Deep Unit Area on an after-payout basis.

However, should less than all such parties elect to participate in the lease, the lease will be owned by such parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Deep Unit Area on an after-payout basis to the aggregate of the percentage of participation in the Deep Unit Area on an after-payout basis of all such parties participating in the purchase of the lease. Any lease in which less than all the parties to the Deep Unit Area elect to participate shall not be subject to this Agreement.

Notwithstanding anything to the contrary, any legal title acquired covering the 3/32nds mineral interest in the SW/4 SW/4 Section 35, Township 18 South, Range 25 East, owned by the successors in dissolution to Don Phillips and Associates, a limited partnership, will be paid for and owned by the parties hereto in proportion to their interests in the Deep Unit Area on an after-payout basis. No party may elect not to acquire his proportionate share of said interest. Otherwise, the acquisition will be treated as a new lease as provided for herein. ?

Each party who participates in the purchase of a renewal lease shall be given an assignment without warranty of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any new or renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a new or renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~**G. Preferential Right to Purchase:**~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and~~ interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent ~~company, or to any company in which any one party owns a majority of the stock~~.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Five Thousand Dollars ($ 5,000) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest contributed by any other party beyond the term of this agreement.

[ ] Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.

[X] Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 180 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

A. Test Wells:

The term "Shallow Unit Area" shall mean those horizons underlying the lands described in Paragraph 1.a. of Exhibit "A" that are found from the surface to a depth of 5,500 feet below the surface of the ground; notwithstanding anything to the contrary, if any well is completed in the interval from 5,500 feet to 5,800 feet on a spacing unit that encompasses a lease in which Eagle Group (Yates Petroleum Corporation-1/2, Yates Drilling Company-1/6, Martin Yates, III-1/6, John A. Yates-1/6) owns the leasehold covering said interval, the well shall be treated as a Shallow Unit Area well and completion.

The term "Deep Unit Area" shall mean those horizons underlying the lands described in Paragraph 1.b. of Exhibit "A" that are found between a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone. The term "Contract Area" shall mean both the Shallow Unit Area and the Deep Unit Area.

If any well is dry in the Deep Unit Area, and any party owning an interest in the Shallow Unit Area desires to attempt completion therein, then the costs of drilling the well to the total depth and plugging it back to the selected point in the Shallow Unit Area shall be borne by the Drilling Parties who initially participated in drilling the well, and such Drilling Parties shall be reimbursed by the parties attempting completion for 1/2 of the shallow and intermediate casing costs, including cementing costs and rig time used in running and cementing the casing. Thereafter, the Drilling Parties attempting completion shall own the hole and casing therein and shall be responsible for completing the well as a producer or dry hole.

No well shall be dually completed in the Contract Area until a mutual agreement is reached between all the parties who participated in the cost of drilling the well.

If in the drilling of the Initial Test Well, Operator loses the hole or encounters mechanical difficulties rendering it impracticable, in the opinion of Operator, to drill the well to the Objective Depth, then and in any of such

events, on or before 30 days after completion of the Initial Test Well, Operator shall have the option to commence the actual drilling of another well ("Substitute Test Well") in the Contract Area at a lawful location mutually acceptable to the Drilling Parties, and Operator shall prosecute the drilling of said well with due diligence and in a good and workmanlike manner to the Objective Depth. For all purposes of this Agreement, the drilling of the Substitute Test Well shall be considered as the drilling of the Initial Test Well.

The execution and delivery of this Agreement by the parties hereto shall not be deemed as consenting to the drilling of the Initial Test Well until an AFE has been approved by all of the Drilling Parties.

B. Rights Earned:

Amoco Production Company, David Faskon and Richard S. Brooks, who presently own interests in the Contract Area, are contributing a portion of such interest to the drilling of the Initial Test Well, and will hereinafter be referred to as "Contributing Parties." Yates Petroleum Corporation, its successors and assigns, will pay for the Contributing Parties' share of the Initial Test Well.

In consideration of payment of expenses set forth in Exhibits "A-4" and "A-5" hereof, performance of all the terms and provisions of this Agreement, and completion of the Initial or Substitute Test Well as a well capable of producing oil or gas in paying quantities (quantities sufficient to return the cost of operating the well and a reasonable profit), Yates Petroleum Corporation, its successors and assigns, shall earn oil and gas rights in the Contract Area equal to (a) the entire present interest of Contributing Parties in the largest proration unit initially assigned by the New Mexico Oil Conservation Commission (the "Proration Unit") to the Initial or Substitute Test Well which is first completed as a producing oil or gas well, and (b), an undivided 1/2 of the present interest of Contributing Parties in the Contract Area outside of the Proration Unit. The Contributing Parties, in proportion to their interests in the Contract Area, except and reserve from the Proration Unit a total overriding royalty, subject to proportionate reduction, equal to the difference between all royalties, overriding royalties, production payments and other lease burdens and 25.00% of all (8/8ths) of the oil and gas produced, saved and marketed from the Proration Unit. This total overriding royalty shall include and absorb all overriding royalties and other obligations payable out of production from the Proration Unit. After Yates Petroleum Corporation, its successors and assigns, has earned an interest in the Contract Area as provided hereinabove, and upon request of Yates Petroleum Corporation, its successors and assigns, Contributing Parties shall execute and deliver assignments of operating rights, without warranties of title, confirming the oil and gas operating rights earned.

"Payout" is defined to be the date on which the net proceeds attributable to Yates Petroleum Corporation's interest in the Proration Unit shall equal Yates Petroleum Corporation's share of the cost and expense, both tangible and intangible, of drilling, equipping (an oil well through the oil storage tanks and a gas well through the Christmas tree), testing and completing said well for production, and of operating the said well to produce such amount. The net proceeds are defined as the total proceeds received from or credited or allocated to Yates Petroleum Corporation's interest in production, less severance, production and other taxes payable on production therefrom, together with all royalties, shut-in gas royalties, overriding royalties and payments out of production presently in effect or created by this agreement. Charges and expenses to be made by Operator shall be made in accordance with and accounted for as set forth in Exhibit "C" hereto. During Payout, Operator shall furnish Contributing Parties with current monthly statements summarizing income and expenses properly chargeable to Payout. Within 30 days after Payout has occurred, Operator shall give Contributing Parties written notice of Payout, and they shall have 30 days after receipt of such notice within which to severally elect to convert, effective at 7:00 A.M. on the date next succeeding Payout, their respective overriding royalties into working interests equal to 1/2 of Contributing Parties' present interest in the Proration Unit. The failure of a Contributing Party to make such election within said 30-day period shall be deemed an election by that Contributing Party to continue the overriding royalty into force.

The covenants of this Article XV.B. shall only affect Yates Petroleum Corporation, its successors and assigns, and the Contributing Parties as defined herein.

C. Beneficial Interests:

Exhibits "A-1", "A-2", "A-3", "A-4", and "A-5", attached hereto show present percentage ownership, burdens, net revenue interest, and beneficial interests in the Contract Area; and the interests contributed, percentage share of costs and production from Initial Test Well and percentage share of costs and production from Initial Test Well after Payout and subsequent wells. The beneficial interest of the respective parties has been determined in the Contract Area as to each party on an adjusted surface acreage basis. The adjustment in surface area has been made by determining a percentage of total production from or allocated to any tract which is required to meet all royalty, overriding royalty, production payment or other obligations payable out of production on such tract and multiplying that percentage by the number of acres contained in such tract and deducting the product from the total number of acres in said tract, the remainder being the adjusted surface acreage for such tract. The beneficial interest of each party represents the sum of the net acre interest of each party in all tracts in the Contract Area divided by the total number of net acres committed to the Contract Area. The exhibits have been prepared on the basis of a flat 12.5% royalty on each federal, step- or sliding-scale lease. In the event any royalty on a federal, step- or sliding-scale lease shall exceed 12.5%, or in the event any production payment on any oil and gas interest committed to this agreement shall be liquidated, or in the event of mathematical error in preparing the exhibits, there shall be a readjustment of the adjusted surface acres on the basis set forth above and the interests of the parties recomputed on the basis of the revised adjusted surface acreage. If any oil and gas leasehold interest committed to this agreement hereafter becomes burdened by any additional overriding royalties, obligations payable out of production or like obligations other than those shown on Exhibit "A-1" attached hereto, the burden thereof shall be borne exclusively by the party or parties who create such additional obligation.

D. Renewal or Extension of Leases:

Notwithstanding anything to the contrary in Article VIII.B. or any other provision in this Agreement, if a new oil and gas lease or a renewal or extension of an oil and gas lease subject to this Agreement is acquired by a party hereto during the term of this Agreement or within 6 months after the termination of this Agreement, the party or parties who originally participated in the Contract Area with said lease may elect within 10 days after written notification to pay for the lease acquisition costs (bonus and broker's fee, if any) in exchange for an assignment of said lease. If so elected, any new oil and gas lease or a renewal or extension of an oil and gas lease paid for by a party who originally participated in the Contract Area with said lease will be owned by said party and will be subject to this Agreement if this Agreement is still in force and effect, and the interests of the parties in the Contract Area will not change. The intent of this provision is to give any party who originally participated with an oil and gas lease in the Contract Area the opportunity to pay for any subsequent lease (covering the same interest) acquired by a party hereto during the term of this Agreement or within 6 months after the termination of this Agreement so that the subsequent lease will be owned by said party if said lease is in effect when this Agreement expires or is acquired within 6 months after the termination of this Agreement.

E. Purchase of KGS Tract:

It has been requested that the S/2 SE/4 Section 3, Township 19 South, Range 25 East, N.M.P.M. be put on the earliest possible KGS sale. The Operator will bid on the tract and if he or any other party to this Agreement is successful, the successful party will offer it to the parties as provided for in Article VIII.B.

F. Limitation on HBP Leases:

Notwithstanding anything herein to the contrary, this Agreement shall terminate as to any lease listed as HBP in Exhibit "A-1" on 8-1-83, unless said lease or a portion of said lease is within the spacing unit of a productive well drilled under this Agreement, or operations under this Agreement are being conducted on said lease or a designated spacing unit in which a portion of said lease is included with no cessation of more than ninety (90) consecutive days between operations and so long thereafter as oil or gas in paying quantities can be produced therefrom.

G. Prior Operating Agreement:

Notwithstanding anything to the contrary, the terms and provisions of this Agreement shall prevail over the terms and provisions contained in that certain Operating Agreement dated September 23, 1974, by and between Yates Petroleum Corporation, Operator, and Marshall and Winston, Inc., and David Fasken, non-operators, covering NW/4, NW/4 SW/4 Section 35, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

H. Mark D. Wilson Leasehold:

Yates Petroleum Corporation, its successors and assigns, shall be assigned an undivided 82.9628% interest in all the oil and gas leases owned by Mark D. Wilson as described in Exhibit "A-1" hereto. As a result of the conveyance, Mark D. Wilson and Yates Petroleum Corporation, its successors and assigns, will own interests in the Contract Area as shown in Exhibits "A-4" and "A-5" hereto.

I. Nondiscrimination:

In the performance of this contract, Operator shall not engage in any conduct or practice which violates any applicable law, order or regulation prohibiting discrimination against any person by reason of his race, religion, color, sex, national origin or age, and Operator further agrees to comply with the non-discrimination provisions of Section 202 of Executive Order No. 11246 (30 F.R. 12319) as amended by Executive Order No. 11375.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:
Assistant Secretary

By: Vice President

NON-OPERATORS

Mary Lou Wilson

ATTEST:
Assistant Secretary

Mark D. Wilson

YATES PETROLEUM CORPORATION

By: Vice President

ATTEST:

Secretary

SUBURBAN PROPANE GAS CORPORATION

By:
President

ATTEST:

Secretary

AMOCO PRODUCTION COMPANY

By:
President

ATTEST:

Secretary

READING & BATES OIL AND GAS COMPANY

By:
President

ATTEST:

Secretary

CHAMPLIN PETROLEUM COMPANY

By:
President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

_____ Secretary

By: _____ President

NON-OPERATORS

Mary Law Wilson
Mary Lou Wilson

Mark D. Wilson
Mark D. Wilson

ATTEST:

_____ Secretary

YATES PETROLEUM CORPORATION

By: _____ President

ATTEST:

_____ Secretary

SUBURBAN PROPANE GAS CORPORATION

By: _____ President

ATTEST:

_____ Secretary

AMOCO PRODUCTION COMPANY

By: _____ President

ATTEST:

_____ Secretary

READING & BATES OIL AND GAS COMPANY

By: _____ President

ATTEST:

_____ Secretary

CHAMPLIN PETROLEUM COMPANY

By: _____ President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By: _____
President

NON-OPERATORS

_____
Mary Lou Wilson

_____
Mark D. Wilson

ATTEST:

YATES PETROLEUM CORPORATION

_____
Secretary

By: _____
President

ATTEST:

SUBURBAN PROPANE GAS CORPORATION

_____
Secretary

By: J C Eldred
~~President~~
J. C. ELDRED
Agent and Attorney-in-Fact

ATTEST:

AMOCO PRODUCTION COMPANY

_____
Secretary

By: _____
President

ATTEST:

READING & BATES OIL AND GAS COMPANY

_____
Secretary

By: _____
President

ATTEST:

CHAMPLIN PETROLEUM COMPANY

_____
Secretary

By: _____
President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

_____ Secretary

By: _____ President

NON-OPERATORS

_____
Mary Lou Wilson

_____
Mark D. Wilson

ATTEST:

YATES PETROLEUM CORPORATION

_____ Secretary

By: _____ President

ATTEST:

SUBURBAN PROPANE GAS CORPORATION

_____ Secretary

By: _____ President

~~ATTEST:~~

AMOCO PRODUCTION COMPANY

APPROVED

_____ ~~Secretary~~

By: _____ ~~President~~ C. N. Menninger
ATTORNEY-IN-FACT

ATTEST:

READING & BATES OIL AND GAS COMPANY

_____ Secretary

By: _____ President

ATTEST:

CHAMPLIN PETROLEUM COMPANY

_____ Secretary

By: _____ President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By:
President

NON-OPERATORS

Mary Lou Wilson

Mark D. Wilson

ATTEST:

YATES PETROLEUM CORPORATION

Secretary

By:
President

ATTEST:

SUBURBAN PROPANE GAS CORPORATION

Secretary

By:
President

ATTEST:

AMOCO PRODUCTION COMPANY

Secretary

By:
President

READING & BATES PETROLEUM CO. (Formerly Reading & Bates Oil and Gas Co.)

ATTEST:

W. M. Hackett, Asst. Secretary

By:
D. G. Campbell, Vice President

ATTEST:

CHAMPLIN PETROLEUM COMPANY

Secretary

By:
President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By:
President

NON-OPERATORS

Mary Lou Wilson

Mark D. Wilson

ATTEST:

YATES PETROLEUM CORPORATION

Secretary

By:
President

ATTEST:

SUBURBAN PROPANE GAS CORPORATION

Secretary

By:
President

ATTEST:

AMOCO PRODUCTION COMPANY

Secretary

By:
President

ATTEST:

READING & BATES OIL AND GAS COMPANY

Secretary

By:
President

ATTEST:

CHAMPLIN PETROLEUM COMPANY

Secretary

By:
Vice President

834

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: Ben T. Whitefield
Ben T. Whitefield
Agent and Attorney-in-Fact

APPROVED

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By:_____
President

_____
Barbara Fasken

_____
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By:_____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

FISCO, INC.

By:_____
President

_____
_____ Brooks

_____
Richard S. Brooks

THE STATE OF TEXAS X
X
COUNTY OF HARRIS X

BEFORE ME, the undersigned authority, on this day personally appeared Ben T. Whitefield, known to me to be the person whose name is subscribed to the foregoing instrument, as Agent and Attorney-in-Fact of Anadarko Production Company, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 18th day of July A.D., 1978.

My Commission Expires
LINDA BORCHARDT
Notary Public in and for Harris County, Texas
My Commission Expires May 2, 1979

Linda Borchardt
Notary Public in and for
Harris County, Texas

22

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
R. M. KOBDISH VICE PRESIDENT

_____
Barbara Fasken

_____
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

FISCO, INC.

By: _____
President

_____
_____ Brooks

_____
Richard S. Brooks

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

Barbara Fasken
Barbara Fasken

David Fasken
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

FISCO, INC.

By: _____
President

Annie May Brooks
Annie May Brooks

Richard S. Brooks
Richard S. Brooks

Rio Penasco Working Interest Unit Operating Agreement
Dated July 1, 1978, T-18-S, R-25-E, N.M.P.M.
Section 34: E/2, Section 35: All
T-19-S, R-25-E, N.M.P.M.
Section 2: All, Section 3: NE/4, Section 11: N/2
Eddy County, New Mexico

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

Secretary

ANADARKO PRODUCTION COMPANY

By: President

ATTEST:

Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: President

Barbara Fasken

David Fasken

Lillie M. Yates ATTORNEY-IN-FACT

Martin Yates, III ATTORNEY-IN-FACT

~~Perry A. Yates~~

John A. Yates,

ATTEST: DRILLING CO. CORPORATE SEAL

ASSISTANT Secretary

YATES DRILLING COMPANY

By: President

Estevie V. Yates ATTORNEY-IN-FACT

S. P. Yates ATTORNEY-IN-FACT

ATTEST:

Secretary

PISCO, INC.

By: President

Brooks

Richard S. Brooks

ATTEST: MYCO INDUSTRIES, INC. CORPORATE SEAL

Secretary

MYCO INDUSTRIES, INC.

By: President

ATTEST: ABO PETROLEUM CORPORATION CORPORATE SEAL

Secretary

ABO PETROLEUM CORPORATION

By: President

FRANK YATES

LOS CHICOS, a Partnership

By: ~~Partner~~ AGENT

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

Secretary

ANADARKO PRODUCTION COMPANY

By: President

ATTEST:

Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: President

Barbara Fasken

David Fasken

Lillie M. Yates

Martin Yates, III

Peggy A. Yates

John A. Yates,

ATTEST:

Secretary

YATES DRILLING COMPANY

By: President

Estelle H. Yates

S. P. Yates

ATTEST:

Secretary

PISCO, INC.

By: N. L. Stevens
Vice President

_____ Brooks

Richard S. Brooks

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agr ent, dated July 1, 1978, Towns s 18 and 19 South, Range 25 East, ddy County, New Mexico.

ATTEST:

Secretary

ANADARKO PRODUCTION COMPANY

By: President

ATTEST:

Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: President

Barbara Fasken

David Fasken

Lillie M. Yates

Martin Yates, III

Peggy A. Yates

John A. Yates,

ATTEST:

Secretary

YATES DRILLING COMPANY

By: President

Estelle H. Yates

S. P. Yates

ATTEST:

Secretary

FISCO, INC.

By: President

Brooks

Richard S. Brooks

Harvey E. Yates

~~Louise D. Yates~~

ATTEST:

Secretary

EXPLORERS PETROLEUM CORPORATION

By: President

ATTEST:

Secretary

FRED G. YATES, INC.

By: President

727

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

Secretary

HARVEY E. YATES COMPANY,

By

President

ATTEST:

Secretary

CORONADO EXPLORATION CORPORATION

By

President

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

HARVEY E. YATES COMPANY, INC.

Secretary

By
President

ATTEST:

CORONADO EXPLORATION CORPORATION

Secretary

By
President

Attached to and made a part of Rio Penasco Working Interest Units, Operating A ement, dated July 1, 1978, To ips 18 and 19 South, Range 25 Eas., Eddy County, New Mexico.

ATTEST:

_____
Secretary

HARVEY E. YATES COMPANY, INC.

By _____
President

ATTEST:

_____
Secretary

CORONADO EXPLORATION CORPORATION

By _____
President

Jean Read

Charles B. Read

730

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF New Mexico)
: ss.
COUNTY OF Eddy)

(Operator)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by John A. Yates, Vice President of Yates Petroleum Corporation, a New Mexico corporation, on behalf of said corporation.

My commission expires:
8-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by John A. Yates, Vice President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
8-23-81

Kathy Collert
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag ment, dated July 1, 1978, Town ps 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF _____)
: ss. (Operator)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 6 day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag ment, dated July 1, 1978, Town ps 18 and 19 South, Range 25 Eas., Eddy County, New Mexico.

STATE OF _____)
: ss. (Operator)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS I
I
COUNTY OF BEXAR I

BEFORE ME, the undersigned authority, on this day personally appeared W. C. Eldred, Agent and Attorney-in-Fact of SUBURBAN PROPANE GAS CORPORATION, a corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 22nd day of August, 197 L.

Edna L. Drews
Notary Public in and for
Bexar County, Texas
EDNA L. DREWS
Notary Public, Bexar County, Texas

My Commission Expires: May 31, 1979

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

(Operator)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 25th day of October, 1978, by C. H. Hemminger, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
10-31-78

Irene Haldas
Notary Public

IRENE HALDAS
Notary Public in and for Harris County, Texas

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Operating Agreement, dated July 1, 1978, Town ps 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF _____)
: ss.
COUNTY OF _____)

(Operator)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:

_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:

_____.

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:

_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:

_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:

_____

_____
Notary Public

STATE OF OKLAHOMA)
: ss.
COUNTY OF TEXAS)

The foregoing instrument was acknowledged before me this 21st day of July, 1978, by D. G. CAMPBELL, Vice President of READING & BATES PETROLEUM CO., a Texas corporation, on behalf of said corporation.

My commission expires:
3-7-81

LYNNE E. PLUMLEE NOTARY PUBLIC TULSA

Lynne E. Plumlee
Notary Public Lynne E. Plumlee

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 31st day of July, 1978, by E. 4 Chittick, Jr., Vice President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:

Ella M. Lawrence
Notary Public
ELLA M. LAWRENCE
Notary Public in and for Harris County, Texas
My Commission Expires November 30, 1978

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CROWN CENTRAL PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife.

My commission expires:

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

/

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF Texas)
: ss.
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 14th day of AUGUST, 1978, by R. M. KOBDISH, Vice President of CROWN CENTRAL PETROLEUM CORPORATION, a MARYLAND corporation, on behalf of said corporation.

My commission expires:
August 31, 1979

Cindy L. Sanchez
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CROWN CENTRAL PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF CALIFORNIA)
CITY AND : ss.
COUNTY OF SAN FRANCISCO)

The foregoing instrument was acknowledged before me this 4th day of August, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:
April 20, 1979

Norbert J. Dickman
Notary Public City and County of San Francisco, California

OFFICIAL SEAL
NORBERT J. DICKMAN
NOTARY PUBLIC - CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO
My Commission Expires April 20, 1979

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife.

My commission expires:
_____

_____
Notary Public

Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by JOHN A. YATES and PEGGY A. YATES, his wife

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by S. P. YATES and ESTELLE H. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FISCO, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 27th day of July, 1978, by RICHARD S. BROOKS and Annie May BROOKS, his wife.

My commission expires:
January 27, 1980

Paulette V. Seymour
Notary Public Midland County, Texas

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CROWN CENTRAL PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife. Attorney-in-Fact, Frank Yates.

My commission expires:
8-12-81

Kathy Collett
Notary Public

PUBLIC
STATE OF NEW MEXICO

740

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15 day of November, 1978, by JOHN A. YATES ~~and PEGGY A. YATES, his wife~~

My commission expires:
8-19-80

Scott E. Wilson
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November 1978, by Peyton Yates, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
8-23-81

Kathy Colbert
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by S. P. YATES and ESTELLE H. YATES, his wife, by Peyton Yates attorney-in-fact.

My commission expires:
8-23-81

Kathy Colbert
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FISCO, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by RICHARD S. BROOKS and _____ BROOKS, his wife.

My commission expires:
_____

_____
Notary Public

Attached to and made a t of Rio Penasco Working Inter Units, Operating Agreement, dated July 1, 1978, Township 18 and 19 South, Range 25 East, Eddy County, New Mexico

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

November The foregoing instrument was acknowledged before me this 15th day of ~~August~~, 1978, by Frank Yates, _____ President of MYCO INDUSTRIES, INC., a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

8-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

November The foregoing instrument was acknowledged before me this 15th day of ~~August~~, 1978, by John A. Yates, _____ President of ABO PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

8-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

November The foregoing instrument was acknowledged before me this 15th day of ~~August~~, 1978, by FRANK YATES.

My Commission Expires:

8-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

November The foregoing instrument was acknowledged before me this 15th day of ~~August~~, 1978, by John A. Yates, Agent for LOS CHICOS, a partnership.

My Commission Expires:

8-23-81

Kathy Collert
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by JOHN A. YATES and PEGGY A. YATES, his wife

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by S. P. YATES and ESTELLE H. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF Texas)
: ss.
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 13th day of July, 1978, by N. L. Stevens, III, Vice President of FISCO, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:
6-30-80

Margery L. Beery
Notary Public

MARGERY L. BEERY
Notary Public In and for Harris County, Texas
My Commission Expires 6-30-80

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by RICHARD S. BROOKS and _____ BROOKS, his wife.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agr ment, dated July 1, 1978, Town ps 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 30th day of August, 1978, by HARVEY E. YATES, a married man dealing in his sole and separate property.

My commission expires:
_____

Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

~~The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by LOUISE B. YATES.~~

My commission expires:
_____

Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 23 day of August, 1978, by GEORGE M. YATES, _____ President of EXPLORERS PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
July 27, 1980

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 25 day of August, 1978, by FRED G. YATES, _____ President of FRED G. YATES, INC., a NEW MEXICO corporation, on behalf of said corporation.

My commission expires:
July 27, 1980

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 23rd day of August, 1978, by George M. Yates, Vice President of HARVEY E. YATES COMPANY, ~~INC.~~, a New Mexico corporation, on behalf of said corporation.

My commission expires:
July 27, 1980

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ president of CORONADO EXPLORATION CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

Notary Public

744

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by HARVEY E. YATES, a married man dealing in his sole and separate property.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

~~The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by LOUISE D. YATES.~~

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of EXPLORERS PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FRED C. YATES, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of HARVEY E. YATES COMPANY, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this 15th day of September, 1978, by Harvey E. Yates, Jr., _____ president of CORONADO EXPLORATION CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
July 17, 1982

Kathy Ballard
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by JOHN A. YATES and PEGGY A. YATES, his wife

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by S. P. YATES and ESTELLE H. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 19th day of Sept., 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
May 31, 1981

Karen J. McLadri
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FISCO, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by RICHARD S. BROOKS and _____ BROOKS, his wife.

My commission expires:
_____

_____
Notary Public

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF
RIO PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
DATED JULY 1, 1978
TOWNSHIPS 18 AND 19 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

1. Contract Area

   a. Shallow Unit Area:

   Township 18 South, Range 25 East, N.M.P.M.

   Section 34: SE/4
   Section 35: E/2, E/2 SW/4, SW/4 SW/4

   Township 19 South, Range 25 East, N.M.P.M.

   Section 2: All
   Section 3: NE/4
   Section 11: N/2

   b. Deep Unit Area:

   Township 18 South, Range 25 East, N.M.P.M.

   Section 34: E/2
   Section 35: All

   Township 19 South, Range 25 East, N.M.P.M.

   Section 2: All
   Section 3: NE/4
   Section 11: N/2

2. Depth Restrictions

   a. The Shallow Unit Area covers only the oil and gas rights from the surface to a depth of 5,500 feet below the surface of the ground.

   b. The Deep Unit Area covers only the oil and gas rights from a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone.

3. The interests of the parties to this Agreement are calculated in Exhibits "A-2" and "A-3" and are summarized in Exhibits "A-4" and "A-5".

4. The oil and gas leases and interests subject to this Agreement are set forth in Exhibit "A-1".

5. Addressess of Parties for Notices:

Mark D. Wilson
212 American Home Building
Artesia, New Mexico 88210

Yates Petroleum Corporation
Yates Drilling Company
S. P. Yates
Martin Yates, III
John A. Yates
207 South Fourth Street
Artesia, New Mexico 88210
Attention: Mr. Jack W. McCaw

Suburban Propane Gas Corporation
P. O. Box 17689
San Antonio, Texas 78217
Attention: Mr. Tom McGaughy

Amoco Production Company
P. O. Box 3092
Houston, Texas 77001
Attention: Mr. Tom Morrow

Reading and Bates Oil and Gas Co.
3800 First Place
Tulsa, Oklahoma 74103
Attention: Mr. Denny Whinery

EXHIBIT "A" - Continued

Champlin Petroleum Company
300 Wilco Building
Midland, Texas 79701
Attention: Mr. R. L. Lanning

Crown Central Petroleum Corporation
Wilco Building, Suite 1002
Midland, Texas 79701
Attention: Mr. W. P. Baswell, Jr.

Charles B. Read
P. O. Box 2126
Roswell, New Mexico 88201

Harvey E. Yates
Explorers Petroleum Corporation
Fred G. Yates, Inc.
Harvey E. Yates Company, Inc.
Suite 1000
Security National Bank Building
Roswell, New Mexico 88201

Coronado Exploration Corporation
1007 Marquette Ave., N.W.
Albuquerque, New Mexico 87102

Anadarko Production Company
Two Greenway Plaza East, Suite 410
Houston, Texas 77046
Attention: Mr. Gerard Stafford

David Fasken
Richard S. Brooks
608 First National Bank Building
Midland, Texas 79701

FISCO, INC.
P. O. Box 2126
Roswell, New Mexico 88201
Attention: Mr. Norman S. Stevens, Jr.

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
BASES OWNED BY MARK D. WILSON:							
1. MARSHALL AND WINSTON, INC. T18S, R25E Sec. 34: E/2 NE/4, N/2 SE/4 Sec. 35: SW/4 SW/4	200.00	12.50000	25.00000	2-8-79	25.00	-0-	75.00
T18S, R25E Sec. 35: NW/4, NW/4 SW/4	200.00	25.00000	50.00000				
2. MARSHALL AND WINSTON, INC. T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4, NE/4 SE/4, SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	320.40	12.50000	40.05000	2-8-80	25.00	-0-	75.00
T19S, R25E Sec. 2: SE/4 NW/4, E/2 SW/4, NW/4 SE/4	160.00	25.00000	40.00000				
T19S, R25E Sec. 11: E/2 NE/4	80.00	31.25000	25.00000				
3. QUETICO SUPERIOR FOUNDATION T18S, R25E Sec. 34: E/2 NE/4, N/2 SE/4 Sec. 35: SW/4 SW/4	200.00	3.12500	6.25000	2-8-79	25.00	-0-	75.00
4. QUETICO SUPERIOR FOUNDATION T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4, NE/4 SE/4 Sec. 3: S/2 NE/4, NE/4 NE/4	280.78	3.12500	8.77438	2-8-80	25.00	-0-	75.00

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Township 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
5. I. J. MARSHALL, ET UX T16S, R25E Sec. 31: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	3.12500	3.75000	2-20-81	18.75	-0-	81.25
6. CLARENCE E. HINKLE, ET UX T16S, R25E Sec. 31: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	6.25000	7.50000	2-20-81	18.75	-0-	81.25
7. C.A. BAR LAND AND CATTLE COMPANY, INC. T16S, R25E Sec. 31: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	3.12500	3.75000	2-20-81	18.75	-0-	81.25
8. RICHARD I. FLOYD T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
9. JOHNNIE LEE BYBEE, ET AL T18S, R25E Sec. 35: N/2 NE/4	80.00	9.37500	7.50000	2-16-83	12.50	-0-	87.50
10. OLA MAE FLOYD, ET AL T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50

749

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. ALLEN:							
11. ADA L. GRUHLKEY T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
12. DENA A. BYBEE T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
13. GEORGE W. GUSHWA, ET AL T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
14. ROY E. GLASS, ET UX T19S, R25E Sec. 2: NE/4 SE/4	40.00	25.00000	10.00000	2-16-83	18.75	-0-	81.25
15. BONNIE M. MORRISON T19S, R25E Sec. 2: E/2 SW/4, SE/4 NW/4, NW/4 SE/4	160.00	25.00000	40.00000	2-15-83	18.75	-0-	81.25
16. MAY ADAMS T19S, R25E Sec. 3: NW/4 NE/4	40.36	100.00000	40.36000	2-16-83	12.50	-0-	87.50
17. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 34: N/2 SE/4, E/2 NE/4	160.00	6.25000	10.00000	5-1-81	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PERCENT ENTITLEMENT OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
18. ROBIA ROBERTS HINKLE TRUST T19S, R25E Sec. 2: NE/4 SE/4	40.00	6.25000	2.50000	5-1-81	18.75	-0-	81.25
19. MARGARET W. CHILDRESS, ET AL T18S, R25E Sec. 34: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	6.25000	7.50000	3-17-81	18.75	-0-	81.25
20. SELMA E. ANDREWS TRUST T18S, R25E Sec. 35: N/2 NE/4	80.00	25.00000	20.00000	2-18-80	25.00	-0-	75.00
21. ROY E. GLASS, ET UX T18S, R25E Sec. 34: E/2 NE/4	80.00	25.00000	20.00000	6-14-83	18.75	-0-	81.25
22. ROY E. GLASS, ET UX T18S, R25E Sec. 35: SW/4 SW/4	40.00	25.00000	10.00000	6-14-83	18.75	-0-	81.25
23. ROY E. GLASS, ET UX T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	120.40	25.00000	30.10000	6-14-83	18.75	-0-	81.25
24. MARGARET W. CHILDRESS, ET AL T18S, R25E Sec. 35: SW/4 SW/4 T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	160.40	6.25000	10.02500	6-13-81	18.75	-0-	81.25

751

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
2. I. J. MARSHALL, ET UX T18S, R25E Sec. 35: SW/4 SW/4 T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	160.40	3.12500	5.01250	6-13-81	18.75	-0-	81.25
26. CLARENCE E. HINKLE, ET UX T18S, R25E Sec. 35: SW/4 SW/4 T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	160.40	6.25000	10.02500	6-13-81	18.75	-0-	81.25
27. C.A. BAR LAND AND CATTLE COMPANY, INC. T18S, R25E Sec. 35: SW/4 SW/4	40.00	3.12500	1.25000	6-14-81	18.75	-0-	81.25
28. C.A. BAR LAND AND CATTLE COMPANY, INC. T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	120.40	3.12500	3.76250	6-14-81	18.75	-0-	81.25
29. ROLLA ROBERTS HINKLE TRUST T18S, R25E Sec. 35: SW/4 SW/4	40.00	6.25000	2.50000	6-14-81	18.75	-0-	81.25
30. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	120.40	6.25000	7.52500	6-14-81	18.75	-0-	81.25

752

EXHIBIT "A-1"
RIO PENASCO WORKING INTERESTS UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	6.25000	7.52375	6-14-81	18.75	-0-	81.25
32. CORDELLA M. KINCAID, ET AL T19S, R25E Sec. 2: NE/4 SE/4, SW/4 NW/4, N/2 NW/4	160.40	21.87500	35.08750	6-14-81	18.75	-0-	81.25
33. STERLING M. CARTER, ET AL T19S, R25E Sec. 2: NE/4 SE/4, SW/4 NW/4, N/2 NW/4	160.40	3.12500	5.01250	6-14-81	18.75	-0-	81.25
34. RALPH NIX, ET AL T19S, R25E Sec. 2: S/2 SE/4	80.00	100.00000	80.00000	7-5-80	22.50	-0-	77.50
LEASES OWNED BY YATES PETROLEUM CORPORATION:							
1. CORDELLA M. KINCAID, ET AL T18S, R25E Sec. 34: E/2 NE/4 Sec. 35: SW/4 SW/4	120.00	25.00000 (Limited to Rights Below 5,800')	30.00000	HBP	12.50	5.00 PP	82.50
2. NM-12246 T18S, R25E Sec. 24: N/2 NE/4	80.00	100.00000 (Limited to Rights Below 5,500')	80.00000	HBP	12.50 U.S.A.	5.00	82.50

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY YATES PETROLEUM CORPORATION:							
3. GEORGE W. GUSHMA, ET UX T18S, R25E Sec. 35: NW/4, NW/4 SW/4 T19S, R25E Sec. 2: SE/4 NW/4, E/2 SW/4, NW/4 SE/4	360.00 (Limited to Rights Below 5,800')	50.00000	180.00000	HBP	18.75	5.00 PP	76.25
4. NM-06488 T19S, R25E Sec. 2: N/2 NE/4	79.60 (Limited to Rights Below 5,800')	100.00000	79.60000	HBP	12.50 U.S.A.	5.00	82.50
5. NANCY P. TOMKIN, ET AL T19S, R25E Sec. 11: E/2 NE/4	80.00	31.87500	25.50000	8-18-82	18.75	-0-	81.25
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
1. I. J. MARSHALL, ET UX T18S, R25E Sec. 30: E/2 SE/4	80.00	3.12500	2.50000	11-12-81	18.75	-0-	81.25
2. CLARENCE E. HINKLE, ET UX T18S, R25E Sec. 30: N/2 SE/4	80.00	6.25000	5.00000	11-12-81	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
3. C. A. LAND AND CATTLE COMPANY, INC. T18S, R25E Sec. 34: N/2 SE/4	80.00	3.12500	2.50000	11-12-81	18.75	-0-	81.25
4. ROY E. GLASS, ET UX T18S, R25E Sec. 34: N/2 SE/4	80.00	25.00000	20.00000	11-10-81	18.75	-0-	81.25
5. CORDELLA M. KINCAID, ET AL T18S, R25E Sec. 34: N/2 SE/4	80.00	21.87500	17.50000	11-22-81	18.75	-0-	81.25
6. STERLING M. CARTER, ET AL T18S, R25E Sec. 34: N/2 SE/4	80.00	3.12500	2.50000	11-22-81	18.75	-0-	81.25
7. MARGARET W. CHILDRESS, ET AL T18S, R25E Sec. 34: N/2 SE/4	80.00	6.25000	5.00000	11-22-81	18.75	-0-	81.25
8. DON L. BRADSHAW T18S, R25E Sec. 34: S/2 SE/4	80.00	15.14285	12.11428	3-9-82	20.00	-0-	80.00
9. A. M. ROUTH T18S, R25E Sec. 34: S/2 SE/4	80.00	25.00000	20.00000	3-3-82	20.00	-0-	80.00

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
10. JACK B. WILKINSON, ET UX T18S, R25E Sec. 34: S/2 SE/4	80.00	9.85715	7.88572	6-27-81	25.00	-0-	75.00
11. BARNES ADELANTE TRUSTS, ET AL T18S, R25E Sec. 34: S/2 SE/4	80.00	50.00000	40.00000	6-27-81	25.00	-0-	75.00
12. EARL COLLINS, ET UX T18S, R25E Sec. 35: SE/4, S/2 NE/4, E/2 SW/4	320.00	25.00000	80.00000	8-28-78	12.50	-0-	87.50
13. CORDELLA M. KINCAID, ET AL T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	21.87500	26.33313	11-22-81	18.75	-0-	81.25
14. STERLING M. CARTER, ET AL T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	3.12500	3.76187	11-22-81	18.75	-0-	81.25
15. ROY E. GLASS, ET UX T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	25.00000	30.09500	10-22-81	18.75	-0-	81.25
16. I. J. MARSHALL, ET UX T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	3.12500	3.76187	11-22-81	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
17. CLARENCE E. HINKLE, ET UX T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	6.25000	7.52375	11-22-81	18.75	-0-	81.25
18. C.A. LAND AND CATTLE COMPANY, INC. T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	3.12500	3.76188	11-22-81	18.75	-0-	81.25
19. MARGARET W. CHILDRESS, ET AL T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	6.25000	7.52375	11-22-81	18.75	-0-	81.25
LEASES OWNED BY AMOCO PRODUCTION COMPANY:							
1. NM-18820 T19S, R25E Sec. 2: S/2 NE/4	80.00	100.00000	80.00000	8-1-83	12.50 U.S.A.	5.00	82.50
2. NM-12833 T19S, R25E Sec. 11: S/2 NW/4, SW/4 NE/4	120.00	100.00000	120.00000	1-1-81	12.50 U.S.A.	5.00	82.50
LEASE OWNED BY READING AND BATES, INC.:							
1. EARL COLLINS, ET UX T18S, R25E Sec. 35: SE/4, S/2 NE/4,	320.00	50.00000	160.00000	8-28-78	12.50	-0-	87.50

757

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY CHAMPLIN PETROLEUM COMPANY:							
1. BONNIE M. MORRISON T18S, R25E Sec. 35: N/2 NE/4	80.00	50.00000	40.00000	8-17-82	18.75	-0-	81.25
2. BONNIE M. MORRISON T19S, R25E Sec. 2: SW/4 SW/4	40.00	12.50000	5.00000	8-17-82	18.75	-0-	81.25
3. BOY SCOUTS OF AMERICA T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: NW/4 NE/4, N/2 NW/4	160.00	1.25000	2.00000	9-28-82	18.75	-0-	81.25
4. THE LAW SCHOOL OF UNM T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: NW/4 NE/4, N/2 NW/4	160.00	20.00000	32.00000	9-28-82	18.75	-0-	81.25
5. NEW MEXICO MILITARY INSTITUTE T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: NW/4 NE/4, N/2 NW/4	160.00	3.75000	6.00000	9-28-82	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY ANADARKO PRODUCTION COMPANY:							
1. GLADYS L. GREGG, ET VIR T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	20.83333	33.33333	3-31-82	18.75	-0-	81.25
2. PLAZA BANK AND TRUST CO., EXECUTOR T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	20.83333	33.33334	3-10-82	18.75	-0-	81.25
3. BONNIE M. MORRISON T19S, R25E Sec. 11: N/2 NW/4, NW/4 NE/4	120.00	12.50000	15.00000	2-25-80	18.75	-0-	81.25
LEASE OWNED BY CROWN CENTRAL PETROLEUM CORPORATION:							
1. EARL COLLINS, ET UX T18S, R25E Sec. 35: SE/4, S/2 NE/4, E/2 SW/4	320.00	25.00000	80.00000	8-28-78	12.50	-0-	87.50
LEASE OWNED BY DAVID FASKEN:							
1. BONNIE M. MORRISON T18S, R25E Sec. 35: NW/4, NW/4 SW/4	200.00	24.50000	49.00000	HBP	12.50	-0-	87.50

259

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARTIN YATES, III:							
1. CLARENCE E. HINKLE, ET UX T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16666	HBP	18.75	-0-	81.25
2. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16667	HBP	18.75	12.50	68.75
LEASES OWNED BY S. P. YATES:							
1. CLARENCE E. HINKLE, ET UX T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16667	HBP	18.75	-0-	81.25
2. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16666	HBP	18.75	12.50	68.75
MINERALS OWNED BY CHARLES B. READ:							
1. T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	4.16667	6.66667				
MINERALS OWNED BY FISCO, INC:							
1. T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	2.08333	3.33333				

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASE OWNED BY RICHARD S. BROOKS:							
BONNIE M. MORRISON	200.00	.50000	1.00000	HBP	12.50	-0-	87.50
LEASES OWNED BY EAGLE GROUP: (YATES PETROLEUM CORPORATION - 1/2; YATES DRILLING COMPANY - 1/6; MARTIN YATES, III - 1/6; JOHN A. YATES - 1/6)							
1. CORDELIA M. KINCAID, ET AL T18S, R25E Sec. 35: SW/4 SW/4	40.00	25.00000 (Limited to Rights From Surface to 5,800')	10.00000	HBP	12.50	-0-	87.50
2. GEORGE W. GUSHWA, ET UX T19S, R25E Sec. 2: SE/4 NW/4, E/2 SW/4 NW/4 SE/4	160.00	50.00000 (Limited to Rights From Surface to 5,800')	80.00000	HBP	12.50	-0-	87.50
NM-05488 T19S, R25E Sec. 2: S/2 NE/4	79.60	100.00000 (Limited to Rights From Surface to 5,800')	79.60000	HBP	12.50 U.S.A.	5.00	82.50
LEASE OWNED BY HARVEY E. YATES COMPANY, INC., ET AL:							
1. NM-31197* T19S, R25E Sec. 2: NW/4 SW/4	40.00	100.00000	40.00000	10-1-82	12.50 U.S.A. (KGS Sliding-Scale)	1.50	86.00

* Lease owned by Harvey E. Yates Company, Inc. - 72.2746%, Harvey E. Yates - 5.0000%, Explorers Petroleum Corporation - 5.0000%, Fred G. Yates, Inc. - 5.0000%, Coronado Exploration Corp. - 12.7254%.

761

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership in Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
MARK D. WILSON	1	75.00000		75.000	56.25000	
	2	105.05000		75.000	78.78750	
	3	6.25000		75.000	4.68750	
	4	8.77438		75.000	6.58079	
	5	3.75000		81.250	3.04688	
	6	7.50000		81.250	6.09375	
	7	3.75000		81.250	3.04688	
	8	2.50000		87.500	2.18750	
	9	7.50000		87.500	6.56250	
	10	2.50000		87.500	2.18750	
	11	2.50000		87.500	2.18750	
	12	2.50000		87.500	2.18750	
	13	2.50000		87.500	2.18750	
	14	10.00000		81.250	8.12500	
	15	40.00000		81.250	32.50000	
	16	40.36000		87.500	35.31500	
	17	10.00000		81.250	8.12500	
	18	2.50000		81.250	2.03125	
	19	7.50000		81.250	6.09375	
	20	20.00000		75.000	15.00000	
	21	20.00000		81.250	16.25000	
	22	10.00000		81.250	8.12500	
	23	30.10000		81.250	24.45625	
	24	10.02500		81.250	8.14531	
	25	5.01250		81.250	4.07266	
	26	10.02500		81.250	8.14531	
	27	1.25000		81.250	1.01563	
	28	3.76250		81.250	3.05703	
	29	2.50000		81.250	2.03125	
	30	7.52500		81.250	6.11406	
	31	7.52375		81.250	6.11305	
	32	35.08750		81.250	28.50859	
	33	5.01250		81.250	4.07266	
	34	80.00000		77.500	62.00000	
MARK D. WILSON TOTAL		588.25813	29.3476		465.29010	28.4757

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Own	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
YATES PETROLEUM CORPORATION	1	30.00000		82.500	24.75000	
	2	80.00000		82.500	66.50000	
	3	180.60000		76.250	137.70750	
	4	79.60000		82.500	65.67000	
	5	25.50000		81.250	20.71875	
YATES PETROLEUM CORPORATION TOTAL		395.10000	19.7111		315.34625	19.2992
SUBURBAN PROPANE GAS CORPORATION	1	2.50000		81.250	2.03125	
	2	5.00000		81.250	4.06250	
	3	2.50000		81.250	2.03125	
	4	20.00000		81.250	16.25000	
	5	17.50000		81.250	14.21875	
	6	2.50000		81.250	2.03125	
	7	5.00000		81.250	4.06250	
	8	12.11428		80.000	9.69142	
	9	20.00000		80.000	16.00000	
	10	7.88572		75.000	5.91429	
	11	40.00000		75.000	30.00000	
	12	80.00000		87.500	70.00000	
	13	26.33313		81.250	21.39567	
	14	3.76187		81.250	3.05652	
	15	30.09500		81.250	24.45219	
	16	3.76187		81.250	3.05652	
	17	7.52375		81.250	6.11305	
	18	3.76188		81.250	3.05653	
	19	7.52375		81.250	6.11305	
SUBURBAN PROPANE GAS CORPORATION TOTAL		297.76125	14.8550		243.53674	14.9044
HARVEY E. YATES CO., INC., ET AL	1	40.00000		86.000	34.4000	
HARVEY E. YATES CO., INC. TOTAL		40.00000	1.9956		34.4000	2.1053

763

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
AMOCO PRODUCTION COMPANY	1	80.00000		82.500	66.00000	
	2	120.00000		82.500	99.00000	
AMOCO PRODUCTION COMPANY TOTAL		200.00000	9.9778		165.00000	10.0980
READING & BATES OIL AND GAS COMPANY	1	160.00000		87.500	140.00000	
READING & BATES OIL AND GAS COMPANY TOTAL		160.00000	7.9822		140.00000	8.5680
CHAMPLIN PETROLEUM COMPANY	1	40.00000		81.250	32.50000	
	2	5.00000		81.250	4.06250	
	3	2.00000		81.250	1.62500	
	4	32.00000		81.250	26.00000	
	5	6.00000		81.250	4.87500	
CHAMPLIN PETROLEUM COMPANY TOTAL		85.00000	4.2406		69.06250	4.2266
ANADARKO PRODUCTION COMPANY	1	33.33333		81.250	27.08333	
	2	33.33334		81.250	27.08334	
	3	15.00000		81.250	12.18750	
ANADARKO PRODUCTION COMPANY TOTAL		81.66667	4.0743		66.35417	4.0609
CROWN CENTRAL PETROLEUM CORPORATION	1	80.00000		87.500	70.00000	
CROWN CENTRAL PETROLEUM CORPORATION TOTAL		80.00000	3.9911		70.00000	4.2840
DAVID FASKEN	1	49.00000		87.500	42.87500	
DAVID FASKEN TOTAL		49.00000	2.4445		42.87500	2.6239
MARTIN YATES, III	1	4.16666		81.250	3.38541	
	2	4.16667		68.750	2.86459	
MARTIN YATES, III TOTAL		8.33333	.4157		6.25000	.3825

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
S. P. YATES	1	4.16667		81.250	3.38542	
	2	4.16666		68.750	2.86458	
S. P. YATES TOTAL		8.33333	.4157		6.25000	.3825
CHARLES B. READ	1	6.66667		87.5000	5.83334	
CHARLES B. READ TOTAL		6.66667	.3326		5.83334	.3570
FISCO, INC.	1	3.33333		87.5000	2.91666	
FISCO, INC. TOTAL		3.33333	.1663		2.91666	.1785
RICHARD S. BROOKS	1	1.00000		87.500	.87500	
RICHARD S. BROOKS TOTAL		1.00000	.0499		.87500	.0535
DEEP UNIT TOTALS		2004.45271	100.0000		1633.98976	100.0000

765

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
MARK D. WILSON	1	15.00000		75.000	11.25000	
	2	105.05000		75.000	78.78750	
	3	3.75000		75.000	2.81250	
	4	8.77438		75.000	6.58079	
	5	1.25000		81.250	1.01563	
	6	2.50000		81.250	2.03125	
	7	1.25000		81.250	1.01563	
	8	2.50000		87.500	2.18750	
	9	7.50000		87.500	6.56250	
	10	2.50000		87.500	2.18750	
	11	2.50000		87.500	2.18750	
	12	2.50000		87.500	2.18750	
	13	2.50000		87.500	2.18750	
	14	10.00000		81.250	8.12500	
	15	40.00000		81.250	32.50000	
	16	40.36000		87.500	35.31500	
	17	5.00000		81.250	4.06250	
	18	2.50000		81.250	2.03125	
	19	2.50000		81.250	2.03125	
	20	20.00000		75.000	15.00000	
	22	10.00000		81.250	8.12500	
	23	30.10000		81.250	24.45625	
	24	10.02500		81.250	8.14531	
	25	5.01250		81.250	4.07266	
	26	10.02500		81.250	8.14531	
	27	1.25000		81.250	1.01563	
	28	3.76250		81.250	3.05703	
	29	2.50000		81.250	2.03125	
	30	7.52500		81.250	6.11406	
	31	7.52375		81.250	6.11305	
	32	35.08750		81.250	28.50859	
	33	5.01250		81.250	4.07266	
	34	80.00000		77.500	62.00000	
MARK D. WILSON TOTAL		485.75813	29.4051		385.91510	28.4196

766

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
YATES PETROLEUM CORPORATION						
	5	25.50000		81.250	20.71875	
	1	5.00000		82.500	4.12500	
	2	40.00000		87.500	35.00000	
	3	39.80000		76.250	30.34750	
YATES PETROLEUM CORPORATION TOTAL		110.30000	6.6769		90.19125	6.6419
SUBURBAN PROPANE GAS CORPORATION	1	2.50000		81.250	2.03125	
	2	5.00000		81.250	4.06250	
	3	2.50000		81.250	2.03125	
	4	20.00000		81.250	16.25000	
	5	17.50000		81.250	14.21875	
	6	2.50000		81.250	2.03125	
	7	5.00000		81.250	4.06250	
	8	12.11428		80.000	9.69142	
	9	20.00000		80.000	16.00000	
	10	7.88572		75.000	5.91429	
	11	40.00000		75.000	30.00000	
	12	80.00000		87.500	70.00000	
	13	26.33313		81.250	21.39567	
	14	3.76187		81.250	3.05652	
	15	30.09500		81.250	24.45219	
	16	3.76187		81.250	3.05652	
	17	7.52375		81.250	6.11305	
	18	3.76183		81.250	3.05653	
	19	7.52375		81.250	6.11305	
SUBURBAN PROPANE GAS CORPORATION TOTAL		297.76125	18.0248		243.53674	17.9345
AMOCO PRODUCTION COMPANY	1	80.00000		82.500	66.00000	
	2	120.00000		82.500	99.00000	
AMOCO PRODUCTION COMPANY TOTAL		200.00000	12.1069		165.00000	12.1509
HARVEY E. YATES CO., INC., ET AL	1	40.00000		86.000	34.40000	
HARVEY E. YATES CO., INC., ET AL TOTAL		40.00000	2.4214		34.40000	2.5333

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
READING & BATES OIL AND GAS COMPANY	1	160.00000		87.500	140.00000	
READING & BATES OIL AND GAS COMPANY TOTAL		160.00000	9.6855		140.00000	10.3099
CHAMPLIN PETROLEUM COMPANY	1	40.00000		81.250	32.50000	
	2	5.00000		81.250	4.06250	
	3	32.00000		81.250	1.62500	
	4	32.00000		81.250	26.00000	
	5	6.00000		81.250	4.87500	
CHAMPLIN PETROLEUM COMPANY TOTAL		85.00000	5.1454		69.06250	5.0859
ANADARKO PRODUCTION COMPANY	1	33.33333		81.250	27.08333	
	2	33.33334		81.250	27.08334	
	3	15.00000		81.250	12.18750	
ANADARKO PRODUCTION COMPANY TOTAL		81.66667	4.9436		66.35417	4.8864
CROWN CENTRAL PETROLEUM CORPORATION	1	80.00000		87.500	70.00000	
CROWN CENTRAL PETROLEUM CORPORATION TOTAL		80.00000	4.8428		70.00000	5.1549
MARTIN YATES, III	1	4.16666		81.250	3.38541	
	2	4.16667		68.750	2.86459	
(EAGLE GROUP LEASES)	1	1.66667		87.500	1.45834	
	2	13.33333		87.500	11.66666	
	3	13.26667		82.500	10.94500	
MARTIN YATES, III AND EAGLE GROUP LEASES TOTAL		36.60000	2.2156		30.32000	2.2328

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
JOHN A. YATES	1	1.66667		87.500	1.45834	
	2.	13.33333		87.500	11.66666	
	3	13.26667		82.500	10.94500	
JOHN A. YATES TOTAL		28.26667	1.7111		24.07000	1.7726
YATES DRILLING COMPANY	1	1.66666		87.500	1.45833	
	2	13.33334		87.500	11.66667	
	3	13.26667		82.500	10.94500	
YATES DRILLING COMPANY TOTAL		28.26667	1.7111		24.07000	1.7726
S. P. YATES	1	4.16667		81.250	3.38542	
	2	4.16666		68.750	2.86458	
S. P. YATES TOTAL		8.33333	.5044		6.25000	.4603
CHARLES B. READ	1	6.66667		87.500	5.83334	
CHARLES B. READ TOTAL		6.66667	.4036		5.83334	.4296
FISCO, INC.	1	3.33333		87.500	2.91666	
FISCO, INC. TOTAL		3.33333	.2018		2.91666	.2148
SHALLOW UNIT TOTALS		1651.95272	100.0000		1357.91976	100.0000

376

AMENDED EXHIBIT "A-4"

SCHEDULE SHOWING INTERESTS CONTRIBUTED, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL AFTER PAYOUT AND ALL SUBSEQUENT WELLS IN RIO PENASCO DEEP UNIT

Owner	Contribution for Initial Test Well		Initial Test Well Until Payout		Subsequent Wells and Initial Well After Payout	
			Costs	Production	Costs	Production
	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
	Percentage of Unit	Percentage Beneficial Interest	Percentage Costs	Beneficial Percentage Production	Percentage Costs	Beneficial Percentage Production
Mark D. Wilson	5.0000	4.8515	5.0000	4.8515	5.0000	4.8515
Yates Petroleum Corporation	19.7111	19.2992	19.7111	19.2992	19.7111	19.2992
Suburban Propane Gas Corporation	14.8550	14.9044	14.8550	14.9044	14.8550	14.9044
Amoco Production Company	9.9778	10.0980	-0-	-0-	4.9889	5.0490
Reading & Bates Oil and Gas Company	7.9822	8.5680	7.9822	8.5680	7.9822	8.5680
Champlin Petroleum Company	4.2406	4.2266	4.2406	4.2266	4.2406	4.2266
Anadarko Production Company	4.0743	4.0609	4.0743	4.0609	4.0743	4.0609
Crown Central Petroleum Corporation	3.9911	4.2840	3.9911	4.2840	3.9911	4.2840
David Fasken	2.4445	2.6239	-0-	-0-	1.2222	1.3119
Harvey E. Yates Company, et al*	1.9956	2.1053	1.9956	2.1053	1.9956	2.1053
Martin Yates, III	.4157	.3825	.4157	.3825	.4157	.3825
John A. Yates	-0-	-0-	-0-	-0-	-0-	-0-
Yates Drilling Company	-0-	-0-	-0-	-0-	-0-	-0-
S. P. Yates	.4157	.3825	.4157	.3825	.4157	.3825
Charles B. Read	.3326	.3570	.3326	.3570	.3326	.3570
FISCO, INC.	.1663	.1785	.1663	.1785	.1663	.1785
Richard S. Brooks	.0499	.0535	-0-	-0-	.0250	.0268
Operator+	24.3476	23.6242	36.8198	36.3996	30.5837	30.0119
	100.0000	100.0000	100.0000	100.0000	100.0000	100.0000

*Harvey E. Yates Company, et al, is composed of:

Harvey E. Yates Company	72.2746%
Harvey E. Yates	5.0000%
Explorers Petroleum Corporation	5.0000%
Fred G. Yates, Inc.	5.0000%
Coronado Exploration Corporation	12.7254%

†The Operator's interest is owned and paid for by:

John A. Yates	13.3333%
Abo Petroleum Corporation	13.3333%
Los Chicos	6.6667%
Yates Drilling Company	22.2222%
S. P. Yates	11.1111%
Martin Yates, III	13.9507%
Myco Industries, Inc.	13.9508%
Frank Yates	5.4319%

2774

AMENDED EXHIBIT "A-5"

SCHEDULE SHOWING INTERESTS CONTRIBUTED, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL AFTER PAYOUT AND ALL SUBSEQUENT WELLS IN RIO PENASCO SHALLOW UNIT

	Contribution for Initial Test Well		Initial Test Well Until Payout		Subsequent Wells and Initial Well After Payout	
			Costs	Production	Costs	Production
	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Owner	Percentage of Unit	Percentage Beneficial Interest	Percentage Costs	Beneficial Percentage Production	Percentage Costs	Beneficial Percentage Production
Mark D. Wilson	5.0098	4.8419	5.0098	4.8419	5.0098	4.8419
Yates Petroleum Corporation	6.6769	6.6419	6.6769	6.6419	6.6769	6.6419
Suburban Propane Gas Corporation	18.0248	17.9345	18.0248	17.9345	18.0248	17.9345
Amoco Production Company	12.1069	12.1509	-0-	-0-	6.0535	6.0755
Reading & Bates Oil and Gas Company	9.6855	10.3099	9.6855	10.3099	9.6855	10.3099
Champlin Petroleum Company	5.1454	5.0859	5.1454	5.0859	5.1454	5.0859
Anadarko Production Company	4.9436	4.8864	4.9436	4.8864	4.9436	4.8864
Crown Central Petroleum Corporation	4.8428	5.1549	4.8428	5.1549	4.8428	5.1549
David Fasken	-0-	-0-	-0-	-0-	-0-	-0-
Ha y E. Yates Company, et al*	2.4214	2.5333	2.4214	2.5333	2.4214	2.5333
Martin Yates, III	2.2156	2.2328	2.2156	2.2328	2.2156	2.2328
John A. Yates	1.7111	1.7726	1.7111	1.7726	1.7111	1.7726
Yates Drilling Company	1.7111	1.7726	1.7111	1.7726	1.7111	1.7726
S. P. Yates	.5044	.4603	.5044	.4603	.5044	.4603
Charles B. Read	.4036	.4296	.4036	.4296	.4036	.4296
FISCO, INC.	.2018	.2148	.2018	.2148	.2018	.2148
Richard S. Brooks	-0-	-0-	-0-	-0-	-0-	-0-
Operator+	24.3953	23.5777	36.5022	35.7286	30.4487	29.6531
	100.0000	100.0000	100.0000	100.0000	100.0000	100.0000

772

*Harvey E. Yates Company, et al, is composed of:

Harvey E. Yates Company	72.2746%
Harvey E. Yates	5.0000%
Explorers Petroleum Corporation	5.0000%
Fred G. Yates, Inc.	5.0000%
Coronado Exploration Corporation	12.7254%

+The Operator's interest is owned and paid for by:

John A. Yates	13.3333%
Abo Petroleum Corporation	13.3333%
Los Chicos	6.6667%
Yates Drilling Company	22.2222%
S. P. Yates	11.1111%
Martin Yates, III	13.9507%
Myco Industries, Inc.	13.9508%
Frank Yates	5.4319%

774

EXHIBIT "B"

Producers 88 Rev. (5 Year Lease) 10-57

(FIVE YEAR PAID UP LEASE)

OIL AND GAS LEASE

Form 345
Hall-Poorbaugh Press
Roswell, New Mexico

THIS AGREEMENT made this ..... day of ....., 19 78, between

.....

.....

Lessor (whether one or more), whose address is .....

and ..... Lessee, WITNESSETH:

1. Lessor in consideration of Ten ..... Dollars
($ 10.00) in hand paid, 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 and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in ..... County, New Mexico ..... to-wit:

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 without further payments 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 this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to paid by Lessee are: (a) on oil, 1/8 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/8 of the 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; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of $1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, 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 in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction 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 under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to 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 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 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 its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease 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 gas, or either of them, 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. 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, 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, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation 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, 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, 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. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary terms, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 leased premises are situated at any time after the completion of a dry hole or the cessation of production 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 lease 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. 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.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either 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; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of 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 commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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 revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor ~~hereby warrants and agrees to defend the title to said land and~~ agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

.....	.....
.....	.....
..... Lessor	..... Lessor

COPAS — 1974

Recommended by the Council of Petroleum Accountants Societies of North America

COPAS

Kristin 601, BOX 808 TULSA OK 74101

EXHIBIT "C"

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, Dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy 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.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"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. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator 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 Controllable Material as provided for in Section V.

5. 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 Joint Account 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 adjustments of accounts as provided for in Paragraph 4 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. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**

   Lease rentals and royalties paid by Operator for the Joint Operations.

2. **Labor**

   A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

   (2) Salaries of First Level Supervisors in the field.

   (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

   B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs 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. 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 costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

   D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. **Employee Benefits**

   Operator's current costs 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 chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. **Material**

   Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. 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, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

   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, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

   C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. **Services**

   The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. **Equipment and Facilities Furnished by Operator**

   A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

   B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. **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 other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. **Legal Expense**

   Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. 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.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. 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 in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(XX) Fixed Rate Basis, Paragraph 1A, or
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. 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 the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (x) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 2,000.00
Producing Well Rate $ 278.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the 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 suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April 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 calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:
For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000.00 :

A. 5 % of total costs if such costs are more than $ 25,000.00 but less than $ 100,000.00 ; plus
B. 3 % of total costs in excess of $ 100,000.00 but less than $1,000,000; plus
C. 2 % of total costs in excess of $1,000,000.

Total cost shall mean the 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 and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) 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 published or listed prices 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 providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided 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 ten 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.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. 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.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable 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.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

Attached to and made a part of Rio Penasco Working Interest Unit, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, y County, New Mexico.

EXHIBIT "D"

INSURANCE

Operator shall secure and maintain during the term of this agreement insurance to cover Operator's operations on the contract acreage covered by this agreement as follows:

(a) Workmen's Compensation Insurance to fully comply with the laws of the State where operations are to be performed, and with employers liability insurance including, if any operations hereunder are to be conducted in inland waters, bays or marshes, endorsements covering:

(1) United States Longshoremen's and Harbor Worker's Compensation Act.

(2) Employer's Liability covering maritime operations with limits of liability of $500,000 for death or injury to one person and $500,000 for deaths or injuries arising out of one accident.

(b) Comprehensive General Liability Insurance, excluding products, but if any operations hereunder are to be conducted in inland waters, bays or marshes, including watercraft liability: A single combined limit of $500,000 each accident for bodily injuries or death and property damage.

(c) Comprehensive Automobile Public Liability and Property Damage Insurance with a single combined limit of $500,000 each accident for bodily injuries or death and property damage.

Operator shall require Operator's contractors and subcontractors working or performing services on the contract acreage to comply with the Workmen's Compensation laws of the State where the contract acreage is located, and to carry such other insurance and in such amounts as Operator deems necessary.

EXHIBIT "E"

ATTACHED TO AND MADE A PART OF
RIO PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
DATED JULY 1, 1978
TOWNSHIPS 18 AND 19 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

GAS BALANCING AGREEMENT

In accordance with the terms of the Operating Agreement and upon completion of a gas well, this Gas Balancing Agreement shall become effective in accordance with Article VI.C and shall apply to each well severally.

It is the intention of the parties hereto that Operator shall have the duty of controlling gas well production and the responsibility of administering the provisions of this agreement. Operator shall cause deliveries to be made to gas purchasers at such rates as may be required to give effect to the intent that the gas production accounts of all parties are to be brought into balance under the provisions contained herein.

Each party has made (or will make) arrangements to sell or utilize its share of the gas produced from each well in the Contract Area. It appears, however, that the respective gas markets of the parties may be limited from time to time; therefore, to permit the parties as much flexibility as possible in meeting the demands of their respective markets, the parties hereto agree to the storage arrangements herein set forth.

1.

From and after the date of initial delivery of gas from said well, during any period when a party is taking less than its share of the gas produced from said well, any other party may produce from said well and take or deliver to a purchaser, each month, all or a part of that portion of the allowable gas production which is not produced by a party taking less than its full share. The parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests.

2.

On a cumulative basis, a party taking less than its full share of the gas produced shall be credited with gas in storage equal to its full share of the total gas produced and saved, less that portion of the gas such party took or delivered to a purchaser. Operator will maintain an account of the gas balance as between the parties hereto and will furnish each party monthly statements showing the total quantity of gas produced, the total quantity of gas taken by each party, and the monthly and cumulative over and under delivery of each party.

3.

After notice to the Operator, any party may at any time begin taking or delivering to a purchaser its full share of gas produced (less such party's share of gas used in operations, vented or lost). To allow the recovery of gas in storage and to balance the gas account of the parties in accordance with their respective interests, a party with gas in storage shall be entitled to take or deliver to a purchaser its current share of the gas produced, plus a share of gas not exceeding its gas storage, determined by multiplying 50% of the interest in the current gas production of the party or parties without gas in storage by a fraction, the numerator of which is the interest in said well of such party with gas in storage and the denominator of which is the total percentage interest in said well of all parties with gas in storage currently taking or delivering to a purchaser.

4.

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability test required by its purchaser. Each party shall, at all times, use its best efforts to regulate its takes and deliveries from said well so that said well will not be shut in for over producing the allowable thereto assigned by the applicable regulatory authority.

5.

Other provisions contained in the Operating Agreement notwithstanding, each party shall be responsible for the entire payment to each royalty, overriding royalty and production payment owner entitled to a portion of the proceeds received for the gas which such party takes, such payment to be based upon the gas produced and the price received. Each party hereto hereby indemnifies the other parties hereto against the claims, demands and causes of action which have as their basis an alleged entitlement to payment in excess of that received by the party taking the gas, of royalty, overriding royalty and production payment owners to whom such indemnitor is obligated under the applicable leases or other instruments which create such interests.

If, however, any party is obligated pursuant to said Operating Agreement or instruments of title as reflected in the chain of title to such party's interest to assume and alone bear any overriding royalty or other obligation or portion hereon out of such obligated party's share of production, such obligated party shall promptly reimburse each party taking gas for all amounts paid to the owner of such excess interest, which are attributable to such excess interest. If such obligated party fails to make such reimbursement within 15 days after receiving a statement therefor, all reimbursed amounts shall thereafter bear interest at the rate of 10% per annum and the unreimbursed party (whether Operator or Non-Operator) shall have the benefits of all of the liens and other rights provided for in Article VII.8 of the Operating Agreement to secure the payment of such unreimbursed amounts plus interest thereon.

6.

Each party producing and taking or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

7.

Should production of gas from said well be permanently discontinued before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid by the overproduced party or parties, based on the actual price received, month by month, for the volumes of gas as and when the same were produced, less applicable taxes theretofore paid.

8.

Nothing herein shall change or affect each party's obligations to pay its proportionate share of all costs and liabilities incurred, as its share thereof is set forth in the Operating Agreement.

9.

This agreement shall be considered as a separate and distinct agreement with respect to each separate common source of supply for each separate Contract Area well.

10.

This agreement is binding upon the heirs, successors and assigns of the signatory parties hereto, it being agreed that this agreement is a covenant

running with the oil and gas leases contributed by the parties to this agreement. The parties hereto agree to give notice of the existence of this agreement to any successor in interest of such signatory party to any oil and gas lease subject to the terms of this agreement. This agreement shall be and remain in force and effect for a term concurrent with the term of the Operating Agreement between the parties hereto.

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 14th day of May 19 79 at 11:10 o'clock A.M., and duly recorded in Book 110 page 693 of the Records of Miscellaneous.

GERALDINE MAHAFFEY, County Clerk
By Catherine Bolt Deputy

Yates Petroleum Corporation
AUTHORITY FOR EXPENDITURE

AFE # 80-028-0
Revision #
Date 2-8-80

Lease Name Rio Penasco KD Com #1 Location S/2 Section 2-19S-25E
County Eddy State NM Field Undes. (Boyd Morrow)
Horizon Morrow Est.T.D. 9400 Est. Spud Date April 1980
Est. Completion Date May 1980 Drilling Contractor

Primary Objective: ☐ Oil ☒ Gas ☐ Oil and/or Gas
Purpose : ☒ Drilling-New ☐ Recompletion ☐ Other (Supplement AFE, etc)
Type Well : ☐ Development ☐ Exploratory

	INTANGIBLE COSTS:	Dry Hole	Completion
9210	Staking Permit & Legal Fees	$ 700	$ 700
9211	Location, Right-of-Way	$ 8300	$ 9300
9212	Drilling, Footage 9400' @$21	$ 197400	$ 197400
9213	Drilling, Daywork 5 days @ $4350 /day	$ 21700	$ 21700
9212/9213	Moving in, Rigging up, Rigging down	$ -	$ -
9224	Bits, Tools & Supplies	$ 500	$ 800
9214	Drilling Water	$ 17500	$ 18800
9215	Drilling Mud & Additives	$ 29200	$ 29200
9216	Mud Logging Unit	$ 8500	$ 8500
9217	Cement, Tools & Services, Temp. Surveys	$ 13500	$ 18100
9218	Drill Stem Testing	$ 5600	$ 5600
9219	Electric Logs & Perforating	$ 19800	$ 26300
9220	Tool & Equip. Rental, Trucking, Welding	$ 4900	$ 5900
9221	Supervision & Overhead	$ 4500	$ 6000
9223	Coring, Tools & Services	$ -	$ -
9241	Completion Unit 10 days @$1050 /day	$ -	$ 10500
9247	Stimulation	$ -	$ 25500
9222	Contingency	$ 36900	$ 42700
	TOTAL INTANGIBLES	$ 369,000	$ 427,000

	WELL EQUIPMENT COSTS:		
9301	Christmas Tree and Well Head	$ 1500	$ 15000
9302	Casing: 13 3/8" 48# J-55 - 380	$ 7100	$ 7100
9302	8 5/8" 24# J-55 - 1200	$ 11400	$ 11400
9302	5 1/2" 15.5-17# K&N N 9400	$	$ 64100
9303	Tubing: 2 3/8" 4.7# J-55 - 9200	$ -	$ 23400
9304	Packer & Special Equipment	$ -	$ 3600
9350	Contingency	$ 1000	$ 8400
	TOTAL WELL EQUIPMENT	$ 21,000	$ 133,000

	LEASE & BATTERY EQUIPMENT COSTS:		
9401	Pumping Equipment	$	$
9402	Storage 2-210 b. welded w/stair,walk,frgls tk		$ 9800
9403	Separation Eq., Flowlines, Valves & Fittings	$	$ 19200
9404	Trucking & Construction Costs	$	$ 6000
	TOTAL LEASE & BATTERY EQUIP.	$	$ 35000
	TOTALS	$ 390,000	$ 595,000

Approval of this AFE constitutes approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

YATES PETROLEUM CORPORATION Share - 19.659771%

By Eddie M. Mahfood Date 2-8-80

S. P. YATES 3.803953

By _____ Date _____

YATES DRILLING COMPANY 6.778673

By _____ Date _____

4.255560

EXHIBIT NO. 5
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

_____ Date _____

MARTIN YATES, III	4.670147%
By_____ Date_____	
FRANK YATES	1.656950
By_____ Date_____	
ABO PETROLEUM CORPORATION	4.067198
By_____ Date_____	
JOHN A. YATES	4.067198
By_____ Date_____	
LOS CHICOS, A PARTNERSHIP	2.033614
By_____ Date_____	
MARK D. WILSON	2.493490
By_____ Date_____	
SUBURBAN PROPANE GAS CORPORATION	14.816317
By_____ Date_____	
READING & BATES OIL & GAS COMPANY	7.961414
By_____ Date_____	
CHAMPLIN PETROLEUM COMPANY	4.229557
By_____ Date_____	
ANADARKO PRODUCTION COMPANY	4.063690
By_____ Date_____	
CROWN CENTRAL PETROLEUM CORPORATION	3.980707
By_____ Date_____	
CHARLES B. READ	.331734
By_____ Date_____	
FISCO, INC.	.165867
By_____ Date_____	
HARVEY E. YATES	.099520
By_____ Date_____	
EXPLORERS PETROLEUM CORPORATION	.099520
By_____ Date_____	
FRED G. YATES , INC.	.099520
By_____ Date_____	
HEYCO	1.438556
By_____ Date_____	
DAVID FASKEN	1.219017
By_____ Date_____	

AFE # 80-028-0
DATE 2-8-80

RICHARD S. BROOKS .024935%

By_____ Date_____

AMOCO PRODUCTION COMPANY 4.975909

By_____ Date_____

WILLIAM MCCOY .260406

By_____ Date_____

CORONADO EXPLORATION CORPORATION .253287

By_____ Date_____

RIO PECOS CORPORATION 2.493490

By_____ Date_____

YATES PETROLEUM CORPORATION
AUTHORITY FOR EXPENDITURE

AFE # 80-093-0
Revision #
Date 5/22/80

Lease Name Rio Penasco KD Com #2
County Eddy State NM
Horizon Morrow Est. T.D. 9400
Est. Completion Date July 1980

Location N/2 Section 2-19S-25E
Field Boyd Morrow
Est. Spud Date June 1980
Drilling Contractor

Primary Objective:
Purpose :
Type Well :

[ ] Oil [X] Gas [ ] Oil and/or Gas
[X] Drilling-New [ ] Recompletion [ ] Other (Supplement AFE, etc.)
[ ] Development [ ] Exploratory

INTANGIBLE COSTS:

		Dry Hole	Completion
9210	Staking Permit & Legal Fees	$ 700	$ 700
9211	Location, Right-of-Way	8300	9300
9212	Drilling, Footage 9400' @$23.50	220900	220900
9213	Drilling, Daywork 5 days @ $4785 /day	23900	23900
9212/9213	Moving in, Rigging up, Rigging down	-	-
9224	Bits, Tools & Supplies	500	800
9214	Drilling Water	17500	18800
9215	Drilling Mud & Additives	31000	31000
9216	Mud Logging Unit	8800	8800
9217	Cement, Tools & Services, Temp. Surveys	14300	19200
9218	Drill Stem Testing	5600	5600
9219	Electric Logs & Perforating	21000	27900
9220	Tool & Equip. Rental, Trucking, Welding	4900	5900
9221	Supervision & Overhead	4500	6000
9223	Coring, Tools & Services	-	-
9241	Completion Unit 10 days @ $1120 /day	-	11200
9247	Stimulation	-	25500
9222	Contingency	40200	46200
	TOTAL INTANGIBLES	$ 402100	$ 461700

WELL EQUIPMENT COSTS:

9301	Christmas Tree and Well Head	$ 1600	$ 16000
9302	Casing: 13 3/8" 48# J-55- 380	7600	7600
9302	8 5/8 24# - J-55 - 1200	12200	12200
9302	5 1/2" 15.5-17# K&N N 9400		68600
9303	Tubing: 2 3/8" 4.7# - J-55 - 9200	-	25300
9304	Packer & Special Equipment	-	3800
9350	Contingency	1100	10000
	TOTAL WELL EQUIPMENT	$ 22500	$ 143500

LEASE & BATTERY EQUIPMENT COSTS:

9401	Pumping Equipment	$	$ 10400
9402	Storage 2-210 b. welded w/stair,walk, fbrgls		20400
9403	Separation Eq., Flowlines, Valves & Fittings		6000
9404	Trucking & Construction Costs		
	TOTAL LEASE & BATTERY EQUIP.	$	$ 36800
	TOTALS	$ 424600	$ 642000

Approval of this AFE constitues approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

YATES PETROLEUM CORPORATION
By Eddie M Mahfood Date 5-22-80 Share - 19.7111%

YATES DRILLING COMPANY
By: _____ Date _____ 6.7964

S. P. YATES
_____ Date _____ 3.8139

EXHIBIT NO. 5
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

MARK D. WILSON

By_____ Date_____ 5.0000%

SUBURBAN PROPANE GAS CORPORATION

By_____ Date_____ 14.8550

AMOCO PRODUCTION COMPANY

By_____ Date_____ 4.9889

READING & BATES OIL & GAS COMPANY

By_____ Date_____ 7.9822

CHAMPLIN PETROLEUM COMPANY

By_____ Date_____ 4.2406

ANADARKO PRODUCTION COMPANY

By_____ Date_____ 4.0743

CROWN CENTRAL PETROLEUM CORPORATION

By_____ Date_____ 3.9911

DAVID FASKEN

By_____ Date_____ 1.2222

HEYCO

By_____ Date_____ 1.4423

HARVEY E. YATES

By_____ Date_____ .0998

EXPLORERS PETROLEUM CORPORATION

By_____ Date_____ .0998

FRED G. YATES

By_____ Date_____ .0998

CORONADO EXPLORATION CORP.

By_____ Date_____ .2539

CHARLES B. READ

By_____ Date_____ .3326

FISCO, INC.

By_____ Date_____ .1663

RICHARD S. BROOKS

By_____ Date_____ .0250

MYCO INDUSTRIES, INC.

By_____ Date_____ 4.2666

MARTIN YATES, III

By_____ Date_____ 4.6824

FRANK YATES

By_____ Date_____ 1.6613

AFE #80-093-0
Revision #
Date 5-22-80

ABO PETROLEUM CORPORATION

By_____ Date_____ 4.0778%

JOHN A. YATES

By_____ Date_____ 4.0778

LOS CHICOS

By_____ Date_____ 2.0389

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORORATION FOR :
COMPLUSORY POOLING, EDDY COUNTY : CASE NO. 6933
NEW MEXICO :
:

AFFIDAVIT OF MAILING

STATE OF NEW MEXICO)
: §
COUNTY OF EDDY)

The undersigned, being first duly sworn, upon oath, states that the undersigned is an employee of Applicant, and that on the 19th day of June, 1980, the undersigned did mail in the United States Post office at Artesia, New Mexico, true copies of the following instruments:

1. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #1 located in the S/2 of Section 2, Township 19 South, Range 25 East.

2. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #2 located in the N/2 of Section 2, Township 19 South, Range 25 East.

3. Docket reflecting hearing on both Applications at the Oil Conservation Division in Santa Fe, New Mexico, to be on the 25th day of June, 1980.

4. Operating Agreement dated July 1, 1978, covering both wells.

5. Authority for Expenditure on the "KD" #1 dated February 8, 1980.

6. Authority for Expenditure on the "KD" #2 dated May 22, 1980 .

7. Oil and Gas Lease dated June 19, 1980, 1 year term, with 1/4 overriding royalty.

in securely sealed, postage prepaid, certified, return receipt requested envelopes addressed to the following named persons:

EXHIBIT NO. 6
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

SALLY ELLIS, HEIR OF HAYWARD & MARGUERITE AYERS	c/o Mr. Stanley Black Hutchinson, Black, Hill, Buchanan & Cook P. O. Box 1170 Boulder, Colorado 80306
JAMES G. BENNETT HEIRS	Bennett Office, Inc. 1210 Baker Building Minneapolis, Minnesota 55402
E. E. MACGIBBON HEIRS	321 Lowell Elk River, Minnesota 55330
OWEN MARSHALL	608 Putnam Drive Eou Claire, Wisconsin 54701
MARGARET NORTON	2880 Lorain Road San Marino, California 91108
MARY PHILLIPS BAIDA	2244 Q Via Puerta Laguna Hills, California 92653
RUFUS R. RAND HEIRS	c/o Palmer First National Bank & Trust Co. P.O. Box 2018 Sarasota, Florida 33578

Kathy J. Colbert
KATHY J. COLBERT

SUBSCRIBED AND SWORN TO before me this 19th day of June, 1980.

Janet Morgan
Notary Public

My Commission Expires:

8-20-80

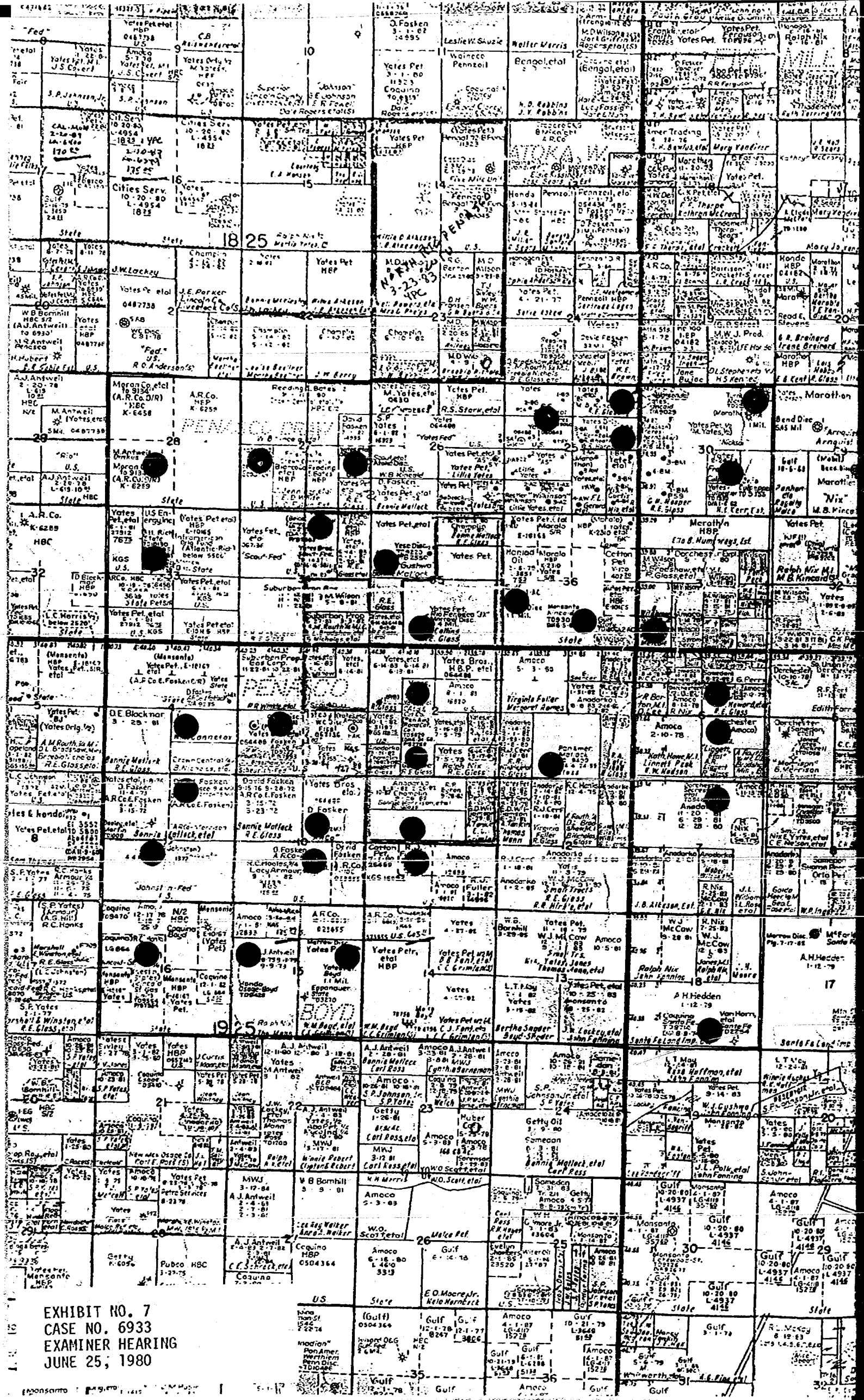


EXHIBIT NO. 7
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

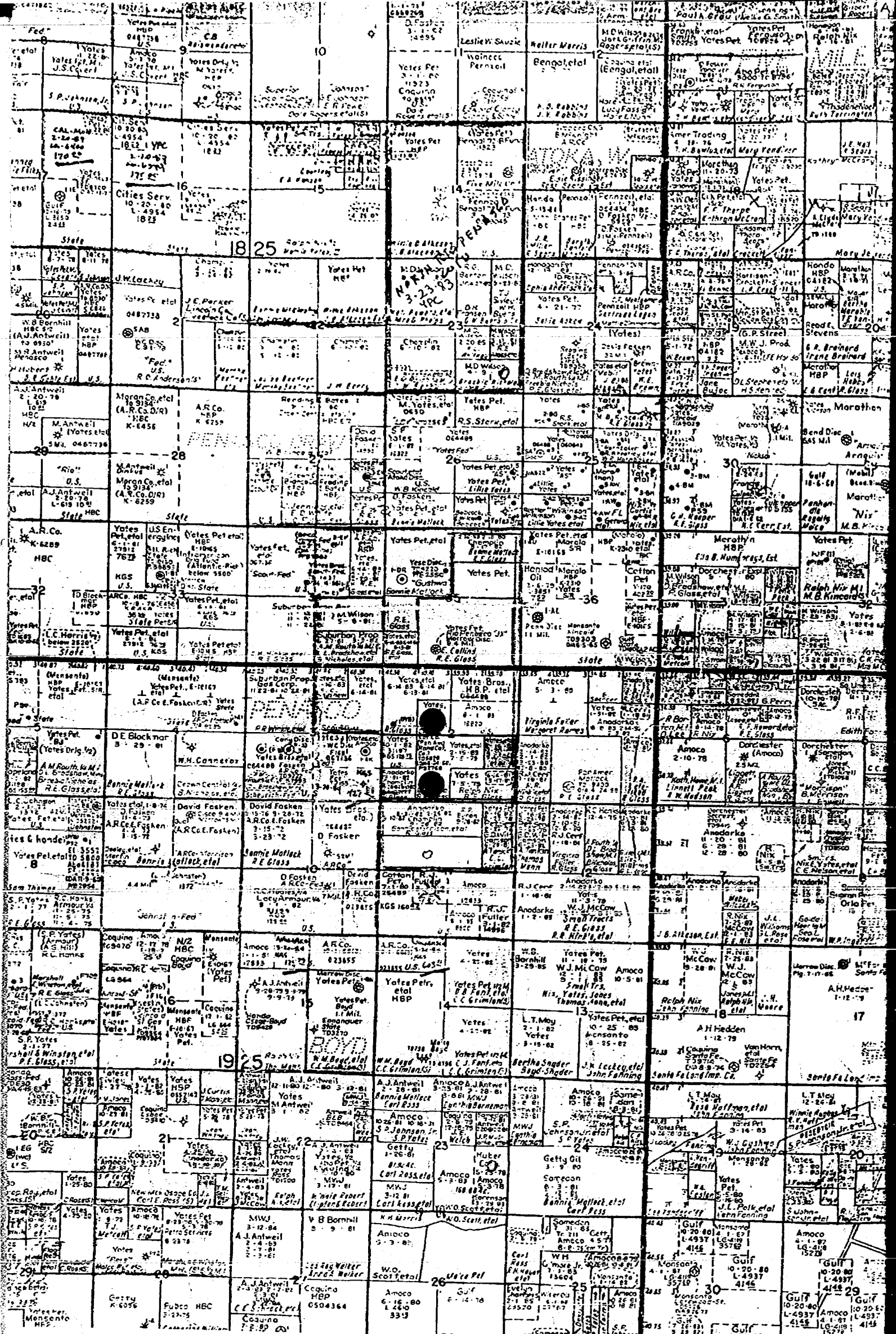


EXHIBIT NO. 1
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

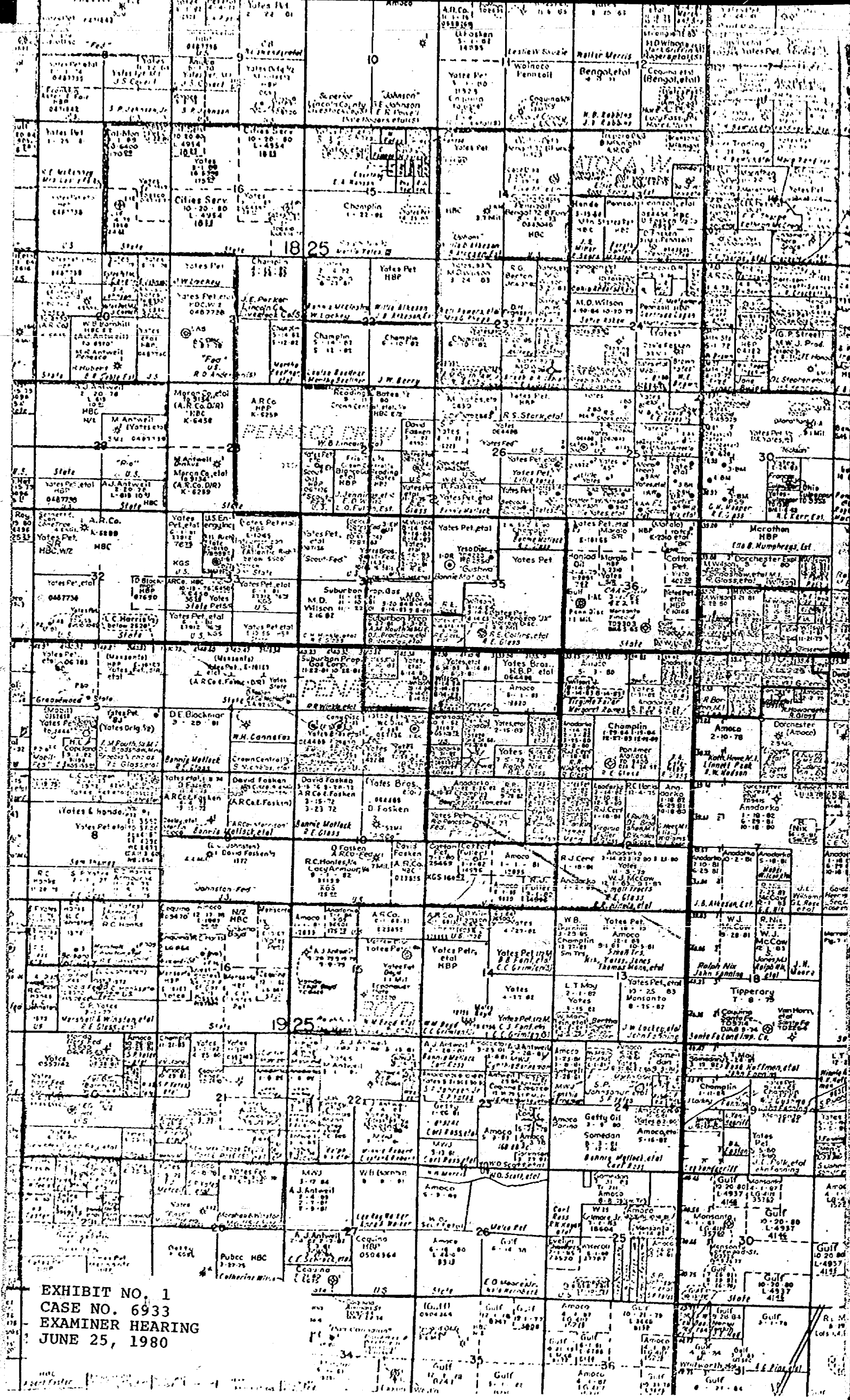


EXHIBIT NO. 1
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

1) The NE/4 SE/4 of Section 2, Township 19 South, Range 25 East, N.M.P.M. is held by the Working Interest Owners of the Rio Penasco Working Interest Unit under numerous fee leases.

2) The ownership of the NE/4 SE/4 of Section 2, Township 19 South, Range 25 East is as follows:

Marshall & Winston, Inc.	240/1920
Quetico Superior Foundation	60/1920
The First National Bank of Roswell, New Mexico, Trustee under the Last Will and Testament of Rolla R. Hinkle, deceased	120/1920
Clarence E. Hinkle, whose wife is Lillian T. Hinkle	120/1920
I. J. Marshall, whose wife is Claribel Marshall	60/1920
The heirs and devises of Margaret Childress, deceased, who appear to be Elizabeh Ann Baer, Floyd Childress, II and James W. Childress	60/1920
C.A. Land and Cattle Company, Inc.	60/1920
The First National Bank of Roswell, New Mexico and T. T. Sanders, Jr., as Trustees under the Last Will and Testament of Floyd Childress, deceased	60/1920
The successors in dissolution to Don Phillips and Associates, a limited partnership	180/1920
* R.E. Glass, whose wife is Mary Milner Glass	480/1920
* Cordella Kincaid, a widow	240/1920
* Thelma May Schafer	60/1920
* Madlyn Cauhape	60/1920
* Hugh M. Kincaid, sole surviving Trustee for Ella Lavada Swope	60/1920
* Sterling Marc Carter	20/1920
* Kenna Carter Scott	20/1920
* Michael T. Carter	20/1920

* As to 1/2 thereof, however, subject to a perpetual, non-participating, royalty interest in favor of the following:

Gayle McDonald, as his sole and separate property	64/128
Yates Brothers, a partnership	32/128
Ray Hall Beck, a single man	8/128
William J. McCaw	3/128
Mary G. Riddle	3/128
Dorothy G. Kemper, whose husband is Lonnie Kemper	6/128
B. W. Harper and Ruthe Harper, his wife, as joint tenants	8/128
Eddie M. Mahfood and Shirley Mahfood, his wife, as joint tenants	4/128

The Working Interest Owners of the Rio Penasco Working Interest Unit now hold leases from all of the owners of the NE/4 SE/4 with the exception of the successors in the dissolution of Don Phillips & Associates listed below. The outstanding members have been offered leases and the opportunity to participate in drilling. They have also been advised of the compulsory pooling proceedings.

	Net Acres	Percentage of Well
Sally Ellis, heir of Hayward Ayers and Marguerite B. Ayers	.125000	.039062%
The heirs and devisees of James G. Bennett, deceased	.250000	.078125
The heirs and devisees of E. E. MacGibbon, deceased	.125000	.039062
Owen Marshall	.041666	.013026
Mrs. James J. (Margaret) Norton	.125000	.039062
Mary A. Phillips Baida	.312500	.097656
The heirs and devisees of Rufus R. Rand, deceased	.125000	.039062

EXHIBIT NO. 2
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

1) The N/2 NW/4 and the SW/4 NW/4 of Section 2, Township 19 South, Range 25 East, N.M.P.M. are held by the Working Interest Owners of the Rio Penasco Working Interest Unit under numerous fee leases.

2) The ownership of the N/2 NW/4 and the SW/4 NW/4 of Section 2, Township 19 South, Range 25 East is as follows:

Marshall & Winston, Inc.	240/1920
Quetico Superior Foundation	60/1920
The First National Bank of Roswell, New Mexico, Trustee under the Last Will and Testament of Rolla R. Hinkle, deceased	120/1920
Clarence E. Hinkle, whose wife is Lillian T. Hinkle	120/1920
I. J. Marshall, whose wife is Claribel Marshall	60/1920
The heirs and devisees of Margaret Childress, deceased, who appear to be Elizabeh Ann Baer, Floyd Childress, II and James W. Childress	60/1920
C.A. Land and Cattle Company, Inc.	60/1920
The First National Bank of Roswell, New Mexico and T. T. Sanders, Jr., as Trustees under the Last Will and Testament of Floyd Childress, deceased	60/1920
The successors in dissolution to Don Phillips and Associates, a limited partnership	180/1920
* R.E. Glass, whose wife is Mary Milner Glass	480/1920
* Cordella Kincaid, a widow	240/1920
* Thelma May Schafer	60/1920
* Madlyn Cauhape	60/1920
* Hugh M. Kincaid, sole surviving Trustee for Ella Lavada Swope	60/1920
* Sterling Marc Carter	20/1920
* Kenna Carter Scott	20/1920
* Michael T. Carter	20/1920

* As to 1/2 thereof, however, subject to a perpetual, non-participating, royalty interest in favor of the following:

Gayle McDonald, as his sole and separate property	64/128
Yates Brothers, a partnership	32/128
Ray Hall Beck, a single man	8/128
William J. McCaw	3/128
Mary G. Riddle	3/128
Dorothy G. Kemper, whose husband is Lonnie Kemper	6/128
B. W. Harper and Ruthe Harper, his wife, as joint tenants	8/128
Eddie M. Mahfood and Shirley Mahfood, his wife, as joint tenants	4/128

The Working Interest Owners of the Rio Penasco Working Interest Unit now hold leases from all of the owners of the N/2 NW/4 and the SW/4 NW/4 with the exception of the successors in the dissolution of Don Phillips & Associates listed below. The outstanding members have been offered leases and the opportunity to participate in drilling. They have also been advised of the compulsory pooling proceedings.

	Net Acres	Percentage of Well
Sally Ellis, heir of Hayward Ayers and Marguerite B. Ayers	.376250	.117578%
The heirs and devisees of James G. Bennett, deceased	.752500	.235156
The heirs and devisees of E. E. MacGibbon, deceased	.376250	.117578
Owen Marshall	.125417	.039193
Mrs. James J. (Margaret) Norton	.376250	.117578
Mary A. Phillips Baida	.940625	.293945
The heirs and devisees of Rufus R. Rand, deceased	.376250	.117578

EXHIBIT NO. 2
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 748-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

May 9, 1979

Mrs. Margaret M. Norton
2880 Lorain Road
San Marino, California

Re: Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 34: E/2 NE/4, N/2 SE/4
Section 35: SW/4 SW/4

Township 19 South, Range 25 East, N.M.P.M.
Section 2: N/2 NW/4, SW/4 NW/4, NE/4 SE/4
Section 3: S/2 NE/4, NE/4 NE/4
containing 480.78 acres, more or less (45.073125 net acres)
Eddy County, New Mexico

Dear Mrs. Norton:

We informed you that we had successfully formed an exploratory unit covering approximately 2,000 acres and drilled and completed a 9,200 foot gas well in the S/2 Section 35, T-18-S, R-25-E, the spacing unit for the well. Further, we sent you an oil and gas lease covering your interest in the captioned acreage which is located in the exploratory unit. The lease provided for a 5-year primary term and a 1/4th royalty. To date, we have not received any indication that you will execute the lease.

Once again, we request that you execute the lease previously sent to you. If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate compulsory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well.

Please inform us of your decision by May 31, 1979. If you need another lease to execute, please contact me and I shall send you a lease.

Very truly yours,

Scott E. Wilson
Landman

SEW:nl

...and capable of producing oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Margaret M. Norton
Lessor

Lessor

EXHIBIT NO. 3
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

CERTIFIED MAIL
RETURN RECEIPT
REQUESTED

YATES PETROLEUM CORPORATION
207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 746-3558

S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC.-TREAS.

June 19, 1980

TO: UNLEASED MINERAL OWNERS
ADDRESSEE LIST ATTACHED

Re: Rio Penasco "KD" Com. #1
Township 19 South, Range 25 East, NMPM
Section 2: S/2
Rio Penasco "KD" Com. #2
Township 19 South, Range 25 East, NMPM
Section 2: N/2
Eddy County, New Mexico

Ladies and Gentlemen:

As we have not heard from you regarding our latest letter dated May 9, 1979, concerning the captioned acreage, we are enclosing the following copies:

1. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #1 located in the S/2 of Section 2, Township 19 South, Range 25 East.
2. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #2 located in the N/2 of Section 2, Township 19 South, Range 25 East.
3. Docket reflecting hearing on both Applications at the Oil Conservation Division in Santa Fe, New Mexico, to be on the 25th day of June, 1980.
4. Operating Agreement dated July 1, 1978, covering both wells.
5. Authority for Expenditure on the "KD" #1 dated February 8, 1980.
6. Authority for Expenditure on the "KD" #2 dated May 22, 1980 .
7. Oil and Gas Lease dated June 19, 1980, 1 year term, with 1/4 overriding royalty.

We invite you to participate in the drilling of these wells by paying your share of the expenses should you wish to do so. We would still be glad to accept a lease from you covering your interest under this acreage. If we don't hear from you in regard to the options above, we will have no choice but to think you choose to be force pooled as per the terms of the enclosed application and and proceed as such.

Very truly yours,

Randy G. Patterson
Land Department

Kathy Colbert
By: Kathy Colbert

/kc
Enclosures

UNLEASED

- 2-19S-25E

SALLY ELLIS, HEIR OF HAYWARD & MARGUERITE AYERS
c/o Mr. Stanley Black
Hutchinson, Black, Hill, Buchanan & Cook
Attorneys at Law
P. O. Box 1170
Boulder, Colorado 80306

JAMES G. BENNETT HEIRS
Bennett Office, Inc.
1210 Baker Building
Minneapolis, Minnesota 55402

E. E. MACGIBBON HEIRS
321 Lowell
Elk River, Minnesota 55330

OWEN MARSHALL
608 Putnam Drive
Eou Claire, Wisconsin 54701

MARGARET NORTON (MRS. JAMES J.)
2880 Lorain Road
San Marino, California 91108

MARY PHILLIPS BAIDA
2244 Q Via Puerta
Laguna Hills, California 92653

RUFUS R. RAND HEIRS
c/o Palmer First National Bank & Trust Co.
P. O. Box 2018
Sarasota, Florida 33578

Producers 88 Rev. (1 Year Lease) 10-57

(ONE YEAR PAID UP LEASE)
OIL AND GAS LEASE

Form 345
Hall-Poorbaugh Press
Roswell, New Mexico

THIS AGREEMENT made this 19th day of June, 19 80, between

Lessor (whether one or more), whose address is:

and YATES PETROLEUM CORPORATION, a New Mexico corporation Lessee, WITNESSETH:

1. Lessor in consideration of TEN AND NO/100---------- Dollars ($ 10.00) in hand paid, 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 and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in Eddy County, New Mexico, to-wit:

Township 19 South, Range 25 East, N.M.P.M.
Section 2: N½NW¼, SW¼NW¼, NE¼SE¼

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 without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of 1 year from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to paid by Lessee are: (a) on oil, 1/4 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of $1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, 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 in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction 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 under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to 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 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 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 its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease 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 gas, or either of them, 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. 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, 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, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation 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, 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, 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. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary terms, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 leased premises are situated at any time after the completion of a dry hole or the cessation of production 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 lease 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. 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.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either 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; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of 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 commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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 revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Lessor	Lessor

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

RIO PENASCO
WORKING INTEREST UNIT
OPERATING AGREEMENT

DATED

July 1, 1978,

OPERATOR _____

CONTRACT AREA TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
SECTION 34: E/2
SECTION 35: ALL
TOWNSHIP 19 SOUTH, RANGE 25 EAST, N.M.P.M.
SECTION 2: ALL
SECTION 3: NE/4
SECTION 11: N/2

COUNTY OR PARISH OF EDDY STATE OF NEW MEXICO

COPYRIGHT 1977 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

Bill: ship Mail
copy to Acct
11/16/78 fj

EXHIBIT NO. 4
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

GUIDANCE IN THE PREPARATION OF THIS AGREEMENT:

1. Title Page - Fill in blank as applicable.

2. Preamble, Page 1 - Name of Operator.

3. Article II - Exhibits:
   (a) Indicate Exhibits to be attached.
   (b) If it is desired that no reference be made to Non-discrimination, the reference to Exhibit "F" should be deleted.

4. Article IV.A - Title Examination - Select option as agreed to by the parties.

5. Article IV.B - Loss of Title - If "Joint Loss" of Title is desired, the following changes should be made:
   (a) Delete Articles IV.B.1 and IV.B.2.
   (b) Article IV.B.3 - Delete phrase "other than those set forth in Articles IV.B.1 and IV.B.2 above."
   (c) Article VII.F. - Change reference at end of the first grammatical paragraph from "Article IV.B.2" to "Article IV.B.3."

6. Article V - Operator - Enter name of Operator.

7. Article VI.A - Initial Well:
   (a) Date of commencement of drilling.
   (b) Location of well.
   (c) Obligation depth.

8. Article VI.B.2.(b) - Subsequent Operations - Enter penalty percentage as agreed to by parties.

9. Article VII.D.1. - Limitation of Expenditures - Select option as agreed to by parties.

10. Article VII.D.3. - Limitation of Expenditures - Enter limitation of expenditure of Operator for single project and amount above which Operator may furnish information AFE.

11. Article VII.E. - Royalties, Overriding Royalties and Other Payments - Enter royalty fraction as agreed to by parties.

12. Article X. - Claims and Lawsuits - Enter claim limit as agreed to by parties.

13. Article XIII. - Term of Agreement:
   (a) Select Option as agreed to by parties.
   (b) If Option No. 2 is selected, enter agreed number of days in two (2) blanks.

14. Signature Page - Enter effective date.

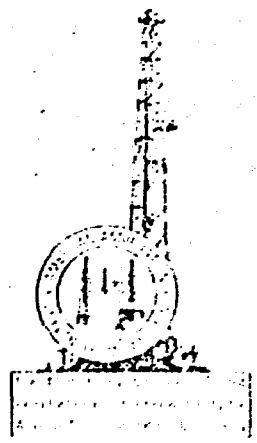


TABLE OF CONTENTS

Article	Title	Page
I.	DEFINITIONS	1
II.	EXHIBITS	1
III.	INTERESTS OF PARTIES	2
	A. OIL AND GAS INTERESTS	2
	B. INTEREST OF PARTIES IN COSTS AND PRODUCTION	2
IV.	TITLES	2
	A. TITLE EXAMINATION	2
	B. LOSS OF TITLE	2
	1. Failure of Title	2-3
	2. Loss by Non-Payment or Erroneous Payment of Amount Due	3
	3. Other Losses	3
V.	OPERATOR	3
	A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR	3
	B. RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR	4
	1. Resignation or Removal of Operator	4
	2. Selection of Successor Operator	4
	C. EMPLOYEES	4
	D. DRILLING CONTRACTS	4
VI.	DRILLING AND DEVELOPMENT	4
	A. INITIAL WELL	4
	B. SUBSEQUENT OPERATIONS	5
	1. Proposed Operations	5
	2. Operations by Less than All Parties	5-6
	C. RIGHT TO TAKE PRODUCTION IN KIND	6-7
	D. ACCESS TO CONTRACT AREA AND INFORMATION	7
	E. ABANDONMENT OF WELLS	7
	1. Abandonment of Dry Holes	7
	2. Abandonment of Wells that have Produced	7-8
VII.	EXPENDITURES AND LIABILITY OF PARTIES	8
	A. LIABILITY OF PARTIES	8
	B. LIENS AND PAYMENT DEFAULTS	8
	C. PAYMENTS AND ACCOUNTING	8
	D. LIMITATION OF EXPENDITURES	8
	1. Drill or Deepen	9
	2. Rework or Plug Back	9
	3. Other Operations	9
	E. ROYALTIES, OVERRIDING ROYALTIES AND OTHER PAYMENTS	9
	F. RENTALS, SHUT-IN WELL PAYMENTS AND MINIMUM ROYALTIES	9-10
	G. TAXES	10
	H. INSURANCE	10
VIII.	ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST	10
	A. SURRENDER OF LEASES	10-11
	B. RENEWAL OR EXTENSION OF LEASES	11
	C. ACREAGE OR CASH CONTRIBUTION	11
	D. SUBSEQUENTLY CREATED INTEREST	11-12
	E. MAINTENANCE OF UNIFORM INTEREST	12
	F. WAIVER OF RIGHT TO PARTITION	12
	~~G. PREFERENTIAL RIGHT TO PURCHASE~~	~~12~~
IX.	INTERNAL REVENUE CODE ELECTION	12-13
X.	CLAIMS AND LAWSUITS	13
XI.	FORCE MAJEURE	13
XII.	NOTICES	13
XIII.	TERM OF AGREEMENT	13-14
XIV.	COMPLIANCE WITH LAWS AND REGULATIONS	14
	A. LAWS, REGULATIONS AND ORDERS	14
	B. GOVERNING LAW	14
XV.	OTHER PROVISIONS	14
XVI.	MISCELLANEOUS	15

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between YATES PETROLEUM CORPORATION, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators",

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

☒ A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

☒ B. Exhibit "B", Form of Lease.

☒ C. Exhibit "C", Accounting Procedure.

☒ D. Exhibit "D", Insurance.

☒ E. Exhibit "E", Gas Balancing Agreement.

☐ ~~F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.~~

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". 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.

B. Interest of Parties in Costs and Production:

Exhibits ~~"A"~~ "A-4" and "A-5" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibits ~~"A"~~ "A-4" and "A-5". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the Joint Account~~, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ ~~Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.~~

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost; and

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

YATES PETROLEUM CORPORATION shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 27 day of August, 1978, Operator shall commence the drilling of ~~a well~~ an Initial Test Well for oil and gas at the following location:

1980'FWL and 660'FSL of Section 35, Township 18 South,
Range 25 East, Eddy County, New Mexico

and shall thereafter continue the drilling of the ~~well~~ Initial Test Well with due diligence to the "Objective Depth", being a depth sufficient to test the Morrow series of the Pennsylvanian system by drilling at least 40 feet into the Mississippian Chester Limestone, which depth is estimated to be 9200 feet,

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the ~~well~~ Initial Test Well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the ~~well~~ Initial Test Well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the ~~well~~ Initial Test Well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back 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, the party desiring to drill, rework, deepen or plug back such a well shall 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 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. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (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. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. 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 Parties. 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 drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and or 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 drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal 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 Article, 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) 300 % of that portion of the costs and expenses of drilling reworking, deepening, or plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

300% of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non - Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non - Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non - Consenting Party's relinquished interest. If such Non - Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the recoupment period.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

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, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, 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 drilling, 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, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for 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 oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. 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; and 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 interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, 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, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale or purchase into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale, and obtaining written consent of such other party.

In the event any party hereto is not at any time taking or marketing its share of gas production and Operator is either (i) unwilling to purchase or sell or (ii) unable to obtain the prior written consent to purchase or sell such party's share of gas production, or in the event any party has contracted to sell its share of gas produced from the Contract Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, then in any such event the terms and conditions of the Gas Balancing Agreement attached hereto as Exhibit "E" and incorporated herein shall automatically become effective.

or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, 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 well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one year and so long thereafter as oil and/or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

~~( ) Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and or surface facilities.~~

(X) Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Ten Thousand ---------- Dollars ($ 10,000) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in 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 to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Five Thousand ---------- Dollars ($ 5,000).

E. Royalties, Overriding Royalties and Other Payments:

~~Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of~~ _____ due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account ~~for or cause to be accounted for such interest to the owners thereof~~.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and or gas produced under the terms of this agreement.

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If (1) any renewal lease is acquired by a party to this Agreement and subject to Article XV.D. of this Agreement, the party or parties who originally participated in the Contract Area with said lease elect not to pay for the lease acquisition cost in exchange for an assignment of said lease, or if (2) a lease is acquired on the KGS tract described in Article XV.E by a party to this Agreement, or if (3) any new lease is acquired within the Contract Area by a party to this Agreement, said lease shall be offered to the parties in proportion to their interest in the Deep Unit Area on an after-payout basis.

Notwithstanding anything herein to the contrary, the parties will have 30 days upon written notification to elect to participate in the ownership of any such lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area. Should all such parties elect to participate in the lease, the lease will be subject to this Agreement and the interests of the parties to this Agreement will not change. Upon the termination of this Agreement, any such lease still in force and effect will be owned by the parties in proportion to their interest in the Deep Unit Area on an after-payout basis.

However, should less than all such parties elect to participate in the lease, the lease will be owned by such parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Deep Unit Area on an after-payout basis to the aggregate of the percentage of participation in the Deep Unit Area on an after-payout basis of all such parties participating in the purchase of the lease. Any lease in which less than all the parties to the Deep Unit Area elect to participate shall not be subject to this Agreement.

Notwithstanding anything to the contrary, any legal title acquired covering the 3/32nds mineral interest in the SW/4 SW/4 Section 35, Township 18 South, Range 25 East, owned by the successors in dissolution to Don Phillips and Associates, a limited partnership, will be paid for and owned by the parties hereto in proportion to their interests in the Deep Unit Area on an after-payout basis. No party may elect not to acquire his proportionate share of said interest. Otherwise, the acquisition will be treated as a new lease as provided for herein.

Each party who participates in the purchase of a renewal lease shall be given an assignment without warranty of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any new or renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a new or renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production, or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~**G. Preferential Right to Purchase:**~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and~~ interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent ~~company, or to any company in which any one party owns a majority of the stock~~.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Five Thousand Dollars ($ 5,000) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest contributed by any other party beyond the term of this agreement.

~~[ ] Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.~~

[X] Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 180 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

A. Test Wells:

The term "Shallow Unit Area" shall mean those horizons underlying the lands described in Paragraph 1.a. of Exhibit "A" that are found from the surface to a depth of 5,500 feet below the surface of the ground; notwithstanding anything to the contrary, if any well is completed in the interval from 5,500 feet to 5,800 feet on a spacing unit that encompasses a lease in which Eagle Group (Yates Petroleum Corporation-1/2, Yates Drilling Company-1/6, Martin Yates, III-1/6, John A. Yates-1/6) owns the leasehold covering said interval, the well shall be treated as a Shallow Unit Area well and completion.

The term "Deep Unit Area" shall mean those horizons underlying the lands described in Paragraph 1.b. of Exhibit "A" that are found between a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone. The term "Contract Area" shall mean both the Shallow Unit Area and the Deep Unit Area.

If any well is dry in the Deep Unit Area, and any party owning an interest in the Shallow Unit Area desires to attempt completion therein, then the costs of drilling the well to the total depth and plugging it back to the selected point in the Shallow Unit Area shall be borne by the Drilling Parties who initially participated in drilling the well, and such Drilling Parties shall be reimbursed by the parties attempting completion for 1/2 of the shallow and intermediate casing costs, including cementing costs and rig time used in running and cementing the casing. Thereafter, the Drilling Parties attempting completion shall own the hole and casing therein and shall be responsible for completing the well as a producer or dry hole.

No well shall be dually completed in the Contract Area until a mutual agreement is reached between all the parties who participated in the cost of drilling the well.

If in the drilling of the Initial Test Well, Operator loses the hole or encounters mechanical difficulties rendering it impracticable, in the opinion of Operator, to drill the well to the Objective Depth, then and in any of such

events, on or before 30 days after completion of the Initial Test Well, Operator shall have the option to commence the actual drilling of another well ("Substitute Test Well") in the Contract Area at a lawful location mutually acceptable to the Drilling Parties, and Operator shall prosecute the drilling of said well with due diligence and in a good and workmanlike manner to the Objective Depth. For all purposes of this Agreement, the drilling of the Substitute Test Well shall be considered as the drilling of the Initial Test Well.

The execution and delivery of this Agreement by the parties hereto shall not be deemed as consenting to the drilling of the Initial Test Well until an AFE has been approved by all of the Drilling Parties.

B. Rights Earned:

Amoco Production Company, David Fasken and Richard S. Brooks, who presently own interests in the Contract Area, are contributing a portion of such interest to the drilling of the Initial Test Well, and will hereinafter be referred to as "Contributing Parties." Yates Petroleum Corporation, its successors and assigns, will pay for the Contributing Parties' share of the Initial Test Well.

In consideration of payment of expenses set forth in Exhibits "A-4" and "A-5" hereof, performance of all the terms and provisions of this Agreement, and completion of the Initial or Substitute Test Well as a well capable of producing oil or gas in paying quantities (quantities sufficient to return the cost of operating the well and a reasonable profit), Yates Petroleum Corporation, its successors and assigns, shall earn oil and gas rights in the Contract Area equal to (a) the entire present interest of Contributing Parties in the largest proration unit initially assigned by the New Mexico Oil Conservation Commission (the "Proration Unit") to the Initial or Substitute Test Well which is first completed as a producing oil or gas well, and (b), an undivided 1/2 of the present interest of Contributing Parties in the Contract Area outside of the Proration Unit. The Contributing Parties, in proportion to their interests in the Contract Area, except and reserve from the Proration Unit a total overriding royalty, subject to proportionate reduction, equal to the difference between all royalties, overriding royalties, production payments and other lease burdens and 25.00% of all (8/8ths) of the oil and gas produced, saved and marketed from the Proration Unit. This total overriding royalty shall include and absorb all overriding royalties and other obligations payable out of production from the Proration Unit. After Yates Petroleum Corporation, its successors and assigns, has earned an interest in the Contract Area as provided hereinabove, and upon request of Yates Petroleum Corporation, its successors and assigns, Contributing Parties shall execute and deliver assignments of operating rights, without warranties of title, confirming the oil and gas operating rights earned.

"Payout" is defined to be the date on which the net proceeds attributable to Yates Petroleum Corporation's interest in the Proration Unit shall equal Yates Petroleum Corporation's share of the cost and expense, both tangible and intangible, of drilling, equipping (an oil well through the oil storage tanks and a gas well through the Christmas tree), testing and completing said well for production, and of operating the said well to produce such amount. The net proceeds are defined as the total proceeds received from or credited or allocated to Yates Petroleum Corporation's interest in production, less severance, production and other taxes payable on production therefrom, together with all royalties, shut-in gas royalties, overriding royalties and payments out of production presently in effect or created by this agreement. Charges and expenses to be made by Operator shall be made in accordance with and accounted for as set forth in Exhibit "C" hereto. During Payout, Operator shall furnish Contributing Parties with current monthly statements summarizing income and expenses properly chargeable to Payout. Within 30 days after Payout has occurred, Operator shall give Contributing Parties written notice of Payout, and they shall have 30 days after receipt of such notice within which to severally elect to convert, effective at 7:00 A.M. on the date next succeeding Payout, their respective overriding royalties into working interests equal to 1/2 of Contributing Parties' present interest in the Proration Unit. The failure of a Contributing Party to make such election within said 30-day period shall be deemed an election by that Contributing Party to continue the overriding royalty into force.

The covenants of this Article XV.B. shall only affect Yates Petroleum Corporation, its successors and assigns, and the Contributing Parties as defined herein.

C. Beneficial Interests:

Exhibits "A-1", "A-2", "A-3", "A-4", and "A-5", attached hereto show present percentage ownership, burdens, net revenue interest, and beneficial interests in the Contract Area; and the interests contributed, percentage share of costs and production from Initial Test Well and percentage share of costs and production from Initial Test Well after Payout and subsequent wells. The beneficial interest of the respective parties has been determined in the Contract Area as to each party on an adjusted surface acreage basis. The adjustment in surface area has been made by determining a percentage of total production from or allocated to any tract which is required to meet all royalty, overriding royalty, production payment or other obligations payable out of production on such tract and multiplying that percentage by the number of acres contained in such tract and deducting the product from the total number of acres in said tract, the remainder being the adjusted surface acreage for such tract. The beneficial interest of each party represents the sum of the net acre interest of each party in all tracts in the Contract Area divided by the total number of net acres committed to the Contract Area. The exhibits have been prepared on the basis of a flat 12.5% royalty on each federal, step- or sliding-scale lease. In the event any royalty on a federal, step- or sliding-scale lease shall exceed 12.5%, or in the event any production payment on any oil and gas interest committed to this agreement shall be liquidated, or in the event of mathematical error in preparing the exhibits, there shall be a readjustment of the adjusted surface acres on the basis set forth above and the interests of the parties recomputed on the basis of the revised adjusted surface acreage. If any oil and gas leasehold interest committed to this agreement hereafter becomes burdened by any additional overriding royalties, obligations payable out of production or like obligations other than those shown on Exhibit "A-1" attached hereto, the burden thereof shall be borne exclusively by the party or parties who create such additional obligation.

D. Renewal or Extension of Leases:

Notwithstanding anything to the contrary in Article VIII.B. or any other provision in this Agreement, if a new oil and gas lease or a renewal or extension of an oil and gas lease subject to this Agreement is acquired by a party hereto during the term of this Agreement or within 6 months after the termination of this Agreement, the party or parties who originally participated in the Contract Area with said lease may elect within 10 days after written notification to pay for the lease acquisition costs (bonus and broker's fee, if any) in exchange for an assignment of said lease. If so elected, any new oil and gas lease or a renewal or extension of an oil and gas lease paid for by a party who originally participated in the Contract Area with said lease will be owned by said party and will be subject to this Agreement if this Agreement is still in force and effect, and the interests of the parties in the Contract Area will not change. The intent of this provision is to give any party who originally participated with an oil and gas lease in the Contract Area the opportunity to pay for any subsequent lease (covering the same interest) acquired by a party hereto during the term of this Agreement or within 6 months after the termination of this Agreement so that the subsequent lease will be owned by said party if said lease is in effect when this Agreement expires or is acquired within 6 months after the termination of this Agreement.

E. Purchase of KGS Tract:

It has been requested that the S/2 SE/4 Section 3, Township 19 South, Range 25 East, N.M.P.M. be put on the earliest possible KGS sale. The Operator will bid on the tract and if he or any other party to this Agreement is successful, the successful party will offer it to the parties as provided for in Article VIII.B.

F. Limitation on HBP Leases:

Notwithstanding anything herein to the contrary, this Agreement shall terminate as to any lease listed as HBP in Exhibit "A-1" on 8-1-83, unless said lease or a portion of said lease is within the spacing unit of a productive well drilled under this Agreement, or operations under this Agreement are being conducted on said lease or a designated spacing unit in which a portion of said lease is included with no cessation of more than ninety (90) consecutive days between operations and so long thereafter as oil or gas in paying quantities can be produced therefrom.

G. Prior Operating Agreement:

Notwithstanding anything to the contrary, the terms and provisions of this Agreement shall prevail over the terms and provisions contained in that certain Operating Agreement dated September 23, 1974, by and between Yates Petroleum Corporation, Operator, and Marshall and Winston, Inc., and David Fasken, non-operators, covering NW/4, NW/4 SW/4 Section 35, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

H. Mark D. Wilson Leasehold:

Yates Petroleum Corporation, its successors and assigns, shall be assigned an undivided 82.9628% interest in all the oil and gas leases owned by Mark D. Wilson as described in Exhibit "A-1" hereto. As a result of the conveyance, Mark D. Wilson and Yates Petroleum Corporation, its successors and assigns, will own interests in the Contract Area as shown in Exhibits "A-4" and "A-5" hereto.

I. Nondiscrimination:

In the performance of this contract, Operator shall not engage in any conduct or practice which violates any applicable law, order or regulation prohibiting discrimination against any person by reason of his race, religion, color, sex, national origin or age, and Operator further agrees to comply with the non-discrimination provisions of Section 202 of Executive Order No. 11246 (30 F.R. 12319) as amended by Executive Order No. 11375.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:
ASSISTANT Secretary

By: VICE President

NON-OPERATORS

Mary Lou Wilson

ATTEST:
ASSISTANT Secretary

Mark D. Wilson

YATES PETROLEUM CORPORATION

By: VICE President

ATTEST:

Secretary

SUBURBAN PROPANE GAS CORPORATION

By:
President

ATTEST:

Secretary

AMOCO PRODUCTION COMPANY

By:
President

ATTEST:

Secretary

READING & BATES OIL AND GAS COMPANY

By:
President

ATTEST:

Secretary

CHAMPLIN PETROLEUM COMPANY

By:
President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By:
President

NON-OPERATORS

Mary Law Wilson
Mary Lou Wilson

Mark D. Wilson

ATTEST:

YATES PETROLEUM CORPORATION

Secretary

By:
President

ATTEST:

SUBURBAN PROPANE GAS CORPORATION

Secretary

By:
President

ATTEST:

AMOCO PRODUCTION COMPANY

Secretary

By:
President

ATTEST:

READING & BATES OIL AND GAS COMPANY

Secretary

By:
President

ATTEST:

CHAMPLIN PETROLEUM COMPANY

Secretary

By:
President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By:
President

NON-OPERATORS

'Mary Lou Wilson

Mark D. Wilson

ATTEST:

Secretary

YATES PETROLEUM CORPORATION

By:
President

ATTEST:

Secretary

SUBURBAN PROPANE GAS CORPORATION

By: J C Eldred
~~President~~
J. C. ELDRED
Agent and Attorney-in-Fact

ATTEST:

Secretary

AMOCO PRODUCTION COMPANY

By:
President

ATTEST:

Secretary

READING & BATES OIL AND GAS COMPANY

By:
President

ATTEST:

Secretary

CHAMPLIN PETROLEUM COMPANY

By:
President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

_____ By: _____
Secretary President

NON-OPERATORS

_____ _____
Mary Lou Wilson Mark D. Wilson

ATTEST: YATES PETROLEUM CORPORATION

_____ By: _____
Secretary President

ATTEST: SUBURBAN PROPANE GAS CORPORATION

_____ By: _____
Secretary President

~~ATTEST:~~ AMOCO PRODUCTION COMPANY

APPROVED
AVL

_____ By: C. H. Manninger
~~Secretary~~ ~~President~~ ATTORNEY-IN-FACT

ATTEST: READING & BATES OIL AND GAS COMPANY

_____ By: _____
Secretary President

ATTEST: CHAMPLIN PETROLEUM COMPANY

_____ By: _____
Secretary President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By:
President

NON-OPERATORS

Mary Lou Wilson

Mark D. Wilson

ATTEST:

Secretary

YATES PETROLEUM CORPORATION

By:
President

ATTEST:

Secretary

SUBURBAN PROPANE GAS CORPORATION

By:
President

ATTEST:

Secretary

AMOCO PRODUCTION COMPANY

By:
President

ATTEST:

W. M. Hackett, Asst. Secretary

READING & BATES PETROLEUM CO. (Formerly Reading & Bates Oil and Gas Co.)

By:
D. G. Campbell, Vice President

ATTEST:

Secretary

CHAMPLIN PETROLEUM COMPANY

By:
President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By:
President

NON-OPERATORS

Mary Lou Wilson

Mark D. Wilson

ATTEST:

Secretary

YATES PETROLEUM CORPORATION

By:
President

ATTEST:

Secretary

SUBURBAN PROPANE GAS CORPORATION

By:
President

ATTEST:

Secretary

AMOCO PRODUCTION COMPANY

By:
President

ATTEST:

Secretary

READING & BATES OIL AND GAS COMPANY

By:
President

ATTEST:

Secretary

CHAMPLIN PETROLEUM COMPANY

By: E A Carlucci
Vice President

834

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: Ben T. Whitefield
Ben T. Whitefield
Agent and Attorney-in-Fact

APPROVED

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

_____
Barbara Fasken

_____
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

FISCO, INC.

By: _____
President

_____ Brooks

_____
Richard S. Brooks

THE STATE OF TEXAS X
X
COUNTY OF HARRIS X

BEFORE ME, the undersigned authority, on this day personally appeared Ben T. Whitefield, known to me to be the person whose name is subscribed to the foregoing instrument, as Agent and Attorney-in-Fact of Anadarko Production Company, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 18th day of July A.D., 1978.

My Commission Expires
LINDA BORCHARDT
Notary Public in and for Harris County, Texas
My Commission Expires May 2, 1979

Linda Borchardt
Notary Public in and for
Harris County, Texas

22

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag[illegible]nent, dated July 1, 1978, Town[illegible]ps 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
R. M. KOBDISH VICE PRESIDENT

_____
Barbara Fasken

_____
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

FISCO, INC.

By: _____
President

_____
_____ Brooks

_____
Richard S. Brooks

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag[illegible]ment, dated July 1, 1978, Town[illegible]ps 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

Barbara Fasken
Barbara Fasken

David Fasken
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

PISCO, INC.

By: _____
President

Annie May Brooks
Annie May Brooks

Richard S. Brooks
Richard S. Brooks

Rio Penasco Working Interest Unit Operating Agreement
Dated July 1, 1978, T-18-S, R-25-E, N.M.P.M.
Section 34: E/2, Section 35: All
T-19-S, R-25-E, N.M.P.M.
Section 2: All, Section 3: NE/4, Section 11: N/2
Eddy County, New Mexico

724

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

_____
Barbara Fasken

_____
David Fasken

Frank Yates
Lillie M. Yates ATTORNEY-IN-FACT

Frank Yates
Martin Yates, III ATTORNEY-IN-FACT

~~Perry A. Yates~~

John A. Yates,

ATTEST:

YATES DRILLING COMPANY

_____
ASSISTANT Secretary

By: Peyton Yates
President

Peyton Yates
Estelle P. Yates ATTORNEY-IN-FACT

Peyton Yates
S. P. Yates ATTORNEY-IN-FACT

ATTEST:

FISCO, INC.

_____
Secretary

By: _____
President

_____
MYCO Brooks

_____
Richard S. Brooks

ATTEST:

MYCO INDUSTRIES, INC.

_____
Secretary

By: Frank Yates
President

ATTEST:

ABO PETROLEUM CORPORATION

_____
Secretary

By: John A. Yates
President

Frank Yates
FRANK YATES

LOS CHICOS, a Partnership

By: John A. Yates
~~Partner~~ AGENT

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag[illegible]nent, dated July 1, 1978, Town[illegible]ps 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

_____
Barbara Fasken

_____
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

FISCO, INC.

By: N. L. Stevens
Vice President

_____ Brooks

_____
Richard S. Brooks

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agr ent, dated July 1, 1978, Towns s 18 and 19 South, Range 25 East, ddy County, New Mexico.

ATTEST:

Secretary

ANADARKO PRODUCTION COMPANY

By: President

ATTEST:

Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: President

Barbara Fasken

David Fasken

Lillie M. Yates

Martin Yates, III

Peggy A. Yates

John A. Yates,

ATTEST:

Secretary

YATES DRILLING COMPANY

By: President

Estelle H. Yates

S. P. Yates

ATTEST:

Secretary

FISCO, INC.

By: President

Brooks

Richard S. Brooks

Harvey E. Yates

~~Louise D. Yates~~

Secretary

EXPLORERS PETROLEUM CORPORATION

By: President

ATTEST:

Secretary

FRED G. YATES, INC.

By: President

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

Asst. Secretary

HARVEY E. YATES COMPANY, ~~INC.~~

By _____
Vice President

ATTEST:

_____
Secretary

CORONADO EXPLORATION CORPORATION

By _____
President

attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

HARVEY E. YATES COMPANY, INC.

By_____
President

ATTEST:

_____
Secretary

CORONADO EXPLORATION CORPORATION

By_____
President

Attached to and made a part of Rio Penasco Working Interest Units, Operating A ement, dated July 1, 1978, To ips 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

HARVEY E. YATES COMPANY, INC.

_____
Secretary

By _____
President

ATTEST:

CORONADO EXPLORATION CORPORATION

_____
Secretary

By _____
President

Jean Read

Charles B. Read

730

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag ment, dated July 1, 1978, Town ps 18 and 19 South, Range 25 Eas. Eddy County, New Mexico.

STATE OF New Mexico)
: ss.
COUNTY OF Eddy)

(Operator)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by John A. Yates, Vice President of Yates Petroleum Corporation, a New Mexico corporation, on behalf of said corporation.

My commission expires:
6-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this ____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by John A. Yates, Vice President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
6-23-81

Kathy Collert
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag ment, dated July 1, 1978, Town ps 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF _____)
: ss. (Operator)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 6 day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag ment, dated July 1, 1978, Town ps 18 and 19 South, Range 25 Eas. Eddy County, New Mexico.

STATE OF _____)
: ss. (Operator)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS I
I
COUNTY OF BEXAR I

BEFORE ME, the undersigned authority, on this day personally appeared W. C. Eldred, Agent and Attorney-in-Fact of SUBURBAN PROPANE GAS CORPORATION, a corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 22nd day of August, 1978.

Edna L. Drews
Notary Public in and for
Bexar County, Texas
EDNA L. DREWS
Notary Public, Bexar County, Texas

My Commission Expires: May 31, 1979

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss. (Operator)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 25th day of Oct., 1978, by C. H. Hennigh, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
1-10-31-78

Irene Haldas
Notary Public

IRENE HALDAS
Notary Public in and for Harris County, Texas

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Operating Agreement, dated July 1, 1978, Township 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF _____)
: ss. (Operator)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF OKLAHOMA)
: ss.
COUNTY OF TEXAS)

The foregoing instrument was acknowledged before me this 31st day of July, 1978, by D. G. CAMPBELL, Vice President of READING & BATES PETROLEUM CO., a Texas corporation, on behalf of said corporation.

My commission expires:
I.C.A. 3-7-81

Lynne E. Plumlee
Notary Public Lynne E. Plumlee

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

/

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 31st day of July, 1978, by E. H. Chittick, Jr., Vice President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires: _____

Ella M. Lawrence
Notary Public
ELLA M. LAWRENCE
Notary Public in and for Harris County, Texas
My Commission Expires November 30, 1978

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires: _____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CROWN CENTRAL PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires: _____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires: _____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife.

My commission expires: _____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

/

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 1978, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF Texas)
: ss.
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 14th day of AUGUST, 1978, by R M ROBBISH, Vice President of CROWN CENTRAL PETROLEUM CORPORATION, a MARYLAND corporation, on behalf of said corporation.

My commission expires:
MARCH 31, 1979

Cindy L. Sanchez
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CROWN CENTRAL PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF CALIFORNIA)
CITY AND : ss.
COUNTY OF SAN FRANCISCO)

The foregoing instrument was acknowledged before me this 4th day of August, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:
April 20, 1979

Norbert J. Dickman
Notary Public City and County of San Francisco, California

OFFICIAL SEAL
NORBERT J. DICKMAN
NOTARY PUBLIC - CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO
My Commission Expires April 20, 1979

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife.

My commission expires:
_____

_____
Notary Public

Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by JOHN A. YATES and PEGGY A. YATES, his wife

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by S. P. YATES and ESTELLE H. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FISCO, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 27th day of July, 1978, by RICHARD S. BROOKS and Annie May BROOKS, his wife.

My commission expires:
January 27, 1980

Paulette V. Bynum
Notary Public Midland County, Texas

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CROWN CENTRAL PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife, by Attorney-in-Fact, Frank Yates.

My commission expires:
8-12-81

Kathy Collett
Notary Public

PUBLIC
STATE OF NEW MEXICO

740

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15 day of November, 1978, by JOHN A. YATES ~~and PEGGY A. YATES, his wife~~

My commission expires:
8-19-80

Scott Ee Wilson
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November 1978, by Peyton Yates, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
5-23-81

Kathy Colbert
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by S. P. YATES and ESTELLE H. YATES, his wife, by Peyton Yates, attorney-in-fact.

My commission expires:
5-23-81

Kathy Colbert
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FISCO, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by RICHARD S. BROOKS and _____ BROOKS, his wife.

My commission expires:
_____

_____
Notary Public

Attached to and made a t of Rio Penasco Working Inter Units, Operating Agreement, dated July 1, 1978, Township 18 and 19 South, Range 25 East, Eddy County, New Mexico

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

~~August~~ November, 1978, by Frank Yates, President of MYCO INDUSTRIES, INC., a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

8-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

~~August~~ November, 1978, by John A. Yates, President of ABO PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

8-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

~~August~~ November, 1978, by FRANK YATES.

My Commission Expires:

8-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

~~August~~ November, 1978, by John A. Yates, Agent for LOS CHICOS, a partnership.

My Commission Expires:

8-23-81

Kathy Collert
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by JOHN A. YATES and PEGGY A. YATES, his wife

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by S. P. YATES and ESTELLE H. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF Texas)
: ss.
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 13TH day of July, 1978, by N. L. Stevens, III, Vice President of FISCO, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:
6-30-80

Margery L. Beery
Notary Public
MARGERY L. BEERY
Notary Public In and for Harris County, Texas
My Commission Expires 6-30-80

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by RICHARD S. BROOKS and _____ BROOKS, his wife.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agr ient, dated July 1, 1978, Town ps 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 20th day of August, 1978, by HARVEY E. YATES, a married man dealing in his sole and separate property.

My commission expires:
7-27-80

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

~~The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by LOUISE D. YATES.~~

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 23 day of August, 1978, by GEORGE M. YATES, President of EXPLORERS PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
July 27, 1980

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 25 day of August, 1978, by FRED G. YATES, President of FRED G. YATES, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:
July 27, 1980

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 23rd day of August, 1978, by George M. Yates, Vice President of HARVEY E. YATES COMPANY, ~~INC.~~, a New Mexico corporation, on behalf of said corporation.

My commission expires:
July 27, 1980

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ president of CORONADO EXPLORATION CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

744

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by HARVEY E. YATES, a married man dealing in his sole and separate property.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

~~The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by LOUISE D. YATES.~~

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of EXPLORERS PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FRED G. YATES, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of HARVEY E. YATES COMPANY, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this 15th day of September, 1978, by Harvey E. Yates, Jr., _____ president of CORONADO EXPLORATION CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
July 15, 1982

Kathy Ballard
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by JOHN A. YATES and PEGGY A. YATES, his wife

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by S. P. YATES and ESTELLE H. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 19th day of Sept., 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
May 31, 1981

Karen J. McLaden
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FISCO, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by RICHARD S. BROOKS and _____ BROOKS, his wife.

My commission expires:
_____

_____
Notary Public

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF
RIO PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
DATED JULY 1, 1978
TOWNSHIPS 18 AND 19 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

1. Contract Area

a. Shallow Unit Area:

Township 18 South, Range 25 East, N.M.P.M.

Section 34: SE/4
Section 35: E/2, E/2 SW/4, SW/4 SW/4

Township 19 South, Range 25 East, N.M.P.M.

Section 2: All
Section 3: NE/4
Section 11: N/2

b. Deep Unit Area:

Township 18 South, Range 25 East, N.M.P.M.

Section 34: E/2
Section 35: All

Township 19 South, Range 25 East, N.M.P.M.

Section 2: All
Section 3: NE/4
Section 11: N/2

2. Depth Restrictions

a. The Shallow Unit Area covers only the oil and gas rights from the surface to a depth of 5,500 feet below the surface of the ground.

b. The Deep Unit Area covers only the oil and gas rights from a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone.

3. The interests of the parties to this Agreement are calculated in Exhibits "A-2" and "A-3" and are summarized in Exhibits "A-4" and "A-5".

4. The oil and gas leases and interests subject to this Agreement are set forth in Exhibit "A-1".

5. Addressess of Parties for Notices:

Mark D. Wilson
212 American Home Building
Artesia, New Mexico 88210

Suburban Propane Gas Corporation
P. O. Box 17689
San Antonio, Texas 78217
Attention: Mr. Tom McGaughy

Amoco Production Company
P. O. Box 3092
Houston, Texas 77001
Attention: Mr. Tom Morrow

Yates Petroleum Corporation
Yates Drilling Company
S. P. Yates
Martin Yates, III
John A. Yates
207 South Fourth Street
Artesia, New Mexico 88210
Attention: Mr. Jack W. McCaw

Reading and Bates Oil and Gas Co.
3800 First Place
Tulsa, Oklahoma 74103
Attention: Mr. Denny Whinery

EXHIBIT "A" - Continued

Champlin Petroleum Company
300 Wilco Building
Midland, Texas 79701
Attention: Mr. R. L. Lanning

Crown Central Petroleum Corporation
Wilco Building, Suite 1002
Midland, Texas 79701
Attention: Mr. W. P. Baswell, Jr.

Charles B. Read
P. O. Box 2126
Roswell, New Mexico 88201

Harvey E. Yates
Explorers Petroleum Corporation
Fred G. Yates, Inc.
Harvey E. Yates Company, Inc.
Suite 1000
Security National Bank Building
Roswell, New Mexico 88201

Coronado Exploration Corporation
1007 Marquette Ave., N.W.
Albuquerque, New Mexico 87102

Anadarko Production Company
Two Greenway Plaza East, Suite 410
Houston, Texas 77046
Attention: Mr. Gerard Stafford

David Fasken
Richard S. Brooks
608 First National Bank Building
Midland, Texas 79701

FISCO, INC.
P. O. Box 2126
Roswell, New Mexico 88201
Attention: Mr. Norman S. Stevens, Jr.

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
BASES OWNED BY MARK D. WILSON:							
1. MARSHALL AND WINSTON, INC. T18S, R25E Sec. 34: E/2 NE/4, N/2 SE/4 Sec. 35: SW/4 SW/4	200.00	12.50000	25.00000	2-8-79	25.00	-0-	75.00
T18S, R25E Sec. 35: NW/4, NW/4 SW/4	200.00	25.00000	50.00000				
2. MARSHALL AND WINSTON, INC. T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4, NE/4 SE/4, SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	320.40	12.50000	40.05000	2-8-80	25.00	-0-	75.00
T19S, R25E Sec. 2: SE/4 NW/4, E/2 SW/4, NW/4 SE/4	160.00	25.00000	40.00000				
T19S, R25E Sec. 11: E/2 NE/4	80.00	31.25000	25.00000				
3. CUETICO SUPERIOR FOUNDATION T18S, R25E Sec. 34: E/2 NE/4, N/2 SE/4 Sec. 35: SW/4 SW/4	200.00	3.12500	6.25000	2-8-79	25.00	-0-	75.00
4. CUETICO SUPERIOR FOUNDATION T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4, NE/4 SE/4 Sec. 3: S/2 NE/4, NE/4 NE/4	230.78	3.12500	8.77438	2-8-80	25.00	-0-	75.00

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Township 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
5. I. J. MARSHALL, ET UX T18S, R25E Sec. 34: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	3.12500	3.75000	2-20-81	18.75	-0-	81.25
6. CLARENCE E. HINKLE, ET UX T18S, R25E Sec. 34: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	6.25000	7.50000	2-20-81	18.75	-0-	81.25
7. C.A. BAR LAND AND CATTLE COMPANY, INC. T18S, R25E Sec. 34: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	3.12500	3.75000	2-20-81	18.75	-0-	81.25
8. RICHARD I. FLOYD T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
9. JOHNNIE LEE BYBEE, ET AL T18S, R25E Sec. 35: N/2 NE/4	80.00	9.37500	7.50000	2-16-83	12.50	-0-	87.50
10. CLA MAE FLOYD, ET AL T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50

749

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARY D. MILLER:							
11. ADA L. GRUEMKEY T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
12. DENA A. BYBEE T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
13. GEORGE W. GUSHWA, ET AL T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
14. ROY E. GLASS, ET UX T19S, R25E Sec. 2: NE/4 SE/4	40.00	25.00000	10.00000	2-16-83	18.75	-0-	81.25
15. BONNIE M. MORRISON T19S, R25E Sec. 2: E/2 SW/4, SE/4 NW/4, NW/4 SE/4	160.00	25.00000	40.00000	2-15-83	18.75	-0-	81.25
16. MAY ADAMS T19S, R25E Sec. 3: NW/4 NE/4	40.36	100.00000	40.36000	2-16-83	12.50	-0-	87.50
17. ROLLA ROBERTS HINKLE TRUST T18S, R25E Sec. 34: N/2 SE/4, E/2 NE/4	160.00	6.25000	10.00000	5-1-81	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
18. ADELLA ROBERTS HINKLE TRUST T19S, R25E Sec. 2: NE/4 SE/4	40.00	6.25000	2.50000	5-1-81	18.75	-0-	81.25
19. MARGARET W. CHILDRESS, ET AL T18S, R25E Sec. 34: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	6.25000	7.50000	3-17-81	18.75	-0-	81.25
20. SELMA E. ANDREWS TRUST T18S, R25E Sec. 35: N/2 NE/4	80.00	25.00000	20.00000	2-18-80	25.00	-0-	75.00
21. ROY E. GLASS, ET UX T18S, R25E Sec. 34: E/2 NE/4	80.00	25.00000	20.00000	6-14-83	18.75	-0-	81.25
22. ROY E. GLASS, ET UX T18S, R25E Sec. 35: SW/4 SW/4	40.00	25.00000	10.00000	6-14-83	18.75	-0-	81.25
23. ROY E. GLASS, ET UX T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	120.40	25.00000	30.10000	6-14-83	18.75	-0-	81.25
24. MARGARET W. CHILDRESS, ET AL T18S, R25E Sec. 35: SW/4 SW/4 T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	160.40	6.25000	10.02500	6-13-81	18.75	-0-	81.25

751

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
2 I. J. MARSHALL, ET UX T18S, R25E Sec. 35: SW/4 SW/4 T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	160.40	3.12500	5.01250	6-13-81	18.75	-0-	81.25
26. CLARENCE E. HINKLE, ET UX T18S, R25E Sec. 35: SW/4 SW/4 T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	160.40	6.25000	10.02500	6-13-81	18.75	-0-	81.25
27. C.A. BAR LAND AND CATTLE COMPANY, INC. T18S, R25E Sec. 35: SW/4 SW/4	40.00	3.12500	1.25000	6-14-81	18.75	-0-	81.25
2[illegible] C.A. BAR LAND AND CATTLE COMPANY, INC. T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	120.40	3.12500	3.76250	6-14-81	18.75	-0-	81.25
29. ROLLA ROBERTS HINKLE TRUST T18S, R25E Sec. 35: SW/4 SW/4	40.00	6.25000	2.50000	6-14-81	18.75	-0-	81.25
30. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	120.40	6.25000	7.52500	6-14-81	18.75	-0-	81.25

252

EXHIBIT "A-1"
RIO PENASCO WORKING INTERESTS UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	6.25000	7.52375	6-14-81	18.75	-0-	81.25
32. CORDELIA M. KINCAID, ET AL T19S, R25E Sec. 2: NE/4 SE/4, SW/4 NW/4, N/2 NW/4	160.40	21.87500	35.08750	6-14-81	18.75	-0-	81.25
33. STERLING M. CARTER, ET AL T19S, R25E Sec. 2: NE/4 SE/4, SW/4 NW/4, N/2 NW/4	160.40	3.12500	5.01250	6-14-81	18.75	-0-	81.25
34. RALPH NIX, ET AL T19S, R25E Sec. 2: S/2 SE/4	80.00	100.00000	80.00000	7-5-80	22.50	-0-	77.50
LEASES OWNED BY YATES PETROLEUM CORPORATION:							
1. CORDELLA M. KINCAID, ET AL T18S, R25E Sec. 34: E/2 NE/4 Sec. 35: SW/4 SW/4	120.00 (Limited to Rights Below 5,800')	25.00000	30.00000	HBP	12.50	5.00 PP	82.50
2. NM-12246 T18S, R25E Sec. 34: N/2 NE/4	80.00 (Limited to Rights Below 5,500')	100.00000	80.00000	HBP	12.50 U.S.A.	5.00	82.50

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY YATES PETROLEUM CORPORATION:							
3. GEORGE W. GUSHWA, ET UX T18S, R25E Sec. 35: NW/4, NW/4 SW/4 T19S, R25E Sec. 2: SE/4 NW/4, E/2 SW/4, NW/4 SE/4	360.00 (Limited to Rights Below 5,800')	50.00000	180.00000	HBP	18.75	5.00 PP	76.25
4. NM-06488 T19S, R25E Sec. 2: N/2 NE/4	79.60 (Limited to Rights Below 5,800')	100.00000	79.60000	HBP	12.50 U.S.A.	5.00	82.50
5 NANCY P. TONKIN, ET AL T19S, R25E Sec. 11: E/2 NE/4	80.00	31.87500	25.50000	8-18-82	18.75	-0-	81.25
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
1. I. J. MARSHALL, ET UX T18S, R25E Sec. 30: E/2 SE/4	80.00	3.12500	2.50000	11-12-81	18.75	-0-	81.25
2. CLARENCE E. HINKLE, ET UX T18S, R25E Sec. 30: N/2 SE/4	80.00	6.25000	5.00000	11-12-81	18.75	-0-	81.25

EXHIBIT "A-1"
R.C. PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
3. C. A. LAND AND CATTLE COMPANY, INC. T18S, R25E Sec. 31: N/2 SE/4	80.00	3.12500	2.50000	11-12-81	18.75	-0-	81.25
4. ROY E. GLASS, ET UX T18S, R25E Sec. 31: N/2 SE/4	80.00	25.00000	20.00000	11-10-81	18.75	-0-	81.25
5. CORDELLA M. KINCAID, ET AL T18S, R25E Sec. 31: N/2 SE/4	80.00	21.87500	17.50000	11-22-81	18.75	-0-	81.25
6. STERLING M. CARTER, ET AL T18S, R25E Sec. 31: N/2 SE/4	80.00	3.12500	2.50000	11-22-81	18.75	-0-	81.25
7. MARGARET W. CHILDRESS, ET AL T18S, R25E Sec. 31: N/2 SE/4	80.00	6.25000	5.00000	11-22-81	18.75	-0-	81.25
8. DON L. BRADSHAW T18S, R25E Sec. 31: S/2 SE/4	80.00	15.14285	12.11428	3-9-82	20.00	-0-	80.00
9. A. M. ROUTH T18S, R25E Sec. 31: S/2 SE/4	80.00	25.00000	20.00000	3-3-82	20.00	-0-	80.00

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
10. JACK B. WILKINSON, ET UX T18S, R25E Sec. 34: S/2 SE/4	80.00	9.85715	7.88572	6-27-81	25.00	-0-	75.00
11. BARNES ADELANTE TRUSTS, ET AL T18S, R25E Sec. 34: S/2 SE/4	80.00	50.00000	40.00000	6-27-81	25.00	-0-	75.00
12. EARL COLLINS, ET UX T18S, R25E Sec. 35: SE/4, S/2 NE/4, E/2 SW/4	320.00	25.00000	80.00000	8-28-78	12.50	-0-	87.50
13. CORDELLA M. KINCAID, ET AL T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	21.87500	26.33313	11-22-81	18.75	-0-	81.25
14. STERLING M. CARTER, ET AL T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	3.12500	3.76187	11-22-81	18.75	-0-	81.25
15. ROY E. GLASS, ET UX T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	25.00000	30.09500	10-22-81	18.75	-0-	81.25
16. I. J. MARSHALL, ET UX T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	3.12500	3.76187	11-22-81	18.75	-0-	81.25

7556

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
17. CLARENCE E. HINKLE, ET UX T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	6.25000	7.52375	11-22-81	18.75	-0-	81.25
18. C.A. LAND AND CATTLE COMPANY, INC. T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	3.12500	3.76188	11-22-81	18.75	-0-	81.25
19. MARGARET W. CHILDRESS, ET AL T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	6.25000	7.52375	11-22-81	18.75	-0-	81.25
LEASES OWNED BY AMOCO PRODUCTION COMPANY:							
1. NM-18820 T19S, R25E Sec. 2: S/2 NE/4	80.00	100.00000	80.00000	8-1-83	12.50 U.S.A.	5.00	82.50
2. NM-12833 T19S, R25E Sec. 11: S/2 NW/4, SW/4 NE/4	120.00	100.00000	120.00000	1-1-81	12.50 U.S.A.	5.00	82.50
LEASE OWNED BY READING AND BATES, INC.:							
1. EARL COLLINS, ET UX T18S, R25E Sec. 35: SE/4, S/2 NE/4,	320.00	50.00000	160.00000	8-28-78	12.50	-0-	87.50

757

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY CHAMPLIN PETROLEUM COMPANY:							
1. BONNIE M. MORRISON T18S, R25E Sec. 35: N/2 NE/4	80.00	50.00000	40.00000	8-17-82	18.75	-0-	81.25
2. BONNIE M. MORRISON T19S, R25E Sec. 2: SW/4 SW/4	40.00	12.50000	5.00000	8-17-82	18.75	-0-	81.25
3. BOY SCOUTS OF AMERICA T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: NW/4 NE/4, N/2 NW/4	160.00	1.25000	2.00000	9-28-82	18.75	-0-	81.25
4. THE LAW SCHOOL OF UNM T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: NW/4 NE/4, N/2 NW/4	160.00	20.00000	32.00000	9-28-82	18.75	-0-	81.25
5. NEW MEXICO MILITARY INSTITUTE T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: NW/4 NE/4, N/2 NW/4	160.00	3.75000	6.00000	9-28-82	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY ANADARKO PRODUCTION COMPANY:							
1. GLADYS L. GREGG, ET VIR T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	20.83333	33.33333	3-31-82	18.75	-0-	81.25
2. PLAZA BANK AND TRUST CO., EXECUTOR T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	20.83333	33.33334	3-10-82	18.75	-0-	81.25
3. BONNIE M. MORRISON T19S, R25E Sec. 11: N/2 NW/4, NW/4 NE/4	120.00	12.50000	15.00000	2-25-80	18.75	-0-	81.25
LEASE OWNED BY CROWN CENTRAL PETROLEUM CORPORATION:							
1. EARL COLLINS, ET UX T18S, R25E Sec. 35: SE/4, S/2 NE/4, E/2 SW/4	320.00	25.00000	80.00000	8-28-78	12.50	-0-	87.50
LEASE OWNED BY DAVID FASKEN:							
1. BONNIE M. MORRISON T18S, R25E Sec. 35: NW/4, NW/4 SW/4	200.00	24.50000	49.00000	HBP	12.50	-0-	87.50

759

EXHIBIT "A-1"
RIO PECASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARTIN YATES, III:							
1. CLARENCE E. HINKLE, ET UX T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16666	HBP	18.75	-0-	81.25
2. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16667	HBP	18.75	12.50	68.75
LEASES OWNED BY S. P. YATES:							
1. CLARENCE E. HINKLE, ET UX T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16667	HBP	18.75	-0-	81.25
2. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16666	HBP	18.75	12.50	68.75
MINERALS OWNED BY CHARLES B. READ:							
1. T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	4.16667	6.66667				
MINERALS OWNED BY FISCO, INC:							
1. T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	2.08333	3.33333				

760

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASE OWNED BY RICHARD S. BROOKS:							
1. BONNIE M. MORRISON	200.00	.50000	1.00000	HBP	12.50	-0-	87.50
LEASES OWNED BY EAGLE GROUP: (YATES PETROLEUM CORPORATION - 1/2; YATES DRILLING COMPANY - 1/6; MARTIN YATES, III - 1/6; JOHN A. YATES - 1/6)							
1. CORDELLA M. KINCAID, ET AL T18S, R25E Sec. 35: SW/4 SW/4	40.00	25.00000 (Limited to Rights From Surface to 5,800')	10.00000	HBP	12.50	-0-	87.50
2. GEORGE W. GUSHWA, ET UX T19S, R25E Sec. 2: SE/4 NW/4, E/2 SW/4 NW/4 SE/4	160.00	50.00000 (Limited to Rights From Surface to 5,800')	80.00000	HBP	12.50	-0-	87.50
NM-05488 T19S, R25E Sec. 2: W/2 NE/4	79.60	100.00000 (Limited to Rights From Surface to 5,800')	79.60000	HBP	12.50 U.S.A.	5.00	82.50
LEASE OWNED BY HARVEY E. YATES COMPANY, INC., ET AL:							
1. NM-21197* T19S, R25E Sec. 2: NW/4 SW/4	40.00	100.00000	40.00000	10-1-82	12.50 U.S.A. (KGS Sliding-Scale)	1.50	86.00

* Lease owned by Harvey E. Yates Company, Inc. - 72.2746%, Harvey E. Yates - 5.0000%, Explorers Petroleum Corporation - 5.0000%, Fred G. Yates, Inc. - 5.0000%, Coronado Exploration Corp. - 12.7254%.

761

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership in Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
MARK D. WILSON	1	75.00000		75.000	56.25000	
	2	105.05000		75.000	78.78750	
	3	6.25000		75.000	4.68750	
	4	8.77438		75.000	6.58079	
	5	3.75000		81.250	3.04688	
	6	7.50000		81.250	6.09375	
	7	3.75000		81.250	3.04688	
	8	2.50000		87.500	2.18750	
	9	7.50000		87.500	6.56250	
	10	2.50000		87.500	2.18750	
	11	2.50000		87.500	2.18750	
	12	2.50000		87.500	2.18750	
	13	2.50000		87.500	2.18750	
	14	10.00000		81.250	8.12500	
	15	40.00000		81.250	32.50000	
	16	40.36000		87.500	35.31500	
	17	10.00000		81.250	8.12500	
	18	2.50000		81.250	2.03125	
	19	7.50000		81.250	6.09375	
	20	20.00000		75.000	15.00000	
	21	20.00000		81.250	16.25000	
	22	10.00000		81.250	8.12500	
	23	30.10000		81.250	24.45625	
	24	10.02500		81.250	8.14531	
	25	5.01250		81.250	4.07266	
	26	10.02500		81.250	8.14531	
	27	1.25000		81.250	1.01563	
	28	3.76250		81.250	3.05703	
	29	2.50000		81.250	2.03125	
	30	7.52500		81.250	6.11406	
	31	7.52375		81.250	6.11305	
	32	35.08750		81.250	28.50859	
	33	5.01250		81.250	4.07266	
	34	80.00000		77.500	62.00000	
MARK D. WILSON TOTAL		588.25813	29.3176		465.29010	28.4757

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
YATES PETROLEUM CORPORATION	1	30.00000		82.500	24.75000	
	2	80.00000		82.500	66.50000	
	3	180.60000		76.250	137.70750	
	4	79.60000		82.500	65.67000	
	5	25.50000		81.250	20.71875	
YATES PETROLEUM CORPORATION TOTAL		395.10000	19.7111		315.34625	19.2992
SUBURBAN PROPANE GAS CORPORATION	1	2.50000		81.250	2.03125	
	2	5.00000		81.250	4.06250	
	3	2.50000		81.250	2.03125	
	4	20.00000		81.250	16.25000	
	5	17.50000		81.250	14.21875	
	6	2.50000		81.250	2.03125	
	7	5.00000		81.250	4.06250	
	8	12.11128		80.000	9.69142	
	9	20.00000		80.000	16.00000	
	10	7.88572		75.000	5.91429	
	11	40.00000		75.000	30.00000	
	12	80.00000		87.500	70.00000	
	13	26.33313		81.250	21.39567	
	14	3.76187		81.250	3.05652	
	15	30.09500		81.250	24.45219	
	16	3.76187		81.250	3.05652	
	17	7.52375		81.250	6.11305	
	18	3.76188		81.250	3.05653	
	19	7.52375		81.250	6.11305	
SUBURBAN PROPANE GAS CORPORATION TOTAL		297.76125	14.8550		243.53674	14.9044
HARVEY E. YATES CO., INC., ET AL	1	40.00000		86.000	34.4000	
HARVEY E. YATES CO., INC. TOTAL		40.00000	1.9956		34.4000	2.1053

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
AMOCO PRODUCTION COMPANY	1	80.00000		82.500	66.00000	
	2	120.00000		82.500	99.00000	
AMOCO PRODUCTION COMPANY TOTAL		200.00000	9.9778		165.00000	10.0980
READING & BATES OIL AND GAS COMPANY	1	160.00000		87.500	140.00000	
READING & BATES OIL AND GAS COMPANY TOTAL		160.00000	7.9822		140.00000	8.5680
CHAMPLIN PETROLEUM COMPANY	1	40.00000		81.250	32.50000	
	2	5.00000		81.250	4.06250	
	3	2.00000		81.250	1.62500	
	4	32.00000		81.250	26.00000	
	5	6.00000		81.250	4.87500	
CHAMPLIN PETROLEUM COMPANY TOTAL		85.00000	4.2406		69.06250	4.2266
ANADARKO PRODUCTION COMPANY	1	33.33333		81.250	27.08333	
	2	33.33334		81.250	27.08334	
	3	15.00000		81.250	12.18750	
ANADARKO PRODUCTION COMPANY TOTAL		81.66667	4.0743		66.35417	4.0609
CROWN CENTRAL PETROLEUM CORPORATION	1	80.00000		87.500	70.00000	
CROWN CENTRAL PETROLEUM CORPORATION TOTAL		80.00000	3.9911		70.00000	4.2840
DAVID FASKEN	1	49.00000		87.500	42.87500	
DAVID FASKEN TOTAL		49.00000	2.4445		42.87500	2.6239
MARTIN YATES, III	1	4.16666		81.250	3.38541	
	2	4.16667		68.750	2.86459	
MARTIN YATES, III TOTAL		8.33333	.4157		6.25000	.3825

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
S. P. YATES	1	4.16667		81.250	3.38542	
	2	4.16666		68.750	2.86458	
S. P. YATES TOTAL		8.33333	.4157		6.25000	.3825
CHARLES B. READ	1	6.66667		87.5000	5.83334	
CHARLES B. READ TOTAL		6.66667	.3326		5.83334	.3570
FISCO, INC.	1	3.33333		87.5000	2.91666	
FISCO, INC. TOTAL		3.33333	.1663		2.91666	.1785
RICHARD S. BROOKS	1	1.00000		87.500	.87500	
RICHARD S. BROOKS TOTAL		1.00000	.0499		.87500	.0535
DEEP UNIT TOTALS		2004.45271	100.0000		1633.98976	100.0000

265

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
MARK D. WILSON	1	15.00000		75.000	11.25000	
	2	105.05000		75.000	78.78750	
	3	3.75000		75.000	2.81250	
	4	8.77438		75.000	6.58079	
	5	1.25000		81.250	1.01563	
	6	2.50000		81.250	2.03125	
	7	1.25000		81.250	1.01563	
	8	2.50000		87.500	2.18750	
	9	7.50000		87.500	6.56250	
	10	2.50000		87.500	2.18750	
	11	2.50000		87.500	2.18750	
	12	2.50000		87.500	2.18750	
	13	2.50000		87.500	2.18750	
	14	10.00000		81.250	8.12500	
	15	40.00000		81.250	32.50000	
	16	40.36000		87.500	35.31500	
	17	5.00000		81.250	4.06250	
	18	2.50000		81.250	2.03125	
	19	2.50000		81.250	2.03125	
	20	20.00000		75.000	15.00000	
	22	10.00000		81.250	8.12500	
	23	30.10000		81.250	24.45625	
	24	10.02500		81.250	8.14531	
	25	5.01250		81.250	4.07266	
	26	10.02500		81.250	8.14531	
	27	1.25000		81.250	1.01563	
	28	3.76250		81.250	3.05703	
	29	2.50000		81.250	2.03125	
	30	7.52500		81.250	6.11406	
	31	7.52375		81.250	6.11305	
	32	35.08750		81.250	28.50859	
	33	5.01250		81.250	4.07266	
	34	80.00000		77.500	62.00000	
MARK D. WILSON TOTAL		485.75813	29.4051		385.91510	28.4196

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
YATES PETROLEUM CORPORATION						
	5	25.50000		81.250	20.71875	
	1	5.00000		82.500	4.12500	
	2	40.00000		87.500	35.00000	
	3	39.80000		76.250	30.34750	
YATES PETROLEUM CORPORATION TOTAL		110.30000	6.6769		90.19125	6.6419
SUBURBAN PROPANE GAS CORPORATION	1	2.50000		81.250	2.03125	
	2	5.00000		81.250	4.06250	
	3	2.50000		81.250	2.03125	
	4	20.00000		81.250	16.25000	
	5	17.50000		81.250	14.21875	
	6	2.50000		81.250	2.03125	
	7	5.00000		81.250	4.06250	
	8	12.11428		80.000	9.69142	
	9	20.00000		80.000	16.00000	
	10	7.88572		75.000	5.91429	
	11	40.00000		75.000	30.00000	
	12	80.00000		87.500	70.00000	
	13	26.33313		81.250	21.39567	
	14	3.76187		81.250	3.05652	
	15	30.09500		81.250	24.45219	
	16	3.76187		81.250	3.05652	
	17	7.52375		81.250	6.11305	
	18	3.76188		81.250	3.05653	
	19	7.52375		81.250	6.11305	
SUBURBAN PROPANE GAS CORPORATION TOTAL		297.76125	18.0248		243.53674	17.9345
AMOCO PRODUCTION COMPANY	1	80.00000		82.500	66.00000	
	2	120.00000		82.500	99.00000	
AMOCO PRODUCTION COMPANY TOTAL		200.00000	12.1069		165.00000	12.1509
HARVEY E. YATES CO., INC., ET AL	1	40.00000		86.000	34.40000	
HARVEY E. YATES CO., INC., ET AL TOTAL		40.00000	2.4214		34.40000	2.5333

767

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
READING & BATES OIL AND GAS COMPANY	1	160.00000		87.500	140.00000	
READING & BATES OIL AND GAS COMPANY TOTAL		160.00000	9.6855		140.00000	10.3099
CHAMPLIN PETROLEUM COMPANY	1	40.00000		81.250	32.50000	
	2	5.00000		81.250	4.06250	
	3	32.00000		81.250	1.62500	
	4	32.00000		81.250	26.00000	
	5	6.00000		81.250	4.87500	
CHAMPLIN PETROLEUM COMPANY TOTAL		85.00000	5.1454		69.06250	5.0859
ANADARKO PRODUCTION COMPANY	1	33.33333		81.250	27.08333	
	2	33.33334		81.250	27.08334	
	3	15.00000		81.250	12.18750	
ANADARKO PRODUCTION COMPANY TOTAL		81.66667	4.9436		66.35417	4.8864
CROWN CENTRAL PETROLEUM CORPORATION	1	80.00000		87.500	70.00000	
CROWN CENTRAL PETROLEUM CORPORATION TOTAL		80.00000	4.8428		70.00000	5.1549
MARTIN YATES, III	1	4.16666		81.250	3.38541	
	2	4.16667		68.750	2.86459	
(EAGLE GROUP LEASES)	1	1.66667		87.500	1.45834	
	2	13.33333		87.500	11.66666	
	3	13.26667		82.500	10.94500	
MARTIN YATES, III AND EAGLE GROUP LEASES TOTAL		36.60000	2.2156		30.32000	2.2328

768

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
JOHN A. YATES	1	1.66667		87.500	1.45834	
	2.	13.33333		87.500	11.66666	
	3	13.26667		82.500	10.94500	
JOHN A. YATES TOTAL		28.26667	1.7111		24.07000	1.7726
YATES DRILLING COMPANY	1	1.66666		87.500	1.45833	
	2	13.33334		87.500	11.66667	
	3	13.26667		82.500	10.94500	
YATES DRILLING COMPANY TOTAL		28.26667	1.7111		24.07000	1.7726
S. P. YATES	1	4.16667		81.250	3.38542	
	2	4.16666		68.750	2.86458	
S. P. YATES TOTAL		8.33333	.5044		6.25000	.4603
CHARLES B. READ	1	6.66667		87.500	5.83334	
CHARLES B. READ TOTAL		6.66667	.4036		5.83334	.4296
FISCO, INC.	1	3.33333		87.500	2.91666	
FISCO, INC. TOTAL		3.33333	.2018		2.91666	.2148
SHALLOW UNIT TOTALS		1651.95272	100.0000		1357.91976	100.0000

693

AMENDED EXHIBIT "A-4"

SCHEDULE SHOWING INTERESTS CONTRIBUTED, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL AFTER PAYOUT AND ALL SUBSEQUENT WELLS IN RIO PENASCO DEEP UNIT

Owner	Contribution for Initial Test Well		Initial Test Well Until Payout		Subsequent Wells and Initial Well After Payout	
			Costs	Production	Costs	Production
	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
	Percentage of Unit	Percentage Beneficial Interest	Percentage Costs	Beneficial Percentage Production	Percentage Costs	Beneficial Percentage Production
Mark D. Wilson	5.0000	4.8515	5.0000	4.8515	5.0000	4.8515
Yates Petroleum Corporation	19.7111	19.2992	19.7111	19.2992	19.7111	19.2992
Suburban Propane Gas Corporation	14.8550	14.9044	14.8550	14.9044	14.8550	14.9044
Amoco Production Company	9.9778	10.0980	-0-	-0-	4.9889	5.0490
Reading & Bates Oil and Gas Company	7.9822	8.5680	7.9822	8.5680	7.9822	8.5680
Champlin Petroleum Company	4.2406	4.2266	4.2406	4.2266	4.2406	4.2266
Anadarko Production Company	4.0743	4.0609	4.0743	4.0609	4.0743	4.0609
Crown Central Petroleum Corporation	3.9911	4.2840	3.9911	4.2840	3.9911	4.2840
David Fasken	2.4445	2.6239	-0-	-0-	1.2222	1.3119
vey E. Yates Company, et al*	1.9956	2.1053	1.9956	2.1053	1.9956	2.1053
Martin Yates, III	.4157	.3825	.4157	.3825	.4157	.3825
John A. Yates	-0-	-0-	-0-	-0-	-0-	-0-
Yates Drilling Company	-0-	-0-	-0-	-0-	-0-	-0-
S. P. Yates	.4157	.3825	.4157	.3825	.4157	.3825
Charles B. Read	.3326	.3570	.3326	.3570	.3326	.3570
FISCO, INC.	.1663	.1785	.1663	.1785	.1663	.1785
Richard S. Brooks	.0499	.0535	-0-	-0-	.0250	.0268
Operator+	24.3476	23.6242	36.8198	36.3996	30.5837	30.0119
	100.0000	100.0000	100.0000	100.0000	100.0000	100.0000

AMENDED EXHIBIT "A-5"

SCHEDULE SHOWING INTERESTS CONTRIBUTED, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL AFTER PAYOUT AND ALL SUBSEQUENT WELLS IN RIO PENASCO SHALLOW UNIT

	Contribution for Initial Test Well		Initial Test Well Until Payout		Subsequent Wells and Initial Well After Payout	
			Costs	Production	Costs	Production
	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Owner	Percentage of Unit	Percentage Beneficial Interest	Percentage Costs	Beneficial Percentage Production	Percentage Costs	Beneficial Percentage Production
Mark D. Wilson	5.0098	4.8419	5.0098	4.8419	5.0098	4.8419
Yates Petroleum Corporation	6.6769	6.6419	6.6769	6.6419	6.6769	6.6419
Suburban Propane Gas Corporation	18.0248	17.9345	18.0248	17.9345	18.0248	17.9345
Amoco Production Company	12.1069	12.1509	-0-	-0-	6.0535	6.0755
Reading & Bates Oil and Gas Company	9.6855	10.3099	9.6855	10.3099	9.6855	10.3099
Champlin Petroleum Company	5.1454	5.0859	5.1454	5.0859	5.1454	5.0859
Anadarko Production Company	4.9436	4.8864	4.9436	4.8864	4.9436	4.8864
Crown Central Petroleum Corporation	4.8428	5.1549	4.8428	5.1549	4.8428	5.1549
David Fasken	-0-	-0-	-0-	-0-	-0-	-0-
Ha y E. Yates Company, et al*	2.4214	2.5333	2.4214	2.5333	2.4214	2.5333
Martin Yates, III	2.2156	2.2328	2.2156	2.2328	2.2156	2.2328
John A. Yates	1.7111	1.7726	1.7111	1.7726	1.7111	1.7726
Yates Drilling Company	1.7111	1.7726	1.7111	1.7726	1.7111	1.7726
S. P. Yates	.5044	.4603	.5044	.4603	.5044	.4603
Charles B. Read	.4036	.4296	.4036	.4296	.4036	.4296
FISCO, INC.	.2018	.2148	.2018	.2148	.2018	.2148
Richard S. Brooks	-0-	-0-	-0-	-0-	-0-	-0-
Operator+	24.3953	23.5777	36.5022	35.7286	30.4487	29.6531
	100.0000	100.0000	100.0000	100.0000	100.0000	100.0000

2222

*Harvey E. Yates Company, et al, is composed of:

Harvey E. Yates Company	72.2746%
Harvey E. Yates	5.0000%
Explorers Petroleum Corporation	5.0000%
Fred C. Yates, Inc.	5.0000%
Coronado Exploration Corporation	12.7254%

+The Operator's interest is owned and paid for by:

John A. Yates	13.3333%
Abo Petroleum Corporation	13.3333%
Los Chicos	6.6667%
Yates Drilling Company	22.2222%
S. P. Yates	11.1111%
Martin Yates, III	13.9507%
Myco Industries, Inc.	13.9508%
Frank Yates	5.4319%

7774

Producers 88 Rev. (5 Year Lease) 10-57

EXHIBIT "B"

(FIVE YEAR PAID UP LEASE)

OIL AND GAS LEASE

Form 365
Hall-Poorbaugh Press
Roswell, New Mexico

THIS AGREEMENT made this ..... day of ....., 19 78, between

.....

.....

Lessor (whether one or more), whose address is .....

and ..... Lessee, WITNESSETH:

1. Lessor in consideration of ...Ten..... Dollars ($ 10.00) in hand paid, 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 and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in ..... County, ... New Mexico ....., to-wit:

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 without further payments 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 this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to be paid by Lessee are: (a) on oil, 1/8 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/8 of the 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; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of $1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, 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 in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction 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 under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to 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 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 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 its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease 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 gas or either of them, 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. 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, 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, or either of them, produced from the pooled unit after deducting that used for operations on the pooled unit. Such allocation 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, 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, 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. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary terms, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land or from land pooled therewith. 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 drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 leased premises are situated at any time after the completion of a dry hole or the cessation of production 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 lease 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. 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.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either 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; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of 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 commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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 revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the acres retained hereunder and capable of producing gas in paying quantities.

9. Lessor ~~hereby warrants and agrees to defend the title to said land and~~ agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

.....	.....
.....	.....
.....	.....
Lessor	Lessor

Revised 601, BOX 600 TULSA OK 74101

COPAS — 1974

Recommended by the Council of Petroleum Accountants Societies of North America

COPAS

EXHIBIT "C"

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, Dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy 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.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Jpint 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. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator 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 Controllable Material as provided for in Section V.

5. 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 Joint Account 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 adjustments of accounts as provided for in Paragraph 4 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. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

COPIES

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs 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. 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 costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs 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 chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. 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, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

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, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. 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 other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. 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.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. 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 in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(XX) Fixed Rate Basis, Paragraph 1A, or
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. 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 the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (x) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 2,000.00
Producing Well Rate $ 278.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the 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 suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April 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 calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

778

COPAS

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:
For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000.00 :

A. 5 % of total costs if such costs are more than $ 25,000.00 but less than $ 100,000.00 ; plus
B. 3 % of total costs in excess of $ 100,000.00 but less than $1,000,000; plus
C. 2 % of total costs in excess of $1,000,000.

Total cost shall mean the 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 and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

COPAS

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) 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 published or listed prices 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 providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided 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 ten 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.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories; Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. 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.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable 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.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

Attached to and made a part of Rio Penasco Working Interest Unit Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, [illegible]y County, New Mexico.

EXHIBIT "D"

INSURANCE

Operator shall secure and maintain during the term of this agreement insurance to cover Operator's operations on the contract acreage covered by this agreement as follows:

(a) Workmen's Compensation Insurance to fully comply with the laws of the State where operations are to be performed, and with employers liability insurance including, if any operations hereunder are to be conducted in inland waters, bays or marshes, endorsements covering:

(1) United States Longshoremen's and Harbor Worker's Compensation Act.

(2) Employer's Liability covering maritime operations with limits of liability of $500,000 for death or injury to one person and $500,000 for deaths or injuries arising out of one accident.

(b) Comprehensive General Liability Insurance, excluding products, but if any operations hereunder are to be conducted in inland waters, bays or marshes, including watercraft liability: A single combined limit of $500,000 each accident for bodily injuries or death and property damage.

(c) Comprehensive Automobile Public Liability and Property Damage Insurance with a single combined limit of $500,000 each accident for bodily injuries or death and property damage.

Operator shall require Operator's contractors and subcontractors working or performing services on the contract acreage to comply with the Workmen's Compensation laws of the State where the contract acreage is located, and to carry such other insurance and in such amounts as Operator deems necessary.

EXHIBIT "E"

ATTACHED TO AND MADE A PART OF
RIO PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
DATED JULY 1, 1978
TOWNSHIPS 18 AND 19 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

GAS BALANCING AGREEMENT

In accordance with the terms of the Operating Agreement and upon completion of a gas well, this Gas Balancing Agreement shall become effective in accordance with Article VI.C and shall apply to each well severally.

It is the intention of the parties hereto that Operator shall have the duty of controlling gas well production and the responsibility of administering the provisions of this agreement. Operator shall cause deliveries to be made to gas purchasers at such rates as may be required to give effect to the intent that the gas production accounts of all parties are to be brought into balance under the provisions contained herein.

Each party has made (or will make) arrangements to sell or utilize its share of the gas produced from each well in the Contract Area. It appears, however, that the respective gas markets of the parties may be limited from time to time; therefore, to permit the parties as much flexibility as possible in meeting the demands of their respective markets, the parties hereto agree to the storage arrangements herein set forth.

1.

From and after the date of initial delivery of gas from said well, during any period when a party is taking less than its share of the gas produced from said well, any other party may produce from said well and take or deliver to a purchaser, each month, all or a part of that portion of the allowable gas production which is not produced by a party taking less than its full share. The parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests.

2.

On a cumulative basis, a party taking less than its full share of the gas produced shall be credited with gas in storage equal to its full share of the total gas produced and saved, less that portion of the gas such party took or delivered to a purchaser. Operator will maintain an account of the gas balance as between the parties hereto and will furnish each party monthly statements showing the total quantity of gas produced, the total quantity of gas taken by each party, and the monthly and cumulative over and under delivery of each party.

3.

After notice to the Operator, any party may at any time begin taking or delivering to a purchaser its full share of gas produced (less such party's share of gas used in operations, vented or lost). To allow the recovery of gas in storage and to balance the gas account of the parties in accordance with their respective interests, a party with gas in storage shall be entitled to take or deliver to a purchaser its current share of the gas produced, plus a share of gas not exceeding its gas storage, determined by multiplying 50% of the interest in the current gas production of the party or parties without gas in storage by a fraction, the numerator of which is the interest in said well of such party with gas in storage and the denominator of which is the total percentage interest in said well of all parties with gas in storage currently taking or delivering to a purchaser.

4.

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability test required by its purchaser. Each party shall, at all times, use its best efforts to regulate its takes and deliveries from said well so that said well will not be shut in for over producing the allowable thereto assigned by the applicable regulatory authority.

5.

Other provisions contained in the Operating Agreement notwithstanding, each party shall be responsible for the entire payment to each royalty, overriding royalty and production payment owner entitled to a portion of the proceeds received for the gas which such party takes, such payment to be based upon the gas produced and the price received. Each party hereto hereby indemnifies the other parties hereto against the claims, demands and causes of action which have as their basis an alleged entitlement to payment in excess of that received by the party taking the gas, of royalty, overriding royalty and production payment owners to whom such indemnitor is obligated under the applicable leases or other instruments which create such interests.

If, however, any party is obligated pursuant to said Operating Agreement or instruments of title as reflected in the chain of title to such party's interest to assume and alone bear any overriding royalty or other obligation or portion hereon out of such obligated party's share of production, such obligated party shall promptly reimburse each party taking gas for all amounts paid to the owner of such excess interest, which are attributable to such excess interest. If such obligated party fails to make such reimbursement within 15 days after receiving a statement therefor, all reimbursed amounts shall thereafter bear interest at the rate of 10% per annum and the unreimbursed party (whether Operator or Non-Operator) shall have the benefits of all of the liens and other rights provided for in Article VII.8 of the Operating Agreement to secure the payment of such unreimbursed amounts plus interest thereon.

6.

Each party producing and taking or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

7.

Should production of gas from said well be permanently discontinued before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid by the overproduced party or parties, based on the actual price received, month by month, for the volumes of gas as and when the same were produced, less applicable taxes theretofore paid.

8.

Nothing herein shall change or affect each party's obligations to pay its proportionate share of all costs and liabilities incurred, as its share thereof is set forth in the Operating Agreement.

9.

This agreement shall be considered as a separate and distinct agreement with respect to each separate common source of supply for each separate Contract Area well.

10.

This agreement is binding upon the heirs, successors and assigns of the signatory parties hereto, it being agreed that this agreement is a covenant

running with the oil and gas leases contributed by the parties to this agreement. The parties hereto agree to give notice of the existence of this agreement to any successor in interest of such signatory party to any oil and gas lease subject to the terms of this agreement. This agreement shall be and remain in force and effect for a term concurrent with the term of the Operating Agreement between the parties hereto.

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 4th day of May A.D. 79 at 11:10 o'clock AM, and duly recorded in Book 110 page 693 of the Records of Miscellaneous.

GERALDINE MAHAFFEY, County Clerk
By Lolleine Bolt Deputy

Yates Petroleum Corporation
AUTHORITY FOR EXPENDITURE

AFE # 80-028-0
Revision #
Date 2-8-80

Lease Name Rio Penasco KD Com #1 Location S/2 Section 2-19S-25E
County Eddy State NM Field Undes. (Boyd Morrow)
Horizon Morrow Est.T.D. 9400 Est. Spud Date April 1980
Est. Completion Date May 1980 Drilling Contractor

Primary Objective: ☐ Oil ☒ Gas ☐ Oil and/or Gas
Purpose : ☒ Drilling-New ☐ Recompletion ☐ Other (Supplement AFE, etc)
Type Well : ☐ Development ☐ Exploratory

	INTANGIBLE COSTS:	Dry Hole	Completion
9210	Staking Permit & Legal Fees	$ 700	$ 700
9211	Location, Right-of-Way	$ 8300	$ 9300
9212	Drilling, Footage 9400' @$21	$ 197400	$ 197400
9213	Drilling, Daywork 5 days @ $4350 /day	$ 21700	$ 21700
9212/9213	Moving in, Rigging up, Rigging down	$ -	$ -
9224	Bits, Tools & Supplies	$ 500	$ 800
9214	Drilling Water	$ 17500	$ 18800
9215	Drilling Mud & Additives	$ 29200	$ 29200
9216	Mud Logging Unit	$ 8500	$ 8500
9217	Cement, Tools & Services, Temp. Surveys	$ 13500	$ 18100
9218	Drill Stem Testing	$ 5600	$ 5600
9219	Electric Logs & Perforating	$ 19800	$ 26300
9220	Tool & Equip. Rental, Trucking, Welding	$ 4900	$ 5900
9221	Supervision & Overhead	$ 4500	$ 6000
9223	Coring, Tools & Services	$ -	$ -
9241	Completion Unit 10 days @$1050 /day	$ -	$ 10500
9247	Stimulation	$ -	$ 25500
9222	Contingency	$ 36900	$ 42700
	TOTAL INTANGIBLES	$ 369,000	$ 427,000
	WELL EQUIPMENT COSTS:		
9301	Christmas Tree and Well Head	$ 1500	$ 15000
9302	Casing: 13 3/8" 48# J-55 - 380	$ 7100	$ 7100
9302	8 5/8" 24# J-55 - 1200	$ 11400	$ 11400
9302	5 1/2" 15.5-17# K&N N 9400	$	$ 64100
9303	Tubing: 2 3/8" 4.7# J-55 - 9200	$ -	$ 23400
9304	Packer & Special Equipment	$ -	$ 3600
9350	Contingency	$ 1000	$ 8400
	TOTAL WELL EQUIPMENT	$ 21,000	$ 133,000
	LEASE & BATTERY EQUIPMENT COSTS:		
9401	Pumping Equipment	$	$
9402	Storage 2-210 b. welded w/stair,walk,fbrgls t	$	$ 9800
9403	Separation Eq., Flowlines, Valves & Fittings	$	$ 19200
9404	Trucking & Construction Costs	$	$ 6000
	TOTAL LEASE & BATTERY EQUIP.	$	$ 35000
	TOTALS	$ 390,000	$ 595,000

Approval of this AFE constitutes approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

YATES PETROLEUM CORPORATION Share - 19.659771%

By Eddie M. Lindfield Date 2-8-80

S. P. YATES 3.803953

By _____ Date _____

YATES DRILLING COMPANY 6.778673

By _____ Date _____

4.255560

EXHIBIT NO. 5
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

_____ Date _____

MARTIN YATES, III	4.670147%
By_____ Date_____	
FRANK YATES	1.656950
By_____ Date_____	
ABO PETROLEUM CORPORATION	4.067198
By_____ Date_____	
JOHN A. YATES	4.067198
By_____ Date_____	
LOS CHICOS, A PARTNERSHIP	2.033614
By_____ Date_____	
MARK D. WILSON	2.493490
By_____ Date_____	
SUBURBAN PROPANE GAS CORPORATION	14.816317
By_____ Date_____	
READING & BATES OIL & GAS COMPANY	7.961414
By_____ Date_____	
CHAMPLIN PETROLEUM COMPANY	4.229557
By_____ Date_____	
ANADARKO PRODUCTION COMPANY	4.063690
By_____ Date_____	
CROWN CENTRAL PETROLEUM CORPORATION	3.980707
By_____ Date_____	
CHARLES B. READ	.331734
By_____ Date_____	
FISCO, INC.	.165867
By_____ Date_____	
HARVEY E. YATES	.099520
By_____ Date_____	
EXPLORERS PETROLEUM CORPORATION	.099520
By_____ Date_____	
FRED G. YATES , INC.	.099520
By_____ Date_____	
HEYCO	1.438556
By_____ Date_____	
DAVID FASKEN	1.219017
By_____ Date_____	

AFE # 80-028-O
DATE 2-8-80

RICHARD S. BROOKS .024935%

By_____ Date_____

AMOCO PRODUCTION COMPANY 4.975909

By_____ Date_____

WILLIAM MCCOY .260406

By_____ Date_____

CORONADO EXPLORATION CORPORATION .253287

By_____ Date_____

RIO PECOS CORPORATION 2.493490

By_____ Date_____

YATES PETROLEUM CORPORATION
AUTHORITY FOR EXPENDITURE

AFE # 80-093-0
Revision #
Date 5/22/80

Lease Name Rio Penasco KD Com #2 — Location N/2 Section 2-19S-25E
County Eddy — State NM
Horizon Morrow — Est. T.D. 9400
Field Boyd Morrow
Est. Completion Date July 1980 — Est. Spud Date June 1980
Drilling Contractor

Primary Objective: [ ] Oil [X] Gas [ ] Oil and/or Gas
Purpose : [X] Drilling-New [ ] Recompletion [ ] Other (Supplement AFE, etc.)
Type Well : [ ] Development [ ] Exploratory

	INTANGIBLE COSTS:	Dry Hole	Completion
9210	Staking Permit & Legal Fees	$ 700	$ 700
9211	Location, Right-of-Way	8300	9300
9212	Drilling, Footage 9400' @$23.50	220900	220900
9213	Drilling, Daywork 5 days @ $4785 /day	23900	23900
9212/9213	Moving in, Rigging up, Rigging down	-	-
9224	Bits, Tools & Supplies	500	800
9214	Drilling Water	17500	18800
9215	Drilling Mud & Additives	31000	31000
9216	Mud Logging Unit	8800	8800
9217	Cement, Tools & Services, Temp. Surveys	14300	19200
9218	Drill Stem Testing	5600	5600
9219	Electric Logs & Perforating	21000	27900
9220	Tool & Equip. Rental, Trucking, Welding	4900	5900
9221	Supervision & Overhead	4500	6000
9223	Coring, Tools & Services	-	-
9241	Completion Unit 10 days @ $1120 /day	-	11200
9247	Stimulation	-	25500
9222	Contingency	40200	46200
	TOTAL INTANGIBLES	$ 402100	$ 461700

	WELL EQUIPMENT COSTS:		
9301	Christmas Tree and Well Head	$ 1600	$ 16000
9302	Casing: 13 3/8" 48# J-55- 380	7600	7600
9302	8 5/8 24# - J-55 - 1200	12200	12200
9302	5 1/2" 15.5-17# K&N N 9400		68600
9303	Tubing: 2 3/8" 4.7# - J-55 - 9200	-	25300
9304	Packer & Special Equipment	-	3800
9350	Contingency	1100	10000
	TOTAL WELL EQUIPMENT	$ 22500	$ 143500

	LEASE & BATTERY EQUIPMENT COSTS:		
9401	Pumping Equipment	$	$
9402	Storage 2-210 b. welded w/stair,walk, fbrgls		10400
9403	Separation Eq., Flowlines, Valves & Fittings		20400
9404	Trucking & Construction Costs		6000
	TOTAL LEASE & BATTERY EQUIP.	$	$ 36800
	TOTALS	$ 424600	$ 642000

Approval of this AFE constitues approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

YATES PETROLEUM CORPORATION — Share -
By Eddie M Mahfood — Date 5-22-80 — 19.7111%
YATES DRILLING COMPANY
By: _____ Date _____ — 6.7964
S. P. YATES
_____ Date _____ — 3.8139

EXHIBIT NO. 5
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

MARK D. WILSON		
By_____	Date_____	5.0000%
SUBURBAN PROPANE GAS CORPORATION		
By_____	Date_____	14.8550
AMOCO PRODUCTION COMPANY		
By_____	Date_____	4.9889
READING & BATES OIL & GAS COMPANY		
By_____	Date_____	7.9822
CHAMPLIN PETROLEUM COMPANY		
By_____	Date_____	4.2406
ANADARKO PRODUCTION COMPANY		
By_____	Date_____	4.0743
CROWN CENTRAL PETROLEUM CORPORATION		
By_____	Date_____	3.9911
DAVID FASKEN		
By_____	Date_____	1.2222
HEYCO		
By_____	Date_____	1.4423
HARVEY E. YATES		
By_____	Date_____	.0998
EXPLORERS PETROLEUM CORPORATION		
By_____	Date_____	.0998
FRED G. YATES		
By_____	Date_____	.0998
CORONADO EXPLORATION CORP.		
By_____	Date_____	.2539
CHARLES B. READ		
By_____	Date_____	.3326
FISCO, INC.		
By_____	Date_____	.1663
RICHARD S. BROOKS		
By_____	Date_____	.0250
MYCO INDUSTRIES, INC.		
By_____	Date_____	4.2666
MARTIN YATES, III		
By_____	Date_____	4.6824
FRANK YATES		
By_____	Date_____	1.6613

ABO PETROLEUM CORPORATION

By_____ Date_____ 4.0778%

JOHN A. YATES

By_____ Date_____ 4.0778

LOS CHICOS

By_____ Date_____ 2.0389

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORORATION FOR :
COMPLUSORY POOLING, EDDY COUNTY : CASE NO. 6933
NEW MEXICO :
:

AFFIDAVIT OF MAILING

STATE OF NEW MEXICO)
: §
COUNTY OF EDDY)

The undersigned, being first duly sworn, upon oath, states that the undersigned is an employee of Applicant, and that on the 19th day of June, 1980, the undersigned did mail in the United States Post office at Artesia, New Mexico, true copies of the following instruments:

1. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #1 located in the S/2 of Section 2, Township 19 South, Range 25 East.

2. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #2 located in the N/2 of Section 2, Township 19 South, Range 25 East.

3. Docket reflecting hearing on both Applications at the Oil Conservation Division in Santa Fe, New Mexico, to be on the 25th day of June, 1980.

4. Operating Agreement dated July 1, 1978, covering both wells.

5. Authority for Expenditure on the "KD" #1 dated February 8, 1980.

6. Authority for Expenditure on the "KD" #2 dated May 22, 1980 .

7. Oil and Gas Lease dated June 19, 1980, 1 year term, with 1/4 overriding royalty.

in securely sealed, postage prepaid, certified, return receipt requested envelopes addressed to the following named persons:

EXHIBIT NO. 6
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

SALLY ELLIS, HEIR OF HAYWARD & MARGUERITE AYERS	c/o Mr. Stanley Black Hutchinson, Black, Hill, Buchanan & Cook P. O. Box 1170 Boulder, Colorado 80306
JAMES G. BENNETT HEIRS	Bennett Office, Inc. 1210 Baker Building Minneapolis, Minnesota 55402
E. E. MACGIBBON HEIRS	321 Lowell Elk River, Minnesota 55330
OWEN MARSHALL	608 Putnam Drive Eou Claire, Wisconsin 54701
MARGARET NORTON	2880 Lorain Road San Marino, California 91108
MARY PHILLIPS BAIDA	2244 Q Via Puerta Laguna Hills, California 92653
RUFUS R. RAND HEIRS	c/o Palmer First National Bank & Trust Co. P.O. Box 2018 Sarasota, Florida 33578

Kathy J. Colbert
KATHY J. COLBERT

SUBSCRIBED AND SWORN TO before me this 19th day of June, 1980.

Janet Marcum
Notary Public

My Commission Expires:

8-20-80

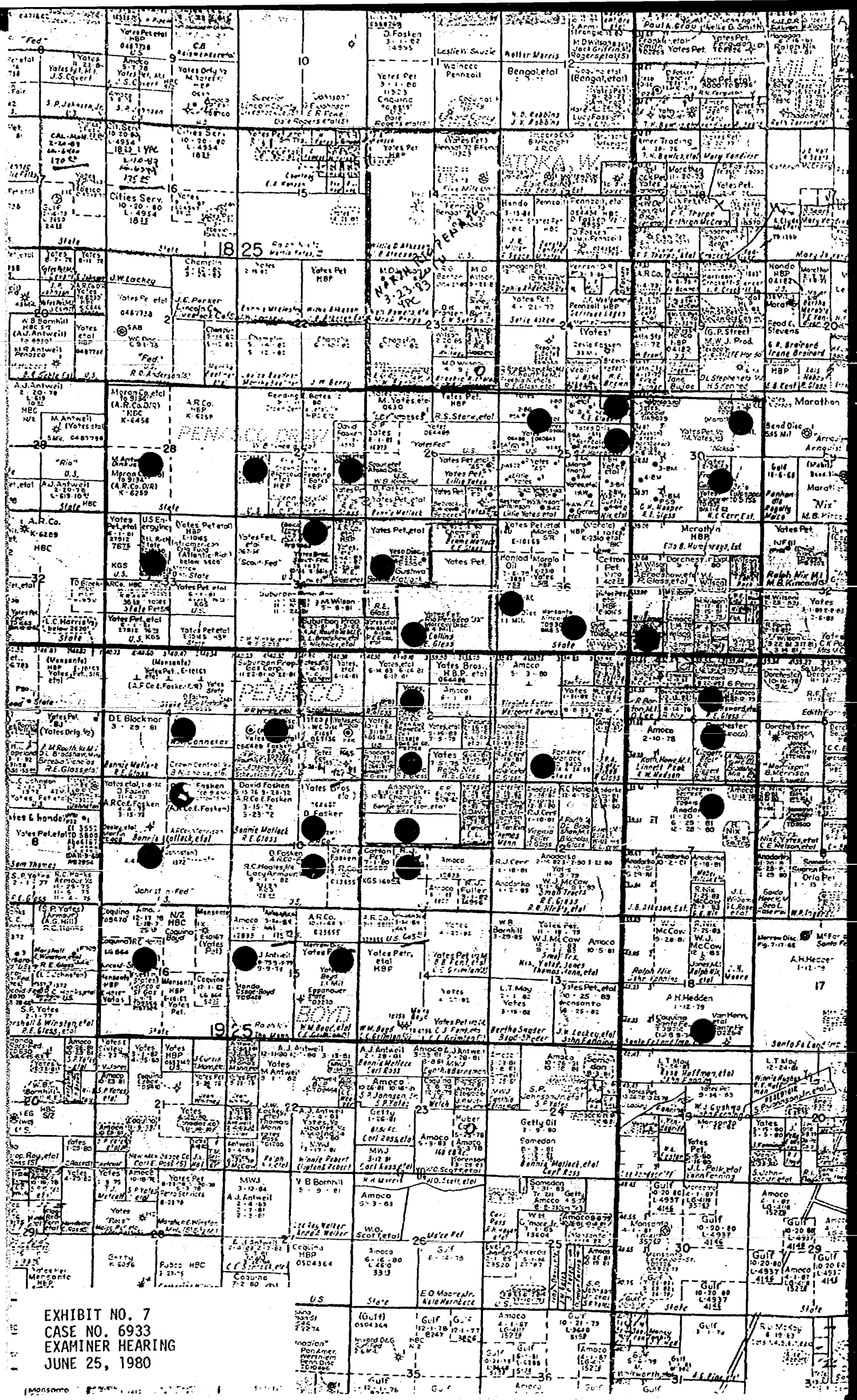


EXHIBIT NO. 7
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

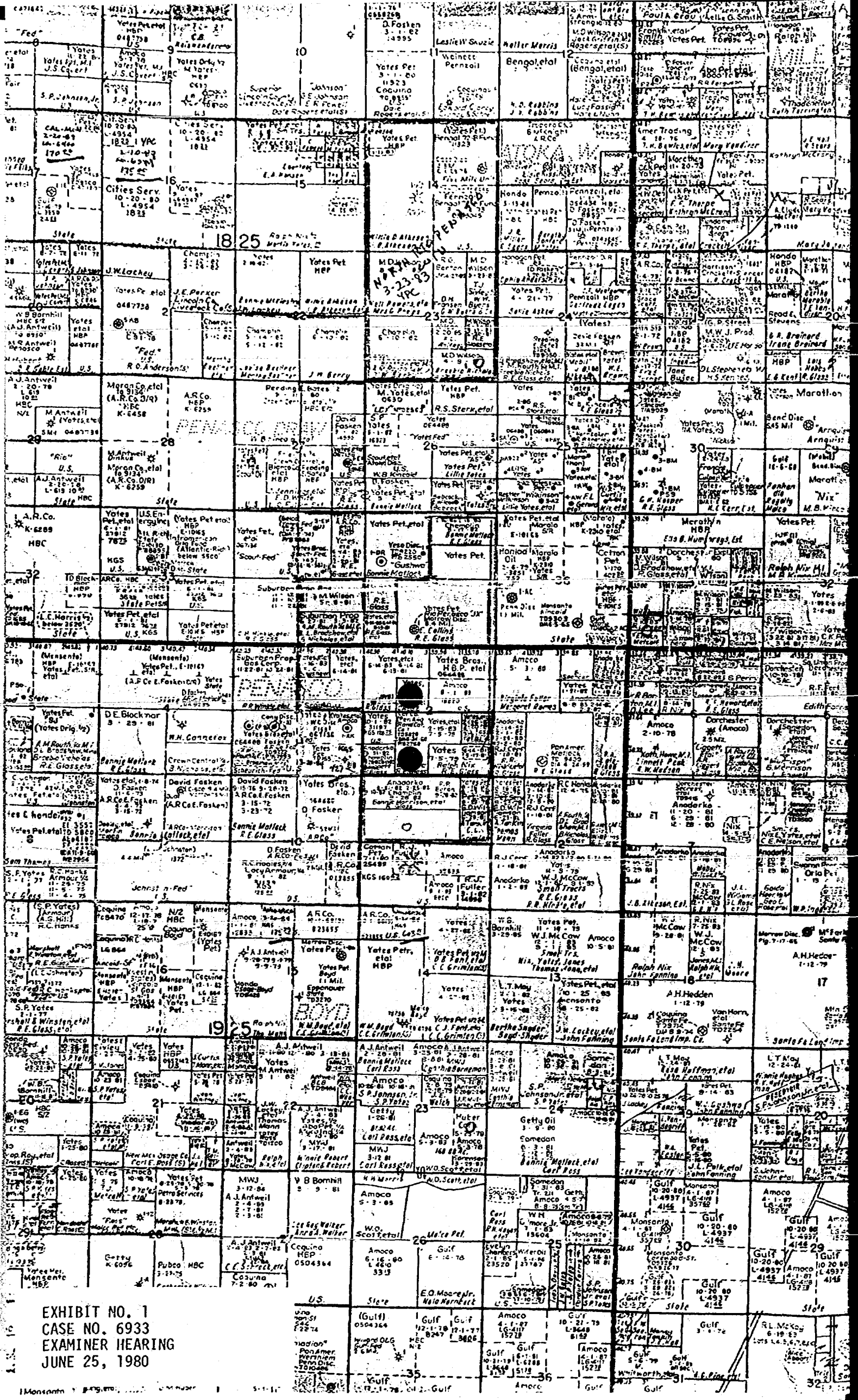
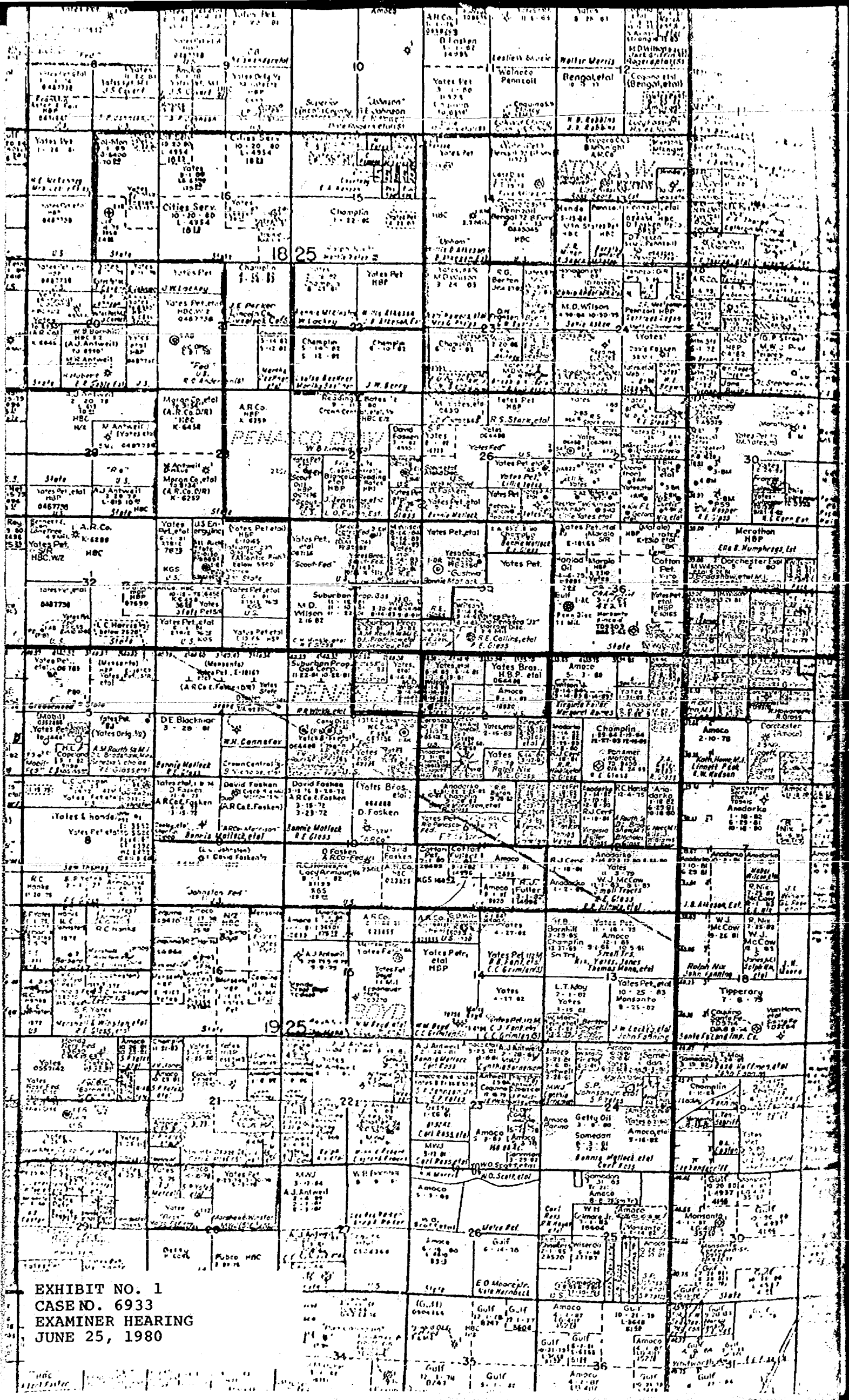


EXHIBIT NO. 1
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980


PENASCO
EXHIBIT NO. 1
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

1) The NE/4 SE/4 of Section 2, Township 19 South, Range 25 East, N.M.P.M. is held by the Working Interest Owners of the Rio Penasco Working Interest Unit under numerous fee leases.

2) The ownership of the NE/4 SE/4 of Section 2, Township 19 South, Range 25 East is as follows:

Marshall & Winston, Inc.	240/1920
Quetico Superior Foundation	60/1920
The First National Bank of Roswell, New Mexico, Trustee under the Last Will and Testament of Rolla R. Hinkle, deceased	120/1920
Clarence E. Hinkle, whose wife is Lillian T. Hinkle	120/1920
I. J. Marshall, whose wife is Claribel Marshall	60/1920
The heirs and devises of Margaret Childress, deceased, who appear to be Elizabeh Ann Baer, Floyd Childress, II and James W. Childress	60/1920
C.A. Land and Cattle Company, Inc.	60/1920
The First National Bank of Roswell, New Mexico and T. T. Sanders, Jr., as Trustees under the Last Will and Testament of Floyd Childress, deceased	60/1920
The successors in dissolution to Don Phillips and Associates, a limited partnership	180/1920
* R.E. Glass, whose wife is Mary Milner Glass	480/1920
* Cordella Kincaid, a widow	240/1920
* Thelma May Schafer	60/1920
* Madlyn Cauhape	60/1920
* Hugh M. Kincaid, sole surviving Trustee for Ella Lavada Swope	60/1920
* Sterling Marc Carter	20/1920
* Kenna Carter Scott	20/1920
* Michael T. Carter	20/1920

* As to 1/2 thereof, however, subject to a perpetual, non-participating, royalty interest in favor of the following:

Gayle McDonald, as his sole and separate property	64/128
Yates Brothers, a partnership	32/128
Ray Hall Beck, a single man	8/128
William J. McCaw	3/128
Mary G. Riddle	3/128
Dorothy G. Kemper, whose husband is Lonnie Kemper	6/128
B. W. Harper and Ruthe Harper, his wife, as joint tenants	8/128
Eddie M. Mahfood and Shirley Mahfood, his wife, as joint tenants	4/128

The Working Interest Owners of the Rio Penasco Working Interest Unit now hold leases from all of the owners of the NE/4 SE/4 with the exception of the successors in the dissolution of Don Phillips & Associates listed below. The outstanding members have been offered leases and the opportunity to participate in drilling. They have also been advised of the compulsory pooling proceedings.

	Net Acres	Percentage of Well
Sally Ellis, heir of Hayward Ayers and Marguerite B. Ayers	.125000	.039062%
The heirs and devisees of James G. Bennett, deceased	.250000	.078125
The heirs and devisees of E. E. MacGibbon, deceased	.125000	.039062
Owen Marshall	.041666	.013026
Mrs. James J. (Margaret) Norton	.125000	.039062
Mary A. Phillips Baida	.312500	.097656
The heirs and devisees of Rufus R. Rand, deceased	.125000	.039062

EXHIBIT NO. 2
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

1) The N/2 NW/4 and the SW/4 NW/4 of Section 2, Township 19 South, Range 25 East, N.M.P.M. are held by the Working Interest Owners of the Rio Penasco Working Interest Unit under numerous fee leases.

2) The ownership of the N/2 NW/4 and the SW/4 NW/4 of Section 2, Township 19 South, Range 25 East is as follows:

Marshall & Winston, Inc.	240/1920
Quetico Superior Foundation	60/1920
The First National Bank of Roswell, New Mexico, Trustee under the Last Will and Testament of Rolla R. Hinkle, deceased	120/1920
Clarence E. Hinkle, whose wife is Lillian T. Hinkle	120/1920
I. J. Marshall, whose wife is Claribel Marshall	60/1920
The heirs and devisees of Margaret Childress, deceased, who appear to be Elizabeh Ann Baer, Floyd Childress, II and James W. Childress	60/1920
C.A. Land and Cattle Company, Inc.	60/1920
The First National Bank of Roswell, New Mexico and T. T. Sanders, Jr., as Trustees under the Last Will and Testament of Floyd Childress, deceased	60/1920
The successors in dissolution to Don Phillips and Associates, a limited partnership	180/1920
* R.E. Glass, whose wife is Mary Milner Glass	480/1920
* Cordella Kincaid, a widow	240/1920
* Thelma May Schafer	60/1920
* Madlyn Cauhape	60/1920
* Hugh M. Kincaid, sole surviving Trustee for Ella Lavada Swope	60/1920
* Sterling Marc Carter	20/1920
* Kenna Carter Scott	20/1920
* Michael T. Carter	20/1920

* As to 1/2 thereof, however, subject to a perpetual, non-participating, royalty interest in favor of the following:

Gayle McDonald, as his sole and separate property	64/128
Yates Brothers, a partnership	32/128
Ray Hall Beck, a single man	8/128
William J. McCaw	3/128
Mary G. Riddle	3/128
Dorothy G. Kemper, whose husband is Lonnie Kemper	6/128
B. W. Harper and Ruthe Harper, his wife, as joint tenants	8/128
Eddie M. Mahfood and Shirley Mahfood, his wife, as joint tenants	4/128

The Working Interest Owners of the Rio Penasco Working Interest Unit now hold leases from all of the owners of the N/2 NW/4 and the SW/4 NW/4 with the exception of the successors in the dissolution of Don Phillips & Associates listed below. The outstanding members have been offered leases and the opportunity to participate in drilling. They have also been advised of the compulsory pooling proceedings.

	Net Acres	Percentage of Well
Sally Ellis, heir of Hayward Ayers and Marguerite B. Ayers	.376250	.117578%
The heirs and devisees of James G. Bennett, deceased	.752500	.235156
The heirs and devisees of E. E. MacGibbon, deceased	.376250	.117578
Owen Marshall	.125417	.039193
Mrs. James J. (Margaret) Norton	.376250	.117578
Mary A. Phillips Baida	.940625	.293945
The heirs and devisees of Rufus R. Rand, deceased	.376250	.117578

EXHIBIT NO. 2
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9888

May 9, 1979

Mrs. Margaret M. Norton
2880 Lorain Road
San Marino, California

Re: Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 34: E/2 NE/4, N/2 SE/4
Section 35: SW/4 SW/4

Township 19 South, Range 25 East, N.M.P.M.
Section 2: N/2 NW/4, SW/4 NW/4, NE/4 SE/4
Section 3: S/2 NE/4, NE/4 NE/4
containing 480.78 acres, more or less (45.073125 net acres)
Eddy County, New Mexico

Dear Mrs. Norton:

We informed you that we had successfully formed an exploratory unit covering approximately 2,000 acres and drilled and completed a 9,200 foot gas well in the S/2 Section 35, T-18-S, R-25-E, the spacing unit for the well. Further, we sent you an oil and gas lease covering your interest in the captioned acreage which is located in the exploratory unit. The lease provided for a 5-year primary term and a 1/4th royalty. To date, we have not received any indication that you will execute the lease.

Once again, we request that you execute the lease previously sent to you. If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate compulsory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well.

Please inform us of your decision by May 31, 1979. If you need another lease to execute, please contact me and I shall send you a lease.

Very truly yours,

Scott E. Wilson
Landman

SEW:sl

...but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Margaret M. Norton

Lessor

Lessor

EXHIBIT NO. 3
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

CERTIFIED MAIL
RETURN RECEIPT
REQUESTED

YATES PETROLEUM CORPORATION

207 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 746-3558

S. P. YATES
PRESIDENT
MARTIN YATES, III
VICE PRESIDENT
JOHN A. YATES
VICE PRESIDENT
B. W. HARPER
SEC.-TREAS.

June 19, 1980

TO: UNLEASED MINERAL OWNERS
ADDRESSEE LIST ATTACHED

Re: Rio Penasco "KD" Com. #1
Township 19 South, Range 25 East, NMPM
Section 2: S/2
Rio Penasco "KD" Com. #2
Township 19 South, Range 25 East, NMPM
Section 2: N/2
Eddy County, New Mexico

Ladies and Gentlemen:

As we have not heard from you regarding our latest letter dated May 9, 1979, concerning the captioned acreage, we are enclosing the following copies:

1. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #1 located in the S/2 of Section 2, Township 19 South, Range 25 East.
2. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #2 located in the N/2 of Section 2, Township 19 South, Range 25 East.
3. Docket reflecting hearing on both Applications at the Oil Conservation Division in Santa Fe, New Mexico, to be on the 25th day of June, 1980.
4. Operating Agreement dated July 1, 1978, covering both wells.
5. Authority for Expenditure on the "KD" #1 dated February 8, 1980.
6. Authority for Expenditure on the "KD" #2 dated May 22, 1980 .
7. Oil and Gas Lease dated June 19, 1980, 1 year term, with 1/4 overriding royalty.

We invite you to participate in the drilling of these wells by paying your share of the expenses should you wish to do so. We would still be glad to accept a lease from you covering your interest under this acreage. If we don't hear from you in regard to the options above, we will have no choice but to think you choose to be force pooled as per the terms of the enclosed application and and proceed as such.

Very truly yours,

Randy G. Patterson
Land Department

Kathy Colbert
By: Kathy Colbert

/kc
Enclosures

UNLEASED

2-19S-25E

SALLY ELLIS, HEIR OF HAYWARD & MARGUERITE AYERS
c/o Mr. Stanley Black
Hutchinson, Black, Hill, Buchanan & Cook
Attorneys at Law
P. O. Box 1170
Boulder, Colorado 80306

JAMES G. BENNETT HEIRS
Bennett Office, Inc.
1210 Baker Building
Minneapolis, Minnesota 55402

E. E. MACGIBBON HEIRS
321 Lowell
Elk River, Minnesota 55330

OWEN MARSHALL
608 Putnam Drive
Eou Claire, Wisconsin 54701

MARGARET NORTON (MRS. JAMES J.)
2880 Lorain Road
San Marino, California 91108

MARY PHILLIPS BAIDA
2244 Q Via Puerta
Laguna Hills, California 92653

RUFUS R. RAND HEIRS
c/o Palmer First National Bank & Trust Co.
P. O. Box 2018
Sarasota, Florida 33578

Producers 88 Rev. (1 Year Lease) 10-57

(ONE YEAR PAID UP LEASE)
OIL AND GAS LEASE

Form 345
Hall-Poorbaugh Press
Roswell, New Mexico

THIS AGREEMENT made this 19th day of June, 1980, between

Lessor (whether one or more), whose address is:

and YATES PETROLEUM CORPORATION, a New Mexico corporation Lessee, WITNESSETH:

1. Lessor in consideration of TEN AND NO/100---------- Dollars ($ 10.00) in hand paid, 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 and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in Eddy County, New Mexico, to-wit:

Township 19 South, Range 25 East, N.M.P.M.
Section 2: N½NW¼, SW¼NW¼, NE¼SE¼

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 without further payments than the royalties herein provided, and notwithstanding anything else herein contained to the contrary, this lease shall be for a term of 1 year from this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to paid by Lessee are: (a) on oil, 1/4 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/4 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 1/4 of the amount realized from such sale; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of $1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut-in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, 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 in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 40 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction 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 under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to 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 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 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 its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease 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 gas, or either of them, 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. 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, 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, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation 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, 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, 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. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary terms, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 leased premises are situated at any time after the completion of a dry hole or the cessation of production 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 lease 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. 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.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either 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; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of 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 commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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 revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor hereby warrants and agrees to defend the title to said land and agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

Lessor

Lessor

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

RIO PENASCO
WORKING INTEREST UNIT
OPERATING AGREEMENT

DATED

July 1, 1978,

OPERATOR _____

CONTRACT AREA TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
SECTION 34: E/2
SECTION 35: ALL
TOWNSHIP 19 SOUTH, RANGE 25 EAST, N.M.P.M.
SECTION 2: ALL
SECTION 3: NE/4
SECTION 11: N/2

COUNTY OR PARISH OF EDDY STATE OF NEW MEXICO

COPYRIGHT 1977 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

Bill. 5/1/79
copy to Acct. Mail
11/16/79 RJ

EXHIBIT NO. 4
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

GUIDANCE IN THE PREPARATION OF THIS AGREEMENT:

1. Title Page - Fill in blank as applicable.

2. Preamble, Page 1 - Name of Operator.

3. Article II - Exhibits:
   (a) Indicate Exhibits to be attached.
   (b) If it is desired that no reference be made to Non-discrimination, the reference to Exhibit "F" should be deleted.

4. Article IV.A - Title Examination - Select option as agreed to by the parties.

5. Article IV.B - Loss of Title - If "Joint Loss" of Title is desired, the following changes should be made:
   (a) Delete Articles IV.B.1 and IV.B.2.
   (b) Article IV.B.3 - Delete phrase "other than those set forth in Articles IV.B.1 and IV.B.2 above."
   (c) Article VII.F. - Change reference at end of the first grammatical paragraph from "Article IV.B.2" to "Article IV.B.3."

6. Article V - Operator - Enter name of Operator.

7. Article VI.A - Initial Well:
   (a) Date of commencement of drilling.
   (b) Location of well.
   (c) Obligation depth.

8. Article VI.B.2.(b) - Subsequent Operations - Enter penalty percentage as agreed to by parties.

9. Article VII.D.1. - Limitation of Expenditures - Select option as agreed to by parties.

10. Article VII.D.3. - Limitation of Expenditures - Enter limitation of expenditure of Operator for single project and amount above which Operator may furnish information AFE.

11. Article VII.E. - Royalties, Overriding Royalties and Other Payments - Enter royalty fraction as agreed to by parties.

12. Article X. - Claims and Lawsuits - Enter claim limit as agreed to by parties.

13. Article XIII. - Term of Agreement:
    (a) Select Option as agreed to by parties.
    (b) If Option No. 2 is selected, enter agreed number of days in two (2) blanks.

14. Signature Page - Enter effective date.

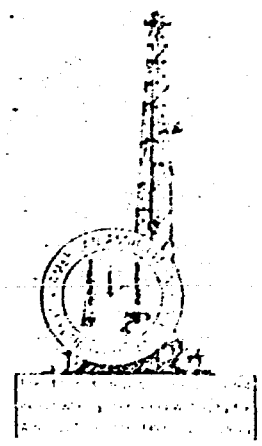


TABLE OF CONTENTS

Article	Title	Page
I.	DEFINITIONS	1
II.	EXHIBITS	1
III.	INTERESTS OF PARTIES	2
	A. OIL AND GAS INTERESTS	2
	B. INTEREST OF PARTIES IN COSTS AND PRODUCTION	2
IV.	TITLES	2
	A. TITLE EXAMINATION	2
	B. LOSS OF TITLE	2
	1. Failure of Title	2-3
	2. Loss by Non-Payment or Erroneous Payment of Amount Due	3
	3. Other Losses	3
V.	OPERATOR	3
	A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR	3
	B. RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR	4
	1. Resignation or Removal of Operator	4
	2. Selection of Successor Operator	4
	C. EMPLOYEES	4
	D. DRILLING CONTRACTS	4
VI.	DRILLING AND DEVELOPMENT	4
	A. INITIAL WELL	4
	B. SUBSEQUENT OPERATIONS	5
	1. Proposed Operations	5
	2. Operations by Less than All Parties	5-6
	C. RIGHT TO TAKE PRODUCTION IN KIND	6-7
	D. ACCESS TO CONTRACT AREA AND INFORMATION	7
	E. ABANDONMENT OF WELLS	7
	1. Abandonment of Dry Holes	7
	2. Abandonment of Wells that have Produced	7-8
VII.	EXPENDITURES AND LIABILITY OF PARTIES	8
	A. LIABILITY OF PARTIES	8
	B. LIENS AND PAYMENT DEFAULTS	8
	C. PAYMENTS AND ACCOUNTING	8
	D. LIMITATION OF EXPENDITURES	9
	1. Drill or Deepen	9
	2. Rework or Plug Back	9
	3. Other Operations	9
	E. ROYALTIES, OVERRIDING ROYALTIES AND OTHER PAYMENTS	9
	F. RENTALS, SHUT-IN WELL PAYMENTS AND MINIMUM ROYALTIES	9-10
	G. TAXES	10
	H. INSURANCE	10
VIII.	ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST	10
	A. SURRENDER OF LEASES	10-11
	B. RENEWAL OR EXTENSION OF LEASES	11
	C. ACREAGE OR CASH CONTRIBUTION	11
	D. SUBSEQUENTLY CREATED INTEREST	11-12
	E. MAINTENANCE OF UNIFORM INTEREST	12
	F. WAIVER OF RIGHT TO PARTITION	12
	~~G. PREFERENTIAL RIGHT TO PURCHASE~~	~~12~~
IX.	INTERNAL REVENUE CODE ELECTION	12-13
X.	CLAIMS AND LAWSUITS	13
XI.	FORCE MAJEURE	13
XII.	NOTICES	13
XIII.	TERM OF AGREEMENT	13-14
XIV.	COMPLIANCE WITH LAWS AND REGULATIONS	14
	A. LAWS, REGULATIONS AND ORDERS	14
	B. GOVERNING LAW	14
XV.	OTHER PROVISIONS	14
XVI.	MISCELLANEOUS	15

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between YATES PETROLEUM CORPORATION, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators".

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

☒ A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

☒ B. Exhibit "B", Form of Lease.

☒ C. Exhibit "C", Accounting Procedure.

☒ D. Exhibit "D", Insurance.

☒ E. Exhibit "E", Gas Balancing Agreement.

☐ ~~F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.~~

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". 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.

B. Interest of Parties in Costs and Production:

Exhibits ~~"A"~~ "A-4" and "A-5" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibits ~~"A"~~ "A-4" and "A-5". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties ~~which will be borne by the Joint Account~~, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ ~~Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.~~

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and-

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost; and

(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

YATES PETROLEUM CORPORATION shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 27 day of August, 1978, Operator shall commence the drilling of ~~a well~~ an Initial Test Well for oil and gas at the following location:

1980'FWL and 660'FSL of Section 35, Township 18 South, Range 25 East, Eddy County, New Mexico

and shall thereafter continue the drilling of the ~~well~~ Initial Test Well with due diligence to the "Objective Depth", being a depth sufficient to test the Morrow series of the Pennsylvanian system by drilling at least 40 feet into the Mississippian Chester Limestone, which depth is estimated to be 9200 feet,

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the ~~well~~ Initial Test Well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment the ~~well~~ Initial Test Well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the ~~well~~ Initial Test Well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area other than the well provided for in Article VI.A., or to rework, deepen or plug back 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, the party desiring to drill, rework, deepen or plug back such a well shall 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 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. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (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. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. 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 Parties. 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 drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and or 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 drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal 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 Article, 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) 300 % of that portion of the costs and expenses of drilling reworking, deepening, or plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

300% of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non - Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non - Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non - Consenting Party's relinquished interest. If such Non - Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the reconpment period.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

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, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, 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 drilling, 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, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for 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 oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. 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; and 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 interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, 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, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale or purchase, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale, and obtaining written consent of such other party.

In the event any party hereto is not at any time taking or marketing its share of gas production and Operator is either (i) unwilling to purchase or sell or (ii) unable to obtain the prior written consent to purchase or sell such party's share of gas production, or in the event any party has contracted to sell its share of gas produced from the Contract Area to a purchaser which does not at any time while this agreement is in effect take the full share of gas attributable to the interest of such party, then in any such event the terms and conditions of the Gas Balancing Agreement attached hereto as Exhibit "E" and incorporated herein shall automatically become effective.

or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, 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 well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one year and so long thereafter as oil and/or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

~~( ) Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and or surface facilities.~~

(X) Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Ten Thousand ---------- Dollars ($ 10,000) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in 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 to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Five Thousand ---------- Dollars ($ 5,000).

E. Royalties, Overriding Royalties and Other Payments:

~~Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of~~ _____ due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account ~~for or cause to be accounted for, such interest to the owners thereof~~.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and or gas produced under the terms of this agreement.

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If (1) any renewal lease is acquired by a party to this Agreement and subject to Article XV.D. of this Agreement, the party or parties who originally participated in the Contract Area with said lease elect not to pay for the lease acquisition cost in exchange for an assignment of said lease, or if (2) a lease is acquired on the KGS tract described in Article XV.E by a party to this Agreement, or if (3) any new lease is acquired within the Contract Area by a party to this Agreement, said lease shall be offered to the parties in proportion to their interest in the Deep Unit Area on an after-payout basis.

Notwithstanding anything herein to the contrary, the parties will have 30 days upon written notification to elect to participate in the ownership of any such lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area. Should all such parties elect to participate in the lease, the lease will be subject to this Agreement and the interests of the parties to this Agreement will not change. Upon the termination of this Agreement, any such lease still in force and effect will be owned by the parties in proportion to their interest in the Deep Unit Area on an after-payout basis.

However, should less than all such parties elect to participate in the lease, the lease will be owned by such parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Deep Unit Area on an after-payout basis to the aggregate of the percentage of participation in the Deep Unit Area on an after-payout basis of all such parties participating in the purchase of the lease. Any lease in which less than all the parties to the Deep Unit Area elect to participate shall not be subject to this Agreement.

Notwithstanding anything to the contrary, any legal title acquired covering the 3/32nds mineral interest in the SW/4 SW/4 Section 35, Township 18 South, Range 25 East, owned by the successors in dissolution to Don Phillips and Associates, a limited partnership, will be paid for and owned by the parties hereto in proportion to their interests in the Deep Unit Area on an after-payout basis. No party may elect not to acquire his proportionate share of said interest. Otherwise, the acquisition will be treated as a new lease as provided for herein.

Each party who participates in the purchase of a renewal lease shall be given an assignment without warranty of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any new or renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a new or renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the right of the other parties.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~**G. Preferential Right to Purchase:**~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and~~ interests in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent ~~company, or to any company in which any one party owns a majority of the stock~~.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Five Thousand Dollars ($ 5,000) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest contributed by any other party beyond the term of this agreement.

~~[ ] Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.~~

[x] Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 180 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

A. Test Wells:

The term "Shallow Unit Area" shall mean those horizons underlying the lands described in Paragraph 1.a. of Exhibit "A" that are found from the surface to a depth of 5,500 feet below the surface of the ground; notwithstanding anything to the contrary, if any well is completed in the interval from 5,500 feet to 5,800 feet on a spacing unit that encompasses a lease in which Eagle Group (Yates Petroleum Corporation-1/2, Yates Drilling Company-1/6, Martin Yates, III-1/6, John A. Yates-1/6) owns the leasehold covering said interval, the well shall be treated as a Shallow Unit Area well and completion.

The term "Deep Unit Area" shall mean those horizons underlying the lands described in Paragraph 1.b. of Exhibit "A" that are found between a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone. The term "Contract Area" shall mean both the Shallow Unit Area and the Deep Unit Area.

If any well is dry in the Deep Unit Area, and any party owning an interest in the Shallow Unit Area desires to attempt completion therein, then the costs of drilling the well to the total depth and plugging it back to the selected point in the Shallow Unit Area shall be borne by the Drilling Parties who initially participated in drilling the well, and such Drilling Parties shall be reimbursed by the parties attempting completion for 1/2 of the shallow and intermediate casing costs, including cementing costs and rig time used in running and cementing the casing. Thereafter, the Drilling Parties attempting completion shall own the hole and casing therein and shall be responsible for completing the well as a producer or dry hole.

No well shall be dually completed in the Contract Area until a mutual agreement is reached between all the parties who participated in the cost of drilling the well.

If in the drilling of the Initial Test Well, Operator loses the hole or encounters mechanical difficulties rendering it impracticable, in the opinion of Operator, to drill the well to the Objective Depth, then and in any of such

events, on or before 30 days after completion of the Initial Test Well, Operator shall have the option to commence the actual drilling of another well ("Substitute Test Well") in the Contract Area at a lawful location mutually acceptable to the Drilling Parties, and Operator shall prosecute the drilling of said well with due diligence and in a good and workmanlike manner to the Objective Depth. For all purposes of this Agreement, the drilling of the Substitute Test Well shall be considered as the drilling of the Initial Test Well.

The execution and delivery of this Agreement by the parties hereto shall not be deemed as consenting to the drilling of the Initial Test Well until an AFE has been approved by all of the Drilling Parties.

B. Rights Earned:

Amoco Production Company, David Faskon and Richard S. Brooks, who presently own interests in the Contract Area, are contributing a portion of such interest to the drilling of the Initial Test Well, and will hereinafter be referred to as "Contributing Parties." Yates Petroleum Corporation, its successors and assigns, will pay for the Contributing Parties' share of the Initial Test Well.

In consideration of payment of expenses set forth in Exhibits "A-4" and "A-5" hereof, performance of all the terms and provisions of this Agreement, and completion of the Initial or Substitute Test Well as a well capable of producing oil or gas in paying quantities (quantities sufficient to return the cost of operating the well and a reasonable profit), Yates Petroleum Corporation, its successors and assigns, shall earn oil and gas rights in the Contract Area equal to (a) the entire present interest of Contributing Parties in the largest proration unit initially assigned by the New Mexico Oil Conservation Commission (the "Proration Unit") to the Initial or Substitute Test Well which is first completed as a producing oil or gas well, and (b), an undivided 1/2 of the present interest of Contributing Parties in the Contract Area outside of the Proration Unit. The Contributing Parties, in proportion to their interests in the Contract Area, except and reserve from the Proration Unit a total overriding royalty, subject to proportionate reduction, equal to the difference between all royalties, overriding royalties, production payments and other lease burdens and 25.00% of all (8/8ths) of the oil and gas produced, saved and marketed from the Proration Unit. This total overriding royalty shall include and absorb all overriding royalties and other obligations payable out of production from the Proration Unit. After Yates Petroleum Corporation, its successors and assigns, has earned an interest in the Contract Area as provided hereinabove, and upon request of Yates Petroleum Corporation, its successors and assigns, Contributing Parties shall execute and deliver assignments of operating rights, without warranties of title, confirming the oil and gas operating rights earned.

"Payout" is defined to be the date on which the net proceeds attributable to Yates Petroleum Corporation's interest in the Proration Unit shall equal Yates Petroleum Corporation's share of the cost and expense, both tangible and intangible, of drilling, equipping (an oil well through the oil storage tanks and a gas well through the Christmas tree), testing and completing said well for production, and of operating the said well to produce such amount. The net proceeds are defined as the total proceeds received from or credited or allocated to Yates Petroleum Corporation's interest in production, less severance, production and other taxes payable on production therefrom, together with all royalties, shut-in gas royalties, overriding royalties and payments out of production presently in effect or created by this agreement. Charges and expenses to be made by Operator shall be made in accordance with and accounted for as set forth in Exhibit "C" hereto. During Payout, Operator shall furnish Contributing Parties with current monthly statements summarizing income and expenses properly chargeable to Payout. Within 30 days after Payout has occurred, Operator shall give Contributing Parties written notice of Payout, and they shall have 30 days after receipt of such notice within which to severally elect to convert, effective at 7:00 A.M. on the date next succeeding Payout, their respective overriding royalties into working interests equal to 1/2 of Contributing Parties' present interest in the Proration Unit. The failure of a Contributing Party to make such election within said 30-day period shall be deemed an election by that Contributing Party to continue the overriding royalty into force.

The covenants of this Article XV.B. shall only affect Yates Petroleum Corporation, its successors and assigns, and the Contributing Parties as defined herein.

C. Beneficial Interests:

Exhibits "A-1", "A-2", "A-3", "A-4", and "A-5", attached hereto show present percentage ownership, burdens, net revenue interest, and beneficial interests in the Contract Area; and the interests contributed, percentage share of costs and production from Initial Test Well and percentage share of costs and production from Initial Test Well after Payout and subsequent wells. The beneficial interest of the respective parties has been determined in the Contract Area as to each party on an adjusted surface acreage basis. The adjustment in surface area has been made by determining a percentage of total production from or allocated to any tract which is required to meet all royalty, overriding royalty, production payment or other obligations payable out of production on such tract and multiplying that percentage by the number of acres contained in such tract and deducting the product from the total number of acres in said tract, the remainder being the adjusted surface acreage for such tract. The beneficial interest of each party represents the sum of the net acre interest of each party in all tracts in the Contract Area divided by the total number of net acres committed to the Contract Area. The exhibits have been prepared on the basis of a flat 12.5% royalty on each federal, step- or sliding-scale lease. In the event any royalty on a federal, step- or sliding-scale lease shall exceed 12.5%, or in the event any production payment on any oil and gas interest committed to this agreement shall be liquidated, or in the event of mathematical error in preparing the exhibits, there shall be a readjustment of the adjusted surface acres on the basis set forth above and the interests of the parties recomputed on the basis of the revised adjusted surface acreage. If any oil and gas leasehold interest committed to this agreement hereafter becomes burdened by any additional overriding royalties, obligations payable out of production or like obligations other than those shown on Exhibit "A-1" attached hereto, the burden thereof shall be borne exclusively by the party or parties who create such additional obligation.

D. Renewal or Extension of Leases:

Notwithstanding anything to the contrary in Article VIII.B. or any other provision in this Agreement, if a new oil and gas lease or a renewal or extension of an oil and gas lease subject to this Agreement is acquired by a party hereto during the term of this Agreement or within 6 months after the termination of this Agreement, the party or parties who originally participated in the Contract Area with said lease may elect within 10 days after written notification to pay for the lease acquisition costs (bonus and broker's fee, if any) in exchange for an assignment of said lease. If so elected, any new oil and gas lease or a renewal or extension of an oil and gas lease paid for by a party who originally participated in the Contract Area with said lease will be owned by said party and will be subject to this Agreement if this Agreement is still in force and effect, and the interests of the parties in the Contract Area will not change. The intent of this provision is to give any party who originally participated with an oil and gas lease in the Contract Area the opportunity to pay for any subsequent lease (covering the same interest) acquired by a party hereto during the term of this Agreement or within 6 months after the termination of this Agreement so that the subsequent lease will be owned by said party if said lease is in effect when this Agreement expires or is acquired within 6 months after the termination of this Agreement.

E. Purchase of KGS Tract:

It has been requested that the S/2 SE/4 Section 3, Township 19 South, Range 25 East, N.M.P.M. be put on the earliest possible KGS sale. The Operator will bid on the tract and if he or any other party to this Agreement is successful, the successful party will offer it to the parties as provided for in Article VIII.B.

F. Limitation on HBP Leases:

Notwithstanding anything herein to the contrary, this Agreement shall terminate as to any lease listed as HBP in Exhibit "A-1" on 8-1-83, unless said lease or a portion of said lease is within the spacing unit of a productive well drilled under this Agreement, or operations under this Agreement are being conducted on said lease or a designated spacing unit in which a portion of said lease is included with no cessation of more than ninety (90) consecutive days between operations and so long thereafter as oil or gas in paying quantities can be produced therefrom.

G. Prior Operating Agreement:

Notwithstanding anything to the contrary, the terms and provisions of this Agreement shall prevail over the terms and provisions contained in that certain Operating Agreement dated September 23, 1974, by and between Yates Petroleum Corporation, Operator, and Marshall and Winston, Inc., and David Fasken, non-operators, covering NW/4, NW/4 SW/4 Section 35, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

H. Mark D. Wilson Leasehold:

Yates Petroleum Corporation, its successors and assigns, shall be assigned an undivided 82.9628% interest in all the oil and gas leases owned by Mark D. Wilson as described in Exhibit "A-1" hereto. As a result of the conveyance, Mark D. Wilson and Yates Petroleum Corporation, its successors and assigns, will own interests in the Contract Area as shown in Exhibits "A-4" and "A-5" hereto.

I. Nondiscrimination:

In the performance of this contract, Operator shall not engage in any conduct or practice which violates any applicable law, order or regulation prohibiting discrimination against any person by reason of his race, religion, color, sex, national origin or age, and Operator further agrees to comply with the non-discrimination provisions of Section 202 of Executive Order No. 11246 (30 F.R. 12319) as amended by Executive Order No. 11375.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST: YATES PETROLEUM CORPORATION

ASSISTANT Secretary

By: VICE President

NON-OPERATORS

Mary Lou Wilson

Mark D. Wilson

ATTEST: YATES PETROLEUM CORPORATION

ASSISTANT Secretary

By: VICE President

ATTEST: SUBURBAN PROPANE GAS CORPORATION

Secretary

By: President

ATTEST: AMOCO PRODUCTION COMPANY

Secretary

By: President

ATTEST: READING & BATES OIL AND GAS COMPANY

Secretary

By: President

ATTEST: CHAMPLIN PETROLEUM COMPANY

Secretary

By: President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

_____ Secretary

By: _____ President

NON-OPERATORS

Mary Law Wilson
Mary Lou Wilson

Mark D. Wilson
Mark D. Wilson

ATTEST:

_____ Secretary

YATES PETROLEUM CORPORATION

By: _____ President

ATTEST:

_____ Secretary

SUBURBAN PROPANE GAS CORPORATION

By: _____ President

ATTEST:

_____ Secretary

AMOCO PRODUCTION COMPANY

By: _____ President

ATTEST:

_____ Secretary

READING & BATES OIL AND GAS COMPANY

By: _____ President

ATTEST:

_____ Secretary

CHAMPLIN PETROLEUM COMPANY

By: _____ President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By:
President

NON-OPERATORS

Mary Lou Wilson

Mark D. Wilson

ATTEST:

YATES PETROLEUM CORPORATION

Secretary

By:
President

ATTEST:

SUBURBAN PROPANE GAS CORPORATION

Secretary

By: J. C. Eldred
~~President~~
J. C. ELDRED
Agent and Attorney-in-Fact

ATTEST:

AMOCO PRODUCTION COMPANY

Secretary

By:
President

ATTEST:

READING & BATES OIL AND GAS COMPANY

Secretary

By:
President

ATTEST:

CHAMPLIN PETROLEUM COMPANY

Secretary

By:
President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

_____ By: _____
Secretary President

NON-OPERATORS

_____ _____
Mary Lou Wilson Mark D. Wilson

ATTEST: YATES PETROLEUM CORPORATION

_____ By: _____
Secretary President

ATTEST: SUBURBAN PROPANE GAS CORPORATION

_____ By: _____
Secretary President

~~ATTEST:~~ AMOCO PRODUCTION COMPANY

APPROVED

_____ By: C. H. Meninger
~~Secretary~~ ~~President~~ C. H. Meninger
ATTORNEY-IN-FACT

ATTEST: READING & BATES OIL AND GAS COMPANY

_____ By: _____
Secretary President

ATTEST: CHAMPLIN PETROLEUM COMPANY

_____ By: _____
Secretary President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By:
President

NON-OPERATORS

Mary Lou Wilson

Mark D. Wilson

ATTEST:

YATES PETROLEUM CORPORATION

Secretary

By:
President

ATTEST:

SUBURBAN PROPANE GAS CORPORATION

Secretary

By:
President

ATTEST:

AMOCO PRODUCTION COMPANY

Secretary

By:
President

READING & BATES PETROLEUM CO. (Formerly Reading & Bates Oil and Gas Co.)

ATTEST:

W. M. Hackett, Asst. Secretary

By:
D. G. Campbell, Vice President

ATTEST:

CHAMPLIN PETROLEUM COMPANY

Secretary

By:
President

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 1 day of July, 1978.

OPERATOR

ATTEST:

Secretary

By:
President

NON-OPERATORS

Mary Lou Wilson

Mark D. Wilson

ATTEST:

Secretary

YATES PETROLEUM CORPORATION

By:
President

ATTEST:

Secretary

SUBURBAN PROPANE GAS CORPORATION

By:
President

ATTEST:

Secretary

AMOCO PRODUCTION COMPANY

By:
President

ATTEST:

Secretary

READING & BATES OIL AND GAS COMPANY

By:
President

ATTEST:

Secretary

CHAMPLIN PETROLEUM COMPANY

By: E A Autrick
Vice President

834

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: Ben T. Whitefield APPROVED
Ben T. Whitefield
Agent and Attorney-in-Fact

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

_____
Barbara Fasken

_____
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

PISCO, INC.

By: _____
President

_____ Brooks

_____
Richard S. Brooks

THE STATE OF TEXAS X
X
COUNTY OF HARRIS X

BEFORE ME, the undersigned authority, on this day personally appeared Ben T. Whitefield, known to me to be the person whose name is subscribed to the foregoing instrument, as Agent and Attorney-in-Fact of Anadarko Production Company, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 18th day of July A.D., 1978.

My Commission Expires
LINDA BORCHARDT
Notary Public in and for Harris County, Texas
My Commission Expires May 2, 1979

Linda Borchardt
Notary Public in and for
Harris County, Texas

22

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

Secretary

ANADARKO PRODUCTION COMPANY

By: President

ATTEST:

Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: R. M. KOBDISH VICE PRESIDENT

Barbara Fasken

David Fasken

Lillie M. Yates

Martin Yates, III

Peggy A. Yates

John A. Yates,

ATTEST:

Secretary

YATES DRILLING COMPANY

By: President

Estelle H. Yates

S. P. Yates

ATTEST:

Secretary

FISCO, INC.

By: President

Brooks

Richard S. Brooks

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

Barbara Fasken
Barbara Fasken

David Fasken
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

PISCO, INC.

By: _____
President

Annie May Brooks
Annie May Brooks

Richard S. Brooks
Richard S. Brooks

Rio Penasco Working Interest Unit Operating Agreement
Dated July 1, 1978, T-18-S, R-25-E, N.M.P.M.
Section 34: E/2, Section 35: All
T-19-S, R-25-E, N.M.P.M.
Section 2: All, Section 3: NE/4, Section 11: N/2
Eddy County, New Mexico

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

_____
Barbara Fasken

_____
David Fasken

Lillie M. Yates ATTORNEY-IN-FACT

Martin Yates, III ATTORNEY-IN-FACT

~~Perry A. Yates~~

John A. Yates,

ATTEST:

_____
ASSISTANT Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle V. Yates ATTORNEY-IN-FACT

S. P. Yates ATTORNEY-IN-FACT

ATTEST:

_____
Secretary

FISCO, INC.

By: _____
President

_____
Brooks

_____
Richard S. Brooks

ATTEST:

_____
Secretary

MYCO INDUSTRIES, INC.

By: _____
President

ATTEST:

_____
Secretary

ABO PETROLEUM CORPORATION

By: _____
President

_____
FRANK YATES

LOS CHICOS, a Partnership

By: _____
~~Partner~~ AGENT

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Towns 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

_____
Barbara Fasken

_____
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

Secretary

FISCO, INC.

By: N. L. Stevens
Vice President

_____ Brooks

_____
Richard S. Brooks

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agr ent, dated July 1, 1978, Towns s 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

ANADARKO PRODUCTION COMPANY

By: _____
President

ATTEST:

_____
Secretary

CROWN CENTRAL PETROLEUM CORPORATION

By: _____
President

_____
Barbara Fasken

_____
David Fasken

_____
Lillie M. Yates

_____
Martin Yates, III

_____
Peggy A. Yates

_____
John A. Yates,

ATTEST:

_____
Secretary

YATES DRILLING COMPANY

By: _____
President

_____
Estelle H. Yates

_____
S. P. Yates

ATTEST:

_____
Secretary

PISCO, INC.

By: _____
President

_____
Brooks

_____
Richard S. Brooks

Harvey E. Yates
Harvey E. Yates

_____
~~Louise D. Yates~~

ATTEST:
Louise Rowland
Secretary

EXPLORERS PETROLEUM CORPORATION

By: _____
President

ATTEST:
Louise Rowland
Secretary

FRED G. YATES, INC.

By: Fred G Yates
President

727

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

Secretary

HARVEY E. YATES COMPANY, ~~INC.~~

By

President

ATTEST:

Secretary

CORONADO EXPLORATION CORPORATION

By

President

728

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

HARVEY E. YATES COMPANY, INC.

By_____
President

ATTEST:

Secretary

CORONADO EXPLORATION CORPORATION

By
President

Attached to and made a part of Rio Penasco Working Interest Units, Operating A ement, dated July 1, 1978, To ips 18 and 19 South, Range 25 Eas., Eddy County, New Mexico.

ATTEST:

_____
Secretary

HARVEY E. YATES COMPANY, INC.

By _____
President

ATTEST:

_____
Secretary

CORONADO EXPLORATION CORPORATION

By _____
President

Jean Read

Jean Read

Charles B. Read

Charles B. Read

730

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag ment, dated July 1, 1978, Town ps 18 and 19 South, Range 25 Eas., Eddy County, New Mexico.

STATE OF New Mexico)
: ss.
COUNTY OF Eddy)

(Operator)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by John A. Yates, Vice President of Yates Petroleum Corporation, a New Mexico corporation, on behalf of said corporation.

My commission expires:
6-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by John A. Yates, Vice President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
6-23-81

Kathy Collert
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag ment, dated July 1, 1978, Town ps 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF _____)
: ss.
COUNTY OF _____)

(Operator)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 6 day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commision expires:
_____

Lett D. Wilson
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Ag ment, dated July 1, 1978, Town ps 18 and 19 South, Range 25 Eas., Eddy County, New Mexico.

STATE OF _____)
: ss.
COUNTY OF _____)

(Operator)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS I
I
COUNTY OF BEXAR I

BEFORE ME, the undersigned authority, on this day personally appeared V. C. Eldred, Agent and Attorney-in-Fact of SUBURBAN PROPANE GAS CORPORATION, a corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 22nd day of August, 1978.

Edna L. Drews
Notary Public in and for
Bexar County, Texas
EDNA L. DREWS
Notary Public, Bexar County, Texas

My Commission Expires: May 31, 1979

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____) (Operator)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 25th day of October, 1978, by C. K. Hemmeger, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
1-10-31-79

Irene Haldas
Notary Public

IRENE HALDAS
Notary Public in and for Harris County, Texas

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of READING & BATES OIL AND GAS COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Operating Agreement, dated July 1, 1978, Township 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF _____)
: ss.
COUNTY OF _____)

(Operator)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of _____, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARK D. WILSON and MARY LOU WILSON, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of SUBURBAN PROPANE GAS CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF OKLAHOMA)
: ss.
COUNTY OF TEXAS)

The foregoing instrument was acknowledged before me this 31st day of July, 1978, by D. G. CAMPBELL, Vice President of READING & BATES PETROLEUM CO., a Texas corporation, on behalf of said corporation.

My commission expires:
3-7-81

Lynne E. Plumlee
Notary Public Lynne E. Plumlee

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
: ss.
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 31st day of July, 1978, by E. H. Chittick, Jr., Vice President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:

Ella M. Lawrence
Notary Public
ELLA M. LAWRENCE
Notary Public in and for Harris County, Texas
My Commission Expires November 30, 1978

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CROWN CENTRAL PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife.

My commission expires:

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

/

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF Texas)
: ss.
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 14th day of August, 1978, by R. M. KOBDISH, Vice President of CROWN CENTRAL PETROLEUM CORPORATION, a MARYLAND corporation, on behalf of said corporation.

My commission expires:
Aug. 31, 1979

Cindy L. Sancee
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CROWN CENTRAL PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF CALIFORNIA)
CITY AND : ss.
COUNTY OF SAN FRANCISCO)

The foregoing instrument was acknowledged before me this 4th day of August, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:
April 20, 1979

Norbert J. Dickman
Notary Public City and County of San Francisco, California

OFFICIAL SEAL
NORBERT J. DICKMAN
NOTARY PUBLIC - CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO
My Commission Expires April 20, 1979

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife.

My commission expires:
_____

_____
Notary Public

Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by JOHN A. YATES and PEGGY A. YATES, his wife

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by S. P. YATES and ESTELLE H. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FISCO, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
: ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 27th day of July, 1978, by RICHARD S. BROOKS and Annie May BROOKS, his wife.

My commission expires:
January 27, 1980

Paulette V. Bynum
Notary Public Midland County, Texas

Attached to and made a part of Rio Ponasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of ANADARKO PRODUCTION COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of CROWN CENTRAL PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by DAVID FASKEN and BARBARA FASKEN, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by MARTIN YATES, III and LILLIE M. YATES, his wife, by Attorney-in-Fact, Frank Yates.

My commission expires:
8-12-81

Kathy Collett
Notary Public

PUBLIC
STATE OF NEW MEXICO

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15 day of November, 1978, by JOHN A. YATES ~~and PEGGY A. YATES, his wife~~

My commission expires:
8-19-80

Scott E. Wilson
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November 1978, by Peyton Yates, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
8-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 15th day of November, 1978, by S. P. YATES and ESTELLE H. YATES, his wife, by Peyton Yates, attorney-in-fact.

My commission expires:
8-23-81

Kathy Collert
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FISCO, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by RICHARD S. BROOKS and _____ BROOKS, his wife.

My commission expires:
_____

_____
Notary Public

Attached to and made a t of Rio Penasco Working Inter Units, Operating Agreement, dated July 1, 1978, Township 18 and 19 South, Range 25 East, Eddy County, New Mexico

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

~~August~~ November, The foregoing instrument was acknowledged before me this 15th day of 1978, by Frank Yates, President of MYCO INDUSTRIES, INC., a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

8-23-81

Notary Public

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

~~August~~ November, The foregoing instrument was acknowledged before me this 15th day of 1978, by John A. Yates, President of ABO PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

8-23-81

Notary Public

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

~~August~~ November, The foregoing instrument was acknowledged before me this 15th day of 1978, by FRANK YATES.

My Commission Expires:

8-23-81

Notary Public

STATE OF NEW MEXICO)
)SS.
COUNTY OF EDDY)

~~August~~ November, The foregoing instrument was acknowledged before me this 15th day of 1978, by John A. Yates, Agent for LOS CHICOS, a partnership.

My Commission Expires:

8-23-81

Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by JOHN A. YATES and PEGGY A. YATES, his wife

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by S. P. YATES and ESTELLE H. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by CHARLES B. READ and JEAN READ, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF Texas)
: ss.
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 13TH day of July, 1978, by N. L. Stevens, III, Vice President of FISCO, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:
6-30-80

Margery L. Beery
Notary Public
MARGERY L. BEERY
Notary Public In and for Harris County, Texas
My Commission Expires 6-30-80

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by RICHARD S. BROOKS and _____ BROOKS, his wife.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agr ient, dated July 1, 1978, Town ps 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 20th day of July, 1978, by HARVEY E. YATES, a married man dealing in his sole and separate property.

My commission expires:
1.2.2

Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

~~The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by LOUISE D. YATES.~~

My commission expires:
_____

Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 23 day of August, 1978, by GEORGE M. YATES, _____ President of EXPLORERS PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
July 27, 1980

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 25 day of August, 1978, by FRED G. YATES _____ President of FRED G. YATES, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:
July 27, 1980

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 23rd day of August, 1978, by George M. Yates, Vice President of HARVEY E. YATES COMPANY, ~~INC.~~, a New Mexico corporation, on behalf of said corporation.

My commission expires:
July 27, 1980

Rosemary Avery
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ president of CORONADO EXPLORATION CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by HARVEY E. YATES, a married man dealing in his sole and separate property.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

~~The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by LOUISE D. YATES.~~

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of EXPLORERS PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FRED G. YATES, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of HARVEY E. YATES COMPANY, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this 15th day of September, 1978, by Harvey E. Yates, Jr., _____ president of CORONADO EXPLORATION CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
Aug. 14, 1982

Kathy Ballard
Notary Public

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by JOHN A. YATES and PEGGY A. YATES, his wife

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by S. P. YATES and ESTELLE H. YATES, his wife.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
: ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 19th day of Sept., 1978, by CHARLES B. READ and JEAN READ, his wife.

My ~~Commission~~ expires:
May 31, 1981

Karen J. McLaden
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by _____, _____ President of FISCO, INC., a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
: ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1978, by RICHARD S. BROOKS and _____ BROOKS, his wife.

My commission expires:
_____

_____
Notary Public

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF
RIO PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
DATED JULY 1, 1978
TOWNSHIPS 18 AND 19 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

1. Contract Area

   a. Shallow Unit Area:

   Township 18 South, Range 25 East, N.M.P.M.

   Section 34: SE/4
   Section 35: E/2, E/2 SW/4, SW/4 SW/4

   Township 19 South, Range 25 East, N.M.P.M.

   Section 2: All
   Section 3: NE/4
   Section 11: N/2

   b. Deep Unit Area:

   Township 18 South, Range 25 East, N.M.P.M.

   Section 34: E/2
   Section 35: All

   Township 19 South, Range 25 East, N.M.P.M.

   Section 2: All
   Section 3: NE/4
   Section 11: N/2

2. Depth Restrictions

   a. The Shallow Unit Area covers only the oil and gas rights from the surface to a depth of 5,500 feet below the surface of the ground.

   b. The Deep Unit Area covers only the oil and gas rights from a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone.

3. The interests of the parties to this Agreement are calculated in Exhibits "A-2" and "A-3" and are summarized in Exhibits "A-4" and "A-5".

4. The oil and gas leases and interests subject to this Agreement are set forth in Exhibit "A-1".

5. Addressess of Parties for Notices:

Mark D. Wilson
212 American Home Building
Artesia, New Mexico 88210

Suburban Propane Gas Corporation
P. O. Box 17689
San Antonio, Texas 78217
Attention: Mr. Tom McGaughy

Amoco Production Company
P. O. Box 3092
Houston, Texas 77001
Attention: Mr. Tom Morrow

Yates Petroleum Corporation
Yates Drilling Company
S. P. Yates
Martin Yates, III
John A. Yates
207 South Fourth Street
Artesia, New Mexico 88210
Attention: Mr. Jack W. McCaw

Reading and Bates Oil and Gas Co.
3800 First Place
Tulsa, Oklahoma 74103
Attention: Mr. Denny Whinery

EXHIBIT "A" - Continued

Champlin Petroleum Company
300 Wilco Building
Midland, Texas 79701
Attention: Mr. R. L. Lanning

Crown Central Petroleum Corporation
Wilco Building, Suite 1002
Midland, Texas 79701
Attention: Mr. W. P. Baswell, Jr.

Charles B. Read
P. O. Box 2126
Roswell, New Mexico 88201

Harvey E. Yates
Explorers Petroleum Corporation
Fred G. Yates, Inc.
Harvey E. Yates Company, Inc.
Suite 1000
Security National Bank Building
Roswell, New Mexico 88201

Coronado Exploration Corporation
1007 Marquette Ave., N.W.
Albuquerque, New Mexico 87102

Anadarko Production Company
Two Greenway Plaza East, Suite 410
Houston, Texas 77046
Attention: Mr. Gerard Stafford

David Fasken
Richard S. Brooks
608 First National Bank Building
Midland, Texas 79701

FISCO, INC.
P. O. Box 2126
Roswell, New Mexico 88201
Attention: Mr. Norman S. Stevens, Jr.

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
BASES OWNED BY MARK D. WILSON:							
1. MARSHALL AND WINSTON, INC. T18S, R25E Sec. 34: E/2 NE/4, N/2 SE/4 Sec. 35: SW/4 SW/4	200.00	12.50000	25.00000	2-8-79	25.00	-0-	75.00
T18S, R25E Sec. 35: NW/4, NW/4 SW/4	200.00	25.00000	50.00000				
2. MARSHALL AND WINSTON, INC. T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4, NE/4 SE/4, SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	320.40	12.50000	40.05000	2-8-80	25.00	-0-	75.00
T19S, R25E Sec. 2: SE/4 NW/4, E/2 SW/4, NW/4 SE/4	160.00	25.00000	40.00000				
T19S, R25E Sec. 11: E/2 NE/4	80.00	31.25000	25.00000				
3. CUETICO SUPERIOR FOUNDATION T18S, R25E Sec. 34: E/2 NE/4, N/2 SE/4 Sec. 35: SW/4 SW/4	200.00	3.12500	6.25000	2-8-79	25.00	-0-	75.00
4. CUETICO SUPERIOR FOUNDATION T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4, NE/4 SE/4 Sec. 3: S/2 NE/4, NE/4 NE/4	280.78	3.12500	8.77438	2-8-80	25.00	-0-	75.00

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Township 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
5. I. J. MARSHALL, ET UX T18S, R25E Sec. 31: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	3.12500	3.75000	2-20-81	18.75	-0-	81.25
6. CLARENCE E. HINKLE, ET UX T18S, R25E Sec. 31: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	6.25000	7.50000	2-20-81	18.75	-0-	81.25
7. C.A. BAR LAND AND CATTLE COMPANY, INC. T18S, R25E Sec. 31: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	3.12500	3.75000	2-20-81	18.75	-0-	81.25
8. RICHARD I. FLOYD T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
9. JOENNIE LEE BYBEE, ET AL T18S, R25E Sec. 35: N/2 NE/4	80.00	9.37500	7.50000	2-16-83	12.50	-0-	87.50
10. OLA MAE FLOYD, ET AL T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. NELSON:							
11. ADA L. GRUHLKEY T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
12. DENA A. BYBEE T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
13. GEORGE W. GUSHWA, ET AL T18S, R25E Sec. 35: N/2 NE/4	80.00	3.12500	2.50000	2-16-83	12.50	-0-	87.50
14. ROY E. GLASS, ET UX T19S, R25E Sec. 2: NE/4 SE/4	40.00	25.00000	10.00000	2-16-83	18.75	-0-	81.25
15. BONNIE M. MORRISON T19S, R25E Sec. 2: E/2 SW/4, SE/4 NW/4, NW/4 SE/4	160.00	25.00000	40.00000	2-15-83	18.75	-0-	81.25
16. MAY ADAMS T19S, R25E Sec. 3: NW/4 NE/4	40.36	100.00000	40.36000	2-16-83	12.50	-0-	87.50
17. ROLLA ROBERTS HINKLE TRUST T18S, R25E Sec. 34: N/2 SE/4, E/2 NE/4	160.00	6.25000	10.00000	5-1-81	18.75	-0-	81.25

750

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Township 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
18. SELMA ROBERTS HINKLE TRUST T19S, R25E Sec. 2: NE/4 SE/4	40.00	6.25000	2.50000	5-1-81	18.75	-0-	81.25
19. MARGARET W. CHILDRESS, ET AL T18S, R25E Sec. 34: E/2 NE/4 T19S, R25E Sec. 2: NE/4 SE/4	120.00	6.25000	7.50000	3-17-81	18.75	-0-	81.25
20. SELMA E. ANDREWS TRUST T18S, R25E Sec. 35: N/2 NE/4	80.00	25.00000	20.00000	2-18-80	25.00	-0-	75.00
21. ROY E. GLASS, ET UX T18S, R25E Sec. 34: E/2 NE/4	80.00	25.00000	20.00000	6-14-83	18.75	-0-	81.25
22. ROY E. GLASS, ET UX T18S, R25E Sec. 35: SW/4 SW/4	40.00	25.00000	10.00000	6-14-83	18.75	-0-	81.25
23. ROY E. GLASS, ET UX T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	120.40	25.00000	30.10000	6-14-83	18.75	-0-	81.25
24. MARGARET W. CHILDRESS, ET AL T18S, R25E Sec. 35: SW/4 SW/4 T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	160.40	6.25000	10.02500	6-13-81	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
25. I. J. MARSHALL, ET UX T18S, R25E Sec. 35: SW/4 SW/4 T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	160.40	3.12500	5.01250	6-13-81	18.75	-0-	81.25
26. CLARENCE E. HINKLE, ET UX T18S, R25E Sec. 35: SW/4 SW/4 T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	160.40	6.25000	10.02500	6-13-81	18.75	-0-	81.25
27. C.A. BAR LAND AND CATTLE COMPANY, INC. T18S, R25E Sec. 35: SW/4 SW/4	40.00	3.12500	1.25000	6-14-81	18.75	-0-	81.25
28. C.A. BAR LAND AND CATTLE COMPANY, INC. T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	120.40	3.12500	3.76250	6-14-81	18.75	-0-	81.25
29. ROLLA ROBERTS HINKLE TRUST T18S, R25E Sec. 35: SW/4 SW/4	40.00	6.25000	2.50000	6-14-81	18.75	-0-	81.25
30. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 2: N/2 NW/4, SW/4 NW/4	120.40	6.25000	7.52500	6-14-81	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTERESTS UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARK D. WILSON:							
ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	6.25000	7.52375	6-14-81	18.75	-0-	81.25
32. CORDELLA M. KINCAID, ET AL T19S, R25E Sec. 2: NE/4 SE/4, SW/4 NW/4, N/2 NW/4	160.40	21.87500	35.08750	6-14-81	18.75	-0-	81.25
33. STERLING M. CARTER, ET AL T19S, R25E Sec. 2: NE/4 SE/4, SW/4 NW/4, N/2 NW/4	160.40	3.12500	5.01250	6-14-81	18.75	-0-	81.25
34. RALPH NIX, ET AL T19S, R25E Sec. 2: S/2 SE/4	80.00	100.00000	80.00000	7-5-80	22.50	-0-	77.50
LEASES OWNED BY YATES PETROLEUM CORPORATION:							
1. CORDELLA M. KINCAID, ET AL T18S, R25E Sec. 34: E/2 NE/4 Sec. 35: SW/4 SW/4	120.00	25.00000 (Limited to Rights Below 5,800')	30.00000	HBP	12.50	5.00 PP	82.50
2. NM-12246 T18S, R25E Sec. 34: N/2 NE/4	80.00	100.00000 (Limited to Rights Below 5,500')	80.00000	HBP	12.50 U.S.A.	5.00	82.50

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY YATES PETROLEUM CORPORATION:							
3. GEORGE W. GUSHMA, ET UX T18S, R25E Sec. 35: NW/4, NW/4 SW/4 T19S, R25E Sec. 2: SE/4 NW/4, E/2 SW/4, NW/4 SE/4	360.00 (Limited to Rights Below 5,800')	50.00000	180.00000	HBP	18.75	5.00 PP	76.25
4. NM-064488 T19S, R25E Sec. 2: E/2 NE/4	79.60 (Limited to Rights Below 5,800')	100.00000	79.60000	HBP	12.50 U.S.A.	5.00	82.50
5 NANCY P. TONKIN, ET AL T19S, R25E Sec. 11: E/2 NE/4	80.00	31.87500	25.50000	8-18-82	18.75	-0-	81.25
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
1. I. J. MARSHALL, ET UX T18S, R25E Sec. 30: N/2 SE/4	80.00	3.12500	2.50000	11-12-81	18.75	-0-	81.25
2. CLARENCE E. HINKLE, ET UX T18S, R25E Sec. 30: N/2 SE/4	80.00	6.25000	5.00000	11-12-81	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
3. C. A. LAND AND CATTLE COMPANY, INC. T18S, R25E Sec. 31: N/2 SE/4	80.00	3.12500	2.50000	11-12-81	18.75	-0-	81.25
4. ROY E. GLASS, ET UX T18S, R25E Sec. 31: N/2 SE/4	80.00	25.00000	20.00000	11-10-81	18.75	-0-	81.25
5. CORDELLA M. KINCAID, ET AL T18S, R25E Sec. 31: N/2 SE/4	80.00	21.87500	17.50000	11-22-81	18.75	-0-	81.25
6. STERLING M. CARTER, ET AL T18S, R25E Sec. 31: N/2 SE/4	80.00	3.12500	2.50000	11-22-81	18.75	-0-	81.25
7. MARGARET W. CHILDRESS, ET AL T18S, R25E Sec. 31: N/2 SE/4	80.00	6.25000	5.00000	11-22-81	18.75	-0-	81.25
8. DON L. BRADSHAW T18S, R25E Sec. 31: S/2 SE/4	80.00	15.14285	12.11428	3-9-82	20.00	-0-	80.00
9. A. M. ROUTH T18S, R25E Sec. 31: S/2 SE/4	80.00	25.00000	20.00000	3-3-82	20.00	-0-	80.00

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
10. JACK B. WILKINSON, ET UX T18S, R25E Sec. 34: S/2 SE/4	80.00	9.85715	7.88572	6-27-81	25.00	-0-	75.00
11. BARNES ADELANTE TRUSTS, ET AL T18S, R25E Sec. 34: S/2 SE/4	80.00	50.00000	40.00000	6-27-81	25.00	-0-	75.00
12. EARL COLLINS, ET UX T18S, R25E Sec. 35: SE/4, S/2 NE/4, E/2 SW/4	320.00	25.00000	80.00000	8-28-78	12.50	-0-	87.50
13. CORDELLA M. KINCAID, ET AL T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	21.87500	26.33313	11-22-81	18.75	-0-	81.25
14. STERLING M. CARTER, ET AL T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	3.12500	3.76187	11-22-81	18.75	-0-	81.25
15. ROY E. GLASS, ET UX T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	25.00000	30.09500	10-22-81	18.75	-0-	81.25
16. I. J. MARSHALL, ET UX T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	3.12500	3.76187	11-22-81	18.75	-0-	81.25

256

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY SUBURBAN PROPANE GAS CORPORATION:							
17. CLARENCE E. HINKLE, ET UX T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	6.25000	7.52375	11-22-81	18.75	-0-	81.25
18. C.A. LAND AND CATTLE COMPANY, INC. T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	3.12500	3.76188	11-22-81	18.75	-0-	81.25
19. MARGARET W. CHILDRESS, ET AL T19S, R25E Sec. 3: S/2 NE/4, NE/4 NE/4	120.38	6.25000	7.52375	11-22-81	18.75	-0-	81.25
LEASES OWNED BY AMOCO PRODUCTION COMPANY:							
1. NM-18820 T19S, R25E Sec. 2: S/2 NE/4	80.00	100.00000	80.00000	8-1-83	12.50 U.S.A.	5.00	82.50
2. NM-12833 T19S, R25E Sec. 11: S/2 NW/4, SW/4 NE/4	120.00	100.00000	120.00000	1-1-81	12.50 U.S.A.	5.00	82.50
LEASE OWNED BY READING AND BATES, INC.:							
1. EARL COLLINS, ET UX T18S, R25E Sec. 35: SE/4, S/2 NE/4,	320.00	50.00000	160.00000	8-28-78	12.50	-0-	87.50

757

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY CHAMPLIN PETROLEUM COMPANY:							
1. BONNIE M. MORRISON T18S, R25E Sec. 35: N/2 NE/4	80.00	50.00000	40.00000	8-17-82	18.75	-0-	81.25
2. BONNIE M. MORRISON T19S, R25E Sec. 2: SW/4 SW/4	40.00	12.50000	5.00000	8-17-82	18.75	-0-	81.25
3. BOY SCOUTS OF AMERICA T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: NW/4 NE/4, N/2 NW/4	160.00	1.25000	2.00000	9-28-82	18.75	-0-	81.25
4. THE LAW SCHOOL OF UNM T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: NW/4 NE/4, N/2 NW/4	160.00	20.00000	32.00000	9-28-82	18.75	-0-	81.25
5. NEW MEXICO MILITARY INSTITUTE T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: NW/4 NE/4, N/2 NW/4	160.00	3.75000	6.00000	9-28-82	18.75	-0-	81.25

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY ANADARKO PRODUCTION COMPANY:							
1. GLADYS L. GREGG, ET VIR T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	20.83333	33.33333	3-31-82	18.75	-0-	81.25
2. PLAZA BANK AND TRUST CO., EXECUTOR T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	20.83333	33.33334	3-10-82	18.75	-0-	81.25
3. BONNIE M. MORRISON T19S, R25E Sec. 11: N/2 NW/4, NW/4 NE/4	120.00	12.50000	15.00000	2-25-80	18.75	-0-	81.25
LEASE OWNED BY CROWN CENTRAL PETROLEUM CORPORATION:							
1. EARL COLLINS, ET UX T18S, R25E Sec. 35: SE/4, S/2 NE/4, E/2 SW/4	320.00	25.00000	80.00000	8-28-78	12.50	-0-	87.50
LEASE OWNED BY DAVID FASKEN:							
1. BONNIE M. MORRISON T18S, R25E Sec. 35: NW/4, NW/4 SW/4	200.00	24.50000	49.00000	HBP	12.50	-0-	87.50

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED PROPERTIES AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY MARTIN YATES, III:							
1. CLARENCE E. HINKLE, ET UX T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16666	HBP	18.75	-0-	81.25
2. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16667	HBP	18.75	12.50	68.75
LEASES OWNED BY S. P. YATES:							
1. CLARENCE E. HINKLE, ET UX T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16667	HBP	18.75	-0-	81.25
2. ROLLA ROBERTS HINKLE TRUST T19S, R25E Sec. 11: E/2 NE/4	80.00	5.20833	4.16666	HBP	18.75	12.50	68.75
MINERALS OWNED BY CHARLES B. READ:							
1. T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	4.16667	6.66667				
MINERALS OWNED BY FISCO, INC:							
1. T19S, R25E Sec. 2: SW/4 SW/4 Sec. 11: N/2 NW/4, NW/4 NE/4	160.00	2.08333	3.33333				

EXHIBIT "A-1"
RIO PENASCO WORKING INTEREST UNITS
Townships 18 and 19 South, Range 25 East, N.M.P.M.
Eddy County, New Mexico

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASE OWNED BY RICHARD S. BROOKS:							
BONNIE M. MORRISON	200.00	.50000	1.00000	HBP	12.50	-0-	87.50
LEASES OWNED BY EAGLE GROUP: (YATES PETROLEUM CORPORATION - 1/2; YATES DRILLING COMPANY - 1/6; MARTIN YATES, III - 1/6; JOHN A. YATES - 1/6)							
1. CORDELIA M. KINCAID, ET AL T18S, R25E Sec. 35: SW/4 SW/4	40.00	25.00000 (Limited to Rights From Surface to 5,800')	10.00000	HBP	12.50	-0-	87.50
2. GEORGE W. GUSEWA, ET UX T19S, R25E Sec. 2: SE/4 NW/4, E/2 SW/4 NW/4 SE/4	160.00	50.00000 (Limited to Rights From Surface to 5,800')	80.00000	HBP	12.50	-0-	87.50
NM-0544.88 T19S, R25E Sec. 2: N/2 NE/4	79.60	100.00000 (Limited to Rights From Surface to 5,800')	79.60000	HBP	12.50 U.S.A.	5.00	82.50
LEASE OWNED BY HARVEY E. YATES COMPANY, INC., ET AL:							
1. NM-21197* T19S, R25E Sec. 2: NW/4 SW/4	40.00	100.00000	40.00000	10-1-82	12.50 U.S.A. (KGS Sliding-Scale)	1.50	86.00

* Lease owned by Harvey E. Yates Company, Inc. - 72.2746%, Harvey E. Yates - 5.0000%, Explorers Petroleum Corporation - 5.0000%, Fred G. Yates, Inc. - 5.0000%, Coronado Exploration Corp. - 12.7254%.

761

EXHIBIT "A-2"

CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership in Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
MARK D. WILSON	1	75.00000		75.000	56.25000	
	2	105.05000		75.000	78.78750	
	3	6.25000		75.000	4.68750	
	4	8.77438		75.000	6.58079	
	5	3.75000		81.250	3.04688	
	6	7.50000		81.250	6.09375	
	7	3.75000		81.250	3.04688	
	8	2.50000		87.500	2.18750	
	9	7.50000		87.500	6.56250	
	10	2.50000		87.500	2.18750	
	11	2.50000		87.500	2.18750	
	12	2.50000		87.500	2.18750	
	13	2.50000		87.500	2.18750	
	14	10.00000		81.250	8.12500	
	15	40.00000		81.250	32.50000	
	16	40.36000		87.500	35.31500	
	17	10.00000		81.250	8.12500	
	18	2.50000		81.250	2.03125	
	19	7.50000		81.250	6.09375	
	20	20.00000		75.000	15.00000	
	21	20.00000		81.250	16.25000	
	22	10.00000		81.250	8.12500	
	23	30.10000		81.250	24.45625	
	24	10.02500		81.250	8.14531	
	25	5.01250		81.250	4.07266	
	26	10.02500		81.250	8.14531	
	27	1.25000		81.250	1.01563	
	28	3.76250		81.250	3.05703	
	29	2.50000		81.250	2.03125	
	30	7.52500		81.250	6.11406	
	31	7.52375		81.250	6.11305	
	32	35.08750		81.250	28.50859	
	33	5.01250		81.250	4.07266	
	34	80.00000		77.500	62.00000	
MARK D. WILSON TOTAL		588.25813	29.3476		465.29010	28.4757

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
YATES PETROLEUM CORPORATION	1	30.00000		82.500	24.75000	
	2	80.00000		82.500	66.50000	
	3	180.60000		76.250	137.70750	
	4	79.60000		82.500	65.67000	
	5	25.50000		81.250	20.71875	
YATES PETROLEUM CORPORATION TOTAL		395.10000	19.7111		315.34625	19.2992
SUBURBAN PROPANE GAS CORPORATION	1	2.50000		81.250	2.03125	
	2	5.00000		81.250	4.06250	
	3	2.50000		81.250	2.03125	
	4	20.00000		81.250	16.25000	
	5	17.50000		81.250	14.21875	
	6	2.50000		81.250	2.03125	
	7	5.00000		81.250	4.06250	
	8	12.11428		80.000	9.69142	
	9	20.00000		80.000	16.00000	
	10	7.88572		75.000	5.91429	
	11	40.00000		75.000	30.00000	
	12	80.00000		87.500	70.00000	
	13	26.33313		81.250	21.39567	
	14	3.76187		81.250	3.05652	
	15	30.09500		81.250	24.45219	
	16	3.76187		81.250	3.05652	
	17	7.52375		81.250	6.11305	
	18	3.76188		81.250	3.05653	
	19	7.52375		81.250	6.11305	
SUBURBAN PROPANE GAS CORPORATION TOTAL		297.76125	14.8550		243.53674	14.9044
HARVEY E. YATES CO., INC., ET AL	1	40.00000		86.000	34.4000	
HARVEY E. YATES CO., INC. TOTAL		40.00000	1.9956		34.4000	2.1053

EXHIBIT "A-2"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
AMOCO PRODUCTION COMPANY	1	80.00000		82.500	66.00000	
	2	120.00000		82.500	99.00000	
AMOCO PRODUCTION COMPANY TOTAL		200.00000	9.9778		165.00000	10.0980
READING & BATES OIL AND GAS COMPANY	1	160.00000		87.500	140.00000	
READING & BATES OIL AND GAS COMPANY TOTAL		160.00000	7.9822		140.00000	8.5680
CHAMPLIN PETROLEUM COMPANY	1	40.00000		81.250	32.50000	
	2	5.00000		81.250	4.06250	
	3	2.00000		81.250	1.62500	
	4	32.00000		81.250	26.00000	
	5	6.00000		81.250	4.87500	
CHAMPLIN PETROLEUM COMPANY TOTAL		85.00000	4.2406		69.06250	4.2266
ANADARKO PRODUCTION COMPANY	1	33.33333		81.250	27.08333	
	2	33.33334		81.250	27.08334	
	3	15.00000		81.250	12.18750	
ANADARKO PRODUCTION COMPANY TOTAL		81.66667	4.0743		66.35417	4.0609
CROWN CENTRAL PETROLEUM CORPORATION	1	80.00000		87.500	70.00000	
CROWN CENTRAL PETROLEUM CORPORATION TOTAL		80.00000	3.9911		70.00000	4.2840
DAVID FASKEN	1	49.00000		87.500	42.87500	
DAVID FASKEN TOTAL		49.00000	2.4445		42.87500	2.6239
MARTIN YATES, III	1	4.16666		81.250	3.38541	
	2	4.16667		68.750	2.86459	
MARTIN YATES, III TOTAL		8.33333	.4157		6.25000	.3825

764

EXHIBIT "A-2"

CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST IN RIO PENASCO DEEP UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
S. P. YATES	1	4.16667		81.250	3.38542	
	2	4.16666		68.750	2.86458	
S. P. YATES TOTAL		8.33333	.4157		6.25000	.3825
CHARLES B. READ	1	6.66667		87.5000	5.83334	
CHARLES B. READ TOTAL		6.66667	.3326		5.83334	.3570
FISCO, INC.	1	3.33333		87.5000	2.91666	
FISCO, INC. TOTAL		3.33333	.1663		2.91666	.1785
RICHARD S. BROOKS	1	1.00000		87.500	.87500	
RICHARD S. BROOKS TOTAL		1.00000	.0499		.87500	.0535
DEEP UNIT TOTALS		2004.45271	100.0000		1633.98976	100.0000

765

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
MARK D. WILSON	1	15.00000		75.000	11.25000	
	2	105.05000		75.000	78.78750	
	3	3.75000		75.000	2.81250	
	4	8.77438		75.000	6.58079	
	5	1.25000		81.250	1.01563	
	6	2.50000		81.250	2.03125	
	7	1.25000		81.250	1.01563	
	8	2.50000		87.500	2.18750	
	9	7.50000		87.500	6.56250	
	10	2.50000		87.500	2.18750	
	11	2.50000		87.500	2.18750	
	12	2.50000		87.500	2.18750	
	13	2.50000		87.500	2.18750	
	14	10.00000		81.250	8.12500	
	15	40.00000		81.250	32.50000	
	16	40.36000		87.500	35.31500	
	17	5.00000		81.250	4.06250	
	18	2.50000		81.250	2.03125	
	19	2.50000		81.250	2.03125	
	20	20.00000		75.000	15.00000	
	22	10.00000		81.250	8.12500	
	23	30.10000		81.250	24.45625	
	24	10.02500		81.250	8.14531	
	25	5.01250		81.250	4.07266	
	26	10.02500		81.250	8.14531	
	27	1.25000		81.250	1.01563	
	28	3.76250		81.250	3.05703	
	29	2.50000		81.250	2.03125	
	30	7.52500		81.250	6.11406	
	31	7.52375		81.250	6.11305	
	32	35.08750		81.250	28.50859	
	33	5.01250		81.250	4.07266	
	34	80.00000		77.500	62.00000	
MARK D. WILSON TOTAL		485.75813	29.4051		385.91510	28.4196

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
YATES PETROLEUM CORPORATION						
	5	25.50000		81.250	20.71875	
	1	5.00000		82.500	4.12500	
	2	40.00000		87.500	35.00000	
	3	39.80000		76.250	30.34750	
YATES PETROLEUM CORPORATION TOTAL		110.30000	6.6769		90.19125	6.6419
SUBURBAN PROPANE GAS CORPORATION	1	2.50000		81.250	2.03125	
	2	5.00000		81.250	4.06250	
	3	2.50000		81.250	2.03125	
	4	20.00000		81.250	16.25000	
	5	17.50000		81.250	14.21875	
	6	2.50000		81.250	2.03125	
	7	5.00000		81.250	4.06250	
	8	12.11428		80.000	9.69142	
	9	20.00000		80.000	16.00000	
	10	7.88572		75.000	5.91429	
	11	40.00000		75.000	30.00000	
	12	80.00000		87.500	70.00000	
	13	26.33313		81.250	21.39567	
	14	3.76187		81.250	3.05652	
	15	30.09500		81.250	24.45219	
	16	3.76187		81.250	3.05652	
	17	7.52375		81.250	6.11305	
	18	3.76188		81.250	3.05653	
	19	7.52375		81.250	6.11305	
SUBURBAN PROPANE GAS CORPORATION TOTAL		297.76125	18.0248		243.53674	17.9345
AMOCO PRODUCTION COMPANY	1	80.00000		82.500	66.00000	
	2	120.00000		82.500	99.00000	
AMOCO PRODUCTION COMPANY TOTAL		200.00000	12.1069		165.00000	12.1509
HARVEY E. YATES CO., INC., ET AL	1	40.00000		86.000	34.40000	
HARVEY E. YATES CO., INC., ET AL TOTAL		40.00000	2.4214		34.40000	2.5333

767

EXHIBIT "A-3"

CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
READING & BATES OIL AND GAS COMPANY	1	160.00000		87.500	140.00000	
READING & BATES OIL AND GAS COMPANY TOTAL		160.00000	9.6855		140.00000	10.3099
CHAMPLIN PETROLEUM COMPANY	1	40.00000		81.250	32.50000	
	2	5.00000		81.250	4.06250	
	3	32.00000		81.250	1.62500	
	4	32.00000		81.250	26.00000	
	5	6.00000		81.250	4.87500	
CHAMPLIN PETROLEUM COMPANY TOTAL		85.00000	5.1454		69.06250	5.0859
ANADARKO PRODUCTION COMPANY	1	33.33333		81.250	27.08333	
	2	33.33334		81.250	27.08334	
	3	15.00000		81.250	12.18750	
ANADARKO PRODUCTION COMPANY TOTAL		81.66667	4.9436		66.35417	4.8864
CROWN CENTRAL PETROLEUM CORPORATION	1	80.00000		87.500	70.00000	
CROWN CENTRAL PETROLEUM CORPORATION TOTAL		80.00000	4.8428		70.00000	5.1549
MARTIN YATES, III	1	4.16666		81.250	3.38541	
	2	4.16667		68.750	2.86459	
(EAGLE GROUP LEASES)	1	1.66667		87.500	1.45834	
	2	13.33333		87.500	11.66666	
	3	13.26667		82.500	10.94500	
MARTIN YATES, III AND EAGLE GROUP LEASES TOTAL		36.60000	2.2156		30.32000	2.2328

2683

EXHIBIT "A-3"
CALCULATION OF PERCENTAGE OWNERSHIP AND BENEFICIAL INTEREST
IN RIO PENASCO SHALLOW UNIT

Owners	Tract No.	Net Acres Each Owner	Ownership In Unit (%)	Revenue Interest	Beneficial Acres	Beneficial Interest In Unit (%)
JOHN A. YATES	1	1.66667		87.500	1.45834	
	2.	13.33333		87.500	11.66666	
	3	13.26667		82.500	10.94500	
JOHN A. YATES TOTAL		28.26667	1.7111		24.07000	1.7726
YATES DRILLING COMPANY	1	1.66666		87.500	1.45833	
	2	13.33334		87.500	11.66667	
	3	13.26667		82.500	10.94500	
YATES DRILLING COMPANY TOTAL		28.26667	1.7111		24.07000	1.7726
S. P. YATES	1	4.16667		81.250	3.38542	
	2	4.16666		68.750	2.86458	
S. P. YATES TOTAL		8.33333	.5044		6.25000	.4603
CHARLES B. READ	1	6.66667		87.500	5.83334	
CHARLES B. READ TOTAL		6.66667	.4036		5.83334	.4296
FISCO, INC.	1	3.33333		87.500	2.91666	
FISCO, INC. TOTAL		3.33333	.2018		2.91666	.2148
SHALLOW UNIT TOTALS		1651.95272	100.0000		1357.91976	100.0000

769

AMENDED EXHIBIT "A-4"

SCHEDULE SHOWING INTERESTS CONTRIBUTED, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL AFTER PAYOUT AND ALL SUBSEQUENT WELLS IN RIO PENASCO DEEP UNIT

	Contribution for Initial Test Well		Initial Test Well Until Payout		Subsequent Wells and Initial Well After Payout	
			Costs	Production	Costs	Production
	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Owner	Percentage of Unit	Percentage Beneficial Interest	Percentage Costs	Beneficial Percentage Production	Percentage Costs	Beneficial Percentage Production
Mark D. Wilson	5.0000	4.8515	5.0000	4.8515	5.0000	4.8515
Yates Petroleum Corporation	19.7111	19.2992	19.7111	19.2992	19.7111	19.2992
Suburban Propane Gas Corporation	14.8550	14.9044	14.8550	14.9044	14.8550	14.9044
Amoco Production Company	9.9778	10.0980	-0-	-0-	4.9889	5.0490
Reading & Bates Oil and Gas Company	7.9822	8.5680	7.9822	8.5680	7.9822	8.5680
Champlin Petroleum Company	4.2406	4.2266	4.2406	4.2266	4.2406	4.2266
Anadarko Production Company	4.0743	4.0609	4.0743	4.0609	4.0743	4.0609
Crown Central Petroleum Corporation	3.9911	4.2840	3.9911	4.2840	3.9911	4.2840
David Fasken	2.4445	2.6239	-0-	-0-	1.2222	1.3119
vey E. Yates Company, et al*	1.9956	2.1053	1.9956	2.1053	1.9956	2.1053
Martin Yates, III	.4157	.3825	.4157	.3825	.4157	.3825
John A. Yates	-0-	-0-	-0-	-0-	-0-	-0-
Yates Drilling Company	-0-	-0-	-0-	-0-	-0-	-0-
S. P. Yates	.4157	.3825	.4157	.3825	.4157	.3825
Charles B. Read	.3326	.3570	.3326	.3570	.3326	.3570
FISCO, INC.	.1663	.1785	.1663	.1785	.1663	.1785
Richard S. Brooks	.0499	.0535	-0-	-0-	.0250	.0268
Operator+	24.3476	23.6242	36.8198	36.3996	30.5837	30.0119
	100.0000	100.0000	100.0000	100.0000	100.0000	100.0000

*Harvey E. Yates Company, et al, is composed of:

Harvey E. Yates Company	72.2746%
Harvey E. Yates	5.0000%
Explorers Petroleum Corporation	5.0000%
Fred G. Yates, Inc.	5.0000%
Coronado Exploration Corporation	12.7254%

†The Operator's interest is owned and paid for by:

John A. Yates	13.3333%
Abo Petroleum Corporation	13.3333%
Los Chicos	6.6667%
Yates Drilling Company	22.2222%
S. P. Yates	11.1111%
Martin Yates, III	13.9507%
Myco Industries, Inc.	13.9508%
Frank Yates	5.4319%

AMENDED EXHIBIT "A-5"

SCHEDULE SHOWING INTERESTS CONTRIBUTED, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL, PERCENTAGE SHARE OF COSTS AND PRODUCTION FROM INITIAL TEST WELL AFTER PAYOUT AND ALL SUBSEQUENT WELLS IN RIO PENASCO SHALLOW UNIT

	Contribution for Initial Test Well		Initial Test Well Until Payout		Subsequent Wells and Initial Well After Payout	
			Costs	Production	Costs	Production
	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Owner	Percentage of Unit	Percentage Beneficial Interest	Percentage Costs	Beneficial Percentage Production	Percentage Costs	Beneficial Percentage Production
Mark D. Wilson	5.0098	4.8419	5.0098	4.8419	5.0098	4.8419
Yates Petroleum Corporation	6.6769	6.6419	6.6769	6.6419	6.6769	6.6419
Suburban Propane Gas Corporation	18.0248	17.9345	18.0248	17.9345	18.0248	17.9345
Amoco Production Company	12.1069	12.1509	-0-	-0-	6.0535	6.0755
Reading & Bates Oil and Gas Company	9.6855	10.3099	9.6855	10.3099	9.6855	10.3099
Champlin Petroleum Company	5.1454	5.0859	5.1454	5.0859	5.1454	5.0859
Anadarko Production Company	4.9436	4.8864	4.9436	4.8864	4.9436	4.8864
Crown Central Petroleum Corporation	4.8428	5.1549	4.8428	5.1549	4.8428	5.1549
David Fasken	-0-	-0-	-0-	-0-	-0-	-0-
Ha y E. Yates Company, et al*	2.4214	2.5333	2.4214	2.5333	2.4214	2.5333
Martin Yates, III	2.2156	2.2328	2.2156	2.2328	2.2156	2.2328
John A. Yates	1.7111	1.7726	1.7111	1.7726	1.7111	1.7726
Yates Drilling Company	1.7111	1.7726	1.7111	1.7726	1.7111	1.7726
S. P. Yates	.5044	.4603	.5044	.4603	.5044	.4603
Charles B. Read	.4036	.4296	.4036	.4296	.4036	.4296
FISCO, INC.	.2018	.2148	.2018	.2148	.2018	.2148
Richard S. Brooks	-0-	-0-	-0-	-0-	-0-	-0-
Operator+	24.3953	23.5777	36.5022	35.7286	30.4487	29.6531
	100.0000	100.0000	100.0000	100.0000	100.0000	100.0000

*Harvey E. Yates Company, et al, is composed of:

Harvey E. Yates Company	72.2746%
Harvey E. Yates	5.0000%
Explorers Petroleum Corporation	5.0000%
Fred G. Yates, Inc.	5.0000%
Coronado Exploration Corporation	12.7254%

+The Operator's interest is owned and paid for by:

John A. Yates	13.3333%
Abo Petroleum Corporation	13.3333%
Los Chicos	6.6667%
Yates Drilling Company	22.2222%
S. P. Yates	11.1111%
Martin Yates, III	13.9507%
Myco Industries, Inc.	13.9508%
Frank Yates	5.4319%

244
273

774

Producers 88 Rev. (5 Year Lease) 10-57

EXHIBIT "B"

(FIVE YEAR PAID UP LEASE)

OIL AND GAS LEASE

Form 345
Hall-Poorbaugh Press
Roswell, New Mexico

THIS AGREEMENT made this ..... day of ....., 19 78, between

.....

.....

Lessor (whether one or more), whose address is .....

and ..... Lessee, WITNESSETH:

1. Lessor in consideration of Ten Dollars
($ 10,00) in hand paid, 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 and gas, laying pipe lines, building roads, tanks, power stations, telephone lines and other structures thereon and on, over and across lands owned or claimed by Lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in ..... Eddy County, New Mexico, to-wit:

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 without further payments 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 this date (called "primary term") and as long thereafter as oil or gas is produced from said land or land with which said land is pooled hereunder.

3. The royalties to paid by Lessee are: (a) on oil, 1/8 of that produced and saved from said land, the same to be delivered at the wells or to the credit of Lessor into the pipe line to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; (b) on gas, including casinghead gas or other gaseous substance, produced from said land, and sold, or used off the premises or for the extraction of gasoline or other product therefrom, the market value at the well of 1/8 of the 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; while there is a gas well on this lease or on acreage pooled therewith but gas is not being sold or used, Lessee may pay or tender as royalty, on or before ninety (90) days after the date on which said well is shut in and thereafter at annual intervals the sum of $1.00 per acre, and if such payment is made or tendered, this lease shall not terminate and it will be considered that gas is being produced from this lease in paying quantities. Payment or tender of said shut in gas royalty may be made by check or draft of Lessee mailed or delivered to the parties entitled thereto on or before the date said payment is due. Lessee shall have free use of oil, gas, coal and water from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting any so used.

4. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease, or any portion thereof as to oil and gas, 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 in compliance with the spacing rules of the New Mexico Oil Conservation Commission, or other lawful authority or when to do so would, in the judgment of Lessee, promote the conservation of oil and gas in and under and that may be produced from said premises. Units pooled for oil hereunder shall not substantially exceed 10 acres each in area, and units pooled for gas hereunder shall not substantially exceed in area 640 acres each plus a tolerance of 10% thereof, provided that should governmental authority having jurisdiction 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 under the provisions hereof may pool or combine acreage covered by this lease, or any portion thereof as above provided as to oil in any one or more strata and as to 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 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 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 its election exercise its pooling option after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. Operations for drilling on or production of oil or gas from any part of the pooled unit which includes all or a portion of the land covered by this lease 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 gas, or either of them, 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. 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, 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, or either of them, produced from the pooled unit after deducting that used for operations on the pooled units. Such allocation 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, 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, 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. The production from an oil well will be considered production from the lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from the lease or gas pooled unit from which it is producing and not from an oil pooled unit. In addition to the foregoing, Lessee at its option is hereby given the right and power from time to time to commit said land or any part or formation or mineral substance covered hereby to any cooperative or unit agreement or plan of development and operation, and to any modifications thereof, which have been approved by the New Mexico Oil Conservation Commission or other lawful governmental authority. In such event, the royalty payable to Lessor hereunder shall be computed and paid on the basis of the oil or gas allocated to such land under the terms of any such agreement or plan of operation, which basis shall be the same by which the royalty due the United States or the State of New Mexico is computed and paid. This lease shall not expire during the life of such agreement or plan and shall be subject to the terms thereof and said agreement or plan of operation shall be filed with the New Mexico Oil Conservation Commission, or other lawful authority, and Lessee shall record in the County in which the leased premises are situated, an instrument describing such agreement or plan of operation and reflecting the commitment thereto, and the same may be recorded either before or after the completion of wells.

5. If at the expiration of the primary term oil or gas is not being produced on said land, or from land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to the end of the primary terms, the lease shall remain in force so long as operations on said well or for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days; and if they result in the production of oil or gas so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said land, or from land pooled therewith. 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 leased premises are situated at any time after the completion of a dry hole or the cessation of production 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 lease 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. 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.

6. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within two hundred feet of any residence or barn now on said land without Lessor's consent.

7. The rights of either 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; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of 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 commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

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 revision of the estate created hereby nor be grounds for cancellation hereof in whole or in part. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument. After the discovery of oil or gas in paying quantities on said premises, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 640 acres plus an acreage tolerance not to exceed 10% of 640 acres of the area retained hereunder and capable of producing gas in paying quantities.

9. Lessor ~~hereby warrants and agrees to defend the title to said land and~~ agrees that Lessee at its option may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in event Lessee does so, it shall be subrogated to such lien with the right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's right under the warranty in event of failure of title, it is agreed that if Lessor owns an interest in the oil or gas on, in or under said land less than the entire fee simple estate, then the royalties to be paid Lessor shall be reduced proportionately. Should any one or more of the parties named as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the leased premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

....

....

....
Lessor

....
Lessor

Kristbill 601, Box 800 Tulsa, OK 74101

COPAS — 1974
Recommended by the Council of Petroleum Accountants Societies of North America
COPAS

EXHIBIT "C"

Attached to and made a part of Rio Penasco Working Interest Units, Operating Agreement, Dated July 1, 1978, Townships 18 and 19 South, Range 25 East, Eddy 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.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"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. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator 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 Controllable Material as provided for in Section V.

5. 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 Joint Account 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 adjustments of accounts as provided for in Paragraph 4 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. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

COPIES

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs 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. 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 costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs 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 chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. 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, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

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, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. 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 other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. 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.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. 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 in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(XX) Fixed Rate Basis, Paragraph 1A, or
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. 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 the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (x) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $ 2,000.00
Producing Well Rate $ 278.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the 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 suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April 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 calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:
For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000.00 :

A. 5 % of total costs if such costs are more than $ 25,000.00 but less than $ 100,000.00 ; plus

B. 3 % of total costs in excess of $ 100,000.00 but less than $1,000,000; plus

C. 2 % of total costs in excess of $1,000,000.

Total cost shall mean the 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 and workover wells shall be excluded.

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

COPAS

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) 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 published or listed prices 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 providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided 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 ten 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.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories; Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. 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.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable 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.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

30

Attached to and made a part of Rio Penasco Working Interest Unit, Operating Agreement, dated July 1, 1978, Townships 18 and 19 South, Range 25 East, y County, New Mexico.

EXHIBIT "D"

INSURANCE

Operator shall secure and maintain during the term of this agreement insurance to cover Operator's operations on the contract acreage covered by this agreement as follows:

(a) Workmen's Compensation Insurance to fully comply with the laws of the State where operations are to be performed, and with employers liability insurance including, if any operations hereunder are to be conducted in inland waters, bays or marshes, endorsements covering:

(1) United States Longshoremen's and Harbor Worker's Compensation Act.

(2) Employer's Liability covering maritime operations with limits of liability of $500,000 for death or injury to one person and $500,000 for deaths or injuries arising out of one accident.

(b) Comprehensive General Liability Insurance, excluding products, but if any operations hereunder are to be conducted in inland waters, bays or marshes, including watercraft liability: A single combined limit of $500,000 each accident for bodily injuries or death and property damage.

(c) Comprehensive Automobile Public Liability and Property Damage Insurance with a single combined limit of $500,000 each accident for bodily injuries or death and property damage.

Operator shall require Operator's contractors and subcontractors working or performing services on the contract acreage to comply with the Workmen's Compensation laws of the State where the contract acreage is located, and to carry such other insurance and in such amounts as Operator deems necessary.

EXHIBIT "E"

ATTACHED TO AND MADE A PART OF
RIO PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
DATED JULY 1, 1978
TOWNSHIPS 18 AND 19 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

GAS BALANCING AGREEMENT

In accordance with the terms of the Operating Agreement and upon completion of a gas well, this Gas Balancing Agreement shall become effective in accordance with Article VI.C and shall apply to each well severally.

It is the intention of the parties hereto that Operator shall have the duty of controlling gas well production and the responsibility of administering the provisions of this agreement. Operator shall cause deliveries to be made to gas purchasers at such rates as may be required to give effect to the intent that the gas production accounts of all parties are to be brought into balance under the provisions contained herein.

Each party has made (or will make) arrangements to sell or utilize its share of the gas produced from each well in the Contract Area. It appears, however, that the respective gas markets of the parties may be limited from time to time; therefore, to permit the parties as much flexibility as possible in meeting the demands of their respective markets, the parties hereto agree to the storage arrangements herein set forth.

1.

From and after the date of initial delivery of gas from said well, during any period when a party is taking less than its share of the gas produced from said well, any other party may produce from said well and take or deliver to a purchaser, each month, all or a part of that portion of the allowable gas production which is not produced by a party taking less than its full share. The parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests.

2.

On a cumulative basis, a party taking less than its full share of the gas produced shall be credited with gas in storage equal to its full share of the total gas produced and saved, less that portion of the gas such party took or delivered to a purchaser. Operator will maintain an account of the gas balance as between the parties hereto and will furnish each party monthly statements showing the total quantity of gas produced, the total quantity of gas taken by each party, and the monthly and cumulative over and under delivery of each party.

3.

After notice to the Operator, any party may at any time begin taking or delivering to a purchaser its full share of gas produced (less such party's share of gas used in operations, vented or lost). To allow the recovery of gas in storage and to balance the gas account of the parties in accordance with their respective interests, a party with gas in storage shall be entitled to take or deliver to a purchaser its current share of the gas produced, plus a share of gas not exceeding its gas storage, determined by multiplying 50% of the interest in the current gas production of the party or parties without gas in storage by a fraction, the numerator of which is the interest in said well of such party with gas in storage and the denominator of which is the total percentage interest in said well of all parties with gas in storage currently taking or delivering to a purchaser.

4.

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability test required by its purchaser. Each party shall, at all times, use its best efforts to regulate its takes and deliveries from said well so that said well will not be shut in for over producing the allowable thereto assigned by the applicable regulatory authority.

5.

Other provisions contained in the Operating Agreement notwithstanding, each party shall be responsible for the entire payment to each royalty, overriding royalty and production payment owner entitled to a portion of the proceeds received for the gas which such party takes, such payment to be based upon the gas produced and the price received. Each party hereto hereby indemnifies the other parties hereto against the claims, demands and causes of action which have as their basis an alleged entitlement to payment in excess of that received by the party taking the gas, of royalty, overriding royalty and production payment owners to whom such indemnitor is obligated under the applicable leases or other instruments which create such interests.

If, however, any party is obligated pursuant to said Operating Agreement or instruments of title as reflected in the chain of title to such party's interest to assume and alone bear any overriding royalty or other obligation or portion hereon out of such obligated party's share of production, such obligated party shall promptly reimburse each party taking gas for all amounts paid to the owner of such excess interest, which are attributable to such excess interest. If such obligated party fails to make such reimbursement within 15 days after receiving a statement therefor, all reimbursed amounts shall thereafter bear interest at the rate of 10% per annum and the unreimbursed party (whether Operator or Non-Operator) shall have the benefits of all of the liens and other rights provided for in Article VII.8 of the Operating Agreement to secure the payment of such unreimbursed amounts plus interest thereon.

6.

Each party producing and taking or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

7.

Should production of gas from said well be permanently discontinued before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid by the overproduced party or parties, based on the actual price received, month by month, for the volumes of gas as and when the same were produced, less applicable taxes theretofore paid.

8.

Nothing herein shall change or affect each party's obligations to pay its proportionate share of all costs and liabilities incurred, as its share thereof is set forth in the Operating Agreement.

9.

This agreement shall be considered as a separate and distinct agreement with respect to each separate common source of supply for each separate Contract Area well.

10.

This agreement is binding upon the heirs, successors and assigns of the signatory parties hereto, it being agreed that this agreement is a covenant

running with the oil and gas leases contributed by the parties to this agreement. The parties hereto agree to give notice of the existence of this agreement to any successor in interest of such signatory party to any oil and gas lease subject to the terms of this agreement. This agreement shall be and remain in force and effect for a term concurrent with the term of the Operating Agreement between the parties hereto.

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 4th day of May 19 79 at 11:10 o'clock AM., and duly recorded in Book 170 page 693 of the Records of Miscellaneous

GERALDINE MAHAFFEY, County Clerk
By Catherine Bolt Deputy

Yates Petroleum Corporation
AUTHORITY FOR EXPENDITURE

AFE # 80-028-0
Revision #
Date 2-8-80

Lease Name Rio Penasco KD Com #1 Location S/2 Section 2-19S-25E
County Eddy State NM Field Undes. (Boyd Morrow)
Horizon Morrow Est.T.D. 9400 Est. Spud Date April 1980
Est. Completion Date May 1980 Drilling Contractor

Primary Objective: ☐ Oil ☒ Gas ☐ Oil and/or Gas
Purpose : ☒ Drilling-New ☐ Recompletion ☐ Other (Supplement AFE, etc)
Type Well : ☐ Development ☐ Exploratory

	INTANGIBLE COSTS:	Dry Hole	Completion
9210	Staking Permit & Legal Fees	$ 700	$ 700
9211	Location, Right-of-Way	$ 8300	$ 9300
9212	Drilling, Footage 9400' @$21	$ 197400	$ 197400
9213	Drilling, Daywork 5 days @ $4350 /day	$ 21700	$ 21700
9212/9213	Moving in, Rigging up, Rigging down	$ -	$ -
9224	Bits, Tools & Supplies	$ 500	$ 800
9214	Drilling Water	$ 17500	$ 18800
9215	Drilling Mud & Additives	$ 29200	$ 29200
9216	Mud Logging Unit	$ 8500	$ 8500
9217	Cement, Tools & Services, Temp. Surveys	$ 13500	$ 18100
9218	Drill Stem Testing	$ 5600	$ 5600
9219	Electric Logs & Perforating	$ 19800	$ 26300
9220	Tool & Equip. Rental, Trucking, Welding	$ 4900	$ 5900
9221	Supervision & Overhead	$ 4500	$ 6000
9223	Coring, Tools & Services	$ -	$ -
9241	Completion Unit 10 days @ $1050 /day	$ -	$ 10500
9247	Stimulation	$ -	$ 25500
9222	Contingency	$ 36900	$ 42700
	TOTAL INTANGIBLES	$ 369,000	$ 427,000
	WELL EQUIPMENT COSTS:		
9301	Christmas Tree and Well Head	$ 1500	$ 15000
9302	Casing: 13 3/8" 48# J-55 - 380	$ 7100	$ 7100
9302	8 5/8" 24# J-55 - 1200	$ 11400	$ 11400
9302	5 1/2" 15.5-17# K&N N 9400	$	$ 64100
9303	Tubing: 2 3/8" 4.7# J-55 @ 9200	$ -	$ 23400
9304	Packer & Special Equipment	$ -	$ 3600
9350	Contingency	$ 1000	$ 8400
	TOTAL WELL EQUIPMENT	$ 21,000	$ 133,000
	LEASE & BATTERY EQUIPMENT COSTS:		
9401	Pumping Equipment	$	$
9402	Storage 2-210 b. welded w/stair,walk,frgls t	$	$ 9800
9403	Separation Eq., Flowlines, Valves & Fittings	$	$ 19200
9404	Trucking & Construction Costs	$	$ 6000
	TOTAL LEASE & BATTERY EQUIP.	$	$ 35000
	TOTALS	$ 390,000	$ 595,000

Approval of this AFE constitutes approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

YATES PETROLEUM CORPORATION Share - 19.659771%

By Eddie M. Lindsey Date 2-8-80

S. P. YATES 3.803953

By _____ Date _____

YATES DRILLING COMPANY 6.778673

By _____ Date _____

4.255560

EXHIBIT NO. 5
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

_____ Date _____

AFE #80-028-0
DATE 2-8-80

MARTIN YATES, III	4.670147%
By_____ Date_____	
FRANK YATES	1.656950
By_____ Date_____	
ABO PETROLEUM CORPORATION	4.067198
By_____ Date_____	
JOHN A. YATES	4.067198
By_____ Date_____	
LOS CHICOS, A PARTNERSHIP	2.033614
By_____ Date_____	
MARK D. WILSON	2.493490
By_____ Date_____	
SUBURBAN PROPANE GAS CORPORATION	14.816317
By_____ Date_____	
READING & BATES OIL & GAS COMPANY	7.961414
By_____ Date_____	
CHAMPLIN PETROLEUM COMPANY	4.229557
By_____ Date_____	
ANADARKO PRODUCTION COMPANY	4.063690
By_____ Date_____	
CROWN CENTRAL PETROLEUM CORPORATION	3.980707
By_____ Date_____	
CHARLES B. READ	.331734
By_____ Date_____	
FISCO, INC.	.165867
By_____ Date_____	
HARVEY E. YATES	.099520
By_____ Date_____	
EXPLORERS PETROLEUM CORPORATION	.099520
By_____ Date_____	
FRED G. YATES , INC.	.099520
By_____ Date_____	
HEYCO	1.438556
By_____ Date_____	
DAVID FASKEN	1.219017
By_____ Date_____	

AFE # 80-028-0
DATE 2-8-80

RICHARD S. BROOKS .024935%

By_____ Date_____

AMOCO PRODUCTION COMPANY 4.975909

By_____ Date_____

WILLIAM MCCOY .260406

By_____ Date_____

CORONADO EXPLORATION CORPORATION .253287

By_____ Date_____

RIO PECOS CORPORATION 2.493490

By_____ Date_____

YATES PETROLEUM CORPORATION
AUTHORITY FOR EXPENDITURE

AFE # 80-093-0
Revision #
Date 5/22/80

Lease Name Rio Penasco KD Com #2
County Eddy State NM
Horizon Morrow Est. T.D. 9400
Est. Completion Date July 1980

Location N/2 Section 2-19S-25E
Field Boyd Morrow
Est. Spud Date June 1980
Drilling Contractor

Primary Objective:
Purpose :
Type Well :

[ ] Oil [X] Gas [ ] Oil and/or Gas
[X] Drilling-New [ ] Recompletion [ ] Other (Supplement AFE, etc.)
[ ] Development [ ] Exploratory

	INTANGIBLE COSTS:	Dry Hole	Completion
9210	Staking Permit & Legal Fees	$ 700	$ 700
9211	Location, Right-of-Way	8300	9300
9212	Drilling, Footage 9400' @$23.50	220900	220900
9213	Drilling, Daywork 5 days @ $4785 /day	23900	23900
9212/9213	Moving in, Rigging up, Rigging down	-	-
9224	Bits, Tools & Supplies	500	800
9214	Drilling Water	17500	18800
9215	Drilling Mud & Additives	31000	31000
9216	Mud Logging Unit	8800	8800
9217	Cement, Tools & Services, Temp. Surveys	14300	19200
9218	Drill Stem Testing	5600	5600
9219	Electric Logs & Perforating	21000	27900
9220	Tool & Equip. Rental, Trucking, Welding	4900	5900
9221	Supervision & Overhead	4500	6000
9223	Coring, Tools & Services	-	-
9241	Completion Unit 10 days @ $1120 /day	-	11200
9247	Stimulation	-	25500
9222	Contingency	40200	46200
	TOTAL INTANGIBLES	$ 402100	$ 461700

	WELL EQUIPMENT COSTS:		
9301	Christmas Tree and Well Head	$ 1600	$ 16000
9302	Casing: 13 3/8" 48# J-55- 380	7600	7600
9302	8 5/8 24# - J-55 - 1200	12200	12200
9302	5 1/2" 15.5-17# K&N N 9400		68600
9303	Tubing: 2 3/8" 4.7# - J-55 - 9200	-	25300
9304	Packer & Special Equipment	-	3800
9350	Contingency	1100	10000
	TOTAL WELL EQUIPMENT	$ 22500	$ 143500

	LEASE & BATTERY EQUIPMENT COSTS:		
9401	Pumping Equipment	$	$ 10400
9402	Storage 2-210 b. welded w/stair,walk, fbrgls		20400
9403	Separation Eq., Flowlines, Valves & Fittings		6000
9404	Trucking & Construction Costs		
	TOTAL LEASE & BATTERY EQUIP.	$	$ 36800
	TOTALS	$ 424600	$ 642000

Approval of this AFE constitues approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

YATES PETROLEUM CORPORATION
By Eddie M Mahfood Date 5-22-80 Share - 19.7111%

YATES DRILLING COMPANY
By: Date 6.7964

S. P. YATES
Date 3.8139

EXHIBIT NO. 5
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

MARK D. WILSON		
By_____	Date_____	5.0000%
SUBURBAN PROPANE GAS CORPORATION		
By_____	Date_____	14.8550
AMOCO PRODUCTION COMPANY		
By_____	Date_____	4.9889
READING & BATES OIL & GAS COMPANY		
By_____	Date_____	7.9822
CHAMPLIN PETROLEUM COMPANY		
By_____	Date_____	4.2406
ANADARKO PRODUCTION COMPANY		
By_____	Date_____	4.0743
CROWN CENTRAL PETROLEUM CORPORATION		
By_____	Date_____	3.9911
DAVID FASKEN		
By_____	Date_____	1.2222
HEYCO		
By_____	Date_____	1.4423
HARVEY E. YATES		
By_____	Date_____	.0998
EXPLORERS PETROLEUM CORPORATION		
By_____	Date_____	.0998
FRED G. YATES		
By_____	Date_____	.0998
CORONADO EXPLORATION CORP.		
By_____	Date_____	.2539
CHARLES B. READ		
By_____	Date_____	.3326
FISCO, INC.		
By_____	Date_____	.1663
RICHARD S. BROOKS		
By_____	Date_____	.0250
MYCO INDUSTRIES, INC.		
By_____	Date_____	4.2666
MARTIN YATES, III		
By_____	Date_____	4.6824
FRANK YATES		
By_____	Date_____	1.6613

ABO PETROLEUM CORPORATION

By_____ Date_____ 4.0778%

JOHN A. YATES

By_____ Date_____ 4.0778

LOS CHICOS

By_____ Date_____ 2.0389

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORORATION FOR :
COMPLUSORY POOLING, EDDY COUNTY : CASE NO. 6933
NEW MEXICO :
:

AFFIDAVIT OF MAILING

STATE OF NEW MEXICO)
: §
COUNTY OF EDDY)

The undersigned, being first duly sworn, upon oath, states that the undersigned is an employee of Applicant, and that on the 19th day of June, 1980, the undersigned did mail in the United States Post office at Artesia, New Mexico, true copies of the following instruments:

1. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #1 located in the S/2 of Section 2, Township 19 South, Range 25 East.

2. Application for Compulsory pooling of mineral interests in the Rio Penasco "KD" Com. #2 located in the N/2 of Section 2, Township 19 South, Range 25 East.

3. Docket reflecting hearing on both Applications at the Oil Conservation Division in Santa Fe, New Mexico, to be on the 25th day of June, 1980.

4. Operating Agreement dated July 1, 1978, covering both wells.

5. Authority for Expenditure on the "KD" #1 dated February 8, 1980.

6. Authority for Expenditure on the "KD" #2 dated May 22, 1980 .

7. Oil and Gas Lease dated June 19, 1980, 1 year term, with 1/4 overriding royalty.

in securely sealed, postage prepaid, certified, return receipt requested envelopes addressed to the following named persons:

EXHIBIT NO. 6
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

SALLY ELLIS, HEIR OF HAYWARD & MARGUERITE AYERS	c/o Mr. Stanley Black Hutchinson, Black, Hill, Buchanan & Cook P. O. Box 1170 Boulder, Colorado 80306
JAMES G. BENNETT HEIRS	Bennett Office, Inc. 1210 Baker Building Minneapolis, Minnesota 55402
E. E. MACGIBBON HEIRS	321 Lowell Elk River, Minnesota 55330
OWEN MARSHALL	608 Putnam Drive Eou Claire, Wisconsin 54701
MARGARET NORTON	2880 Lorain Road San Marino, California 91108
MARY PHILLIPS BAIDA	2244 Q Via Puerta Laguna Hills, California 92653
RUFUS R. RAND HEIRS	c/o Palmer First National Bank & Trust Co. P.O. Box 2018 Sarasota, Florida 33578

Kathy J. Colbert
KATHY J. COLBERT

SUBSCRIBED AND SWORN TO before me this 19th day of June, 1980.

Janet Morgan
Notary Public

My Commission Expires:
8-20-80

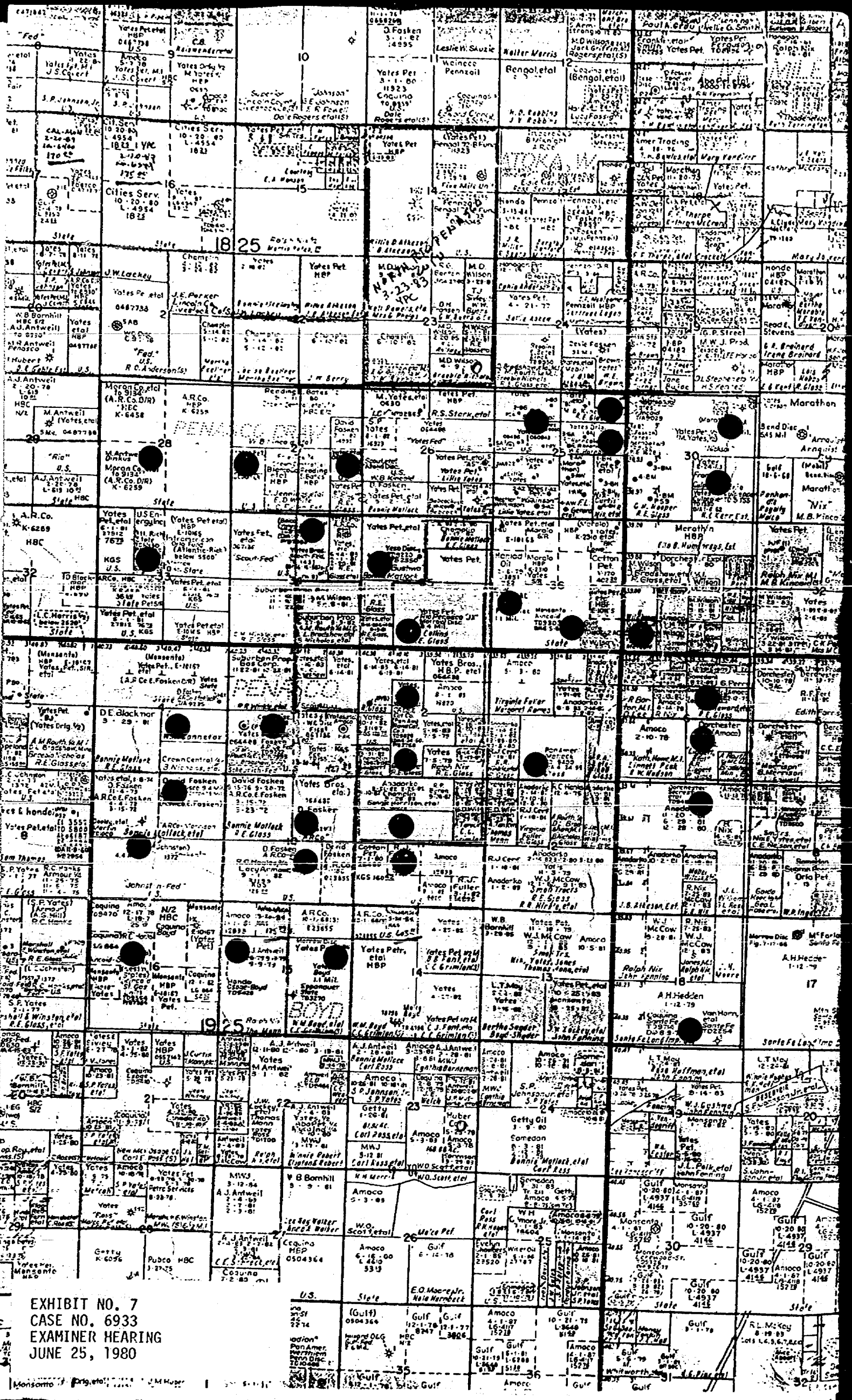


EXHIBIT NO. 7
CASE NO. 6933
EXAMINER HEARING
JUNE 25, 1980

RECEIVED
JUN - 9 1980
OIL CONSERVATION DIVISION
SANTA FE

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210
746-3508

A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER

June 6, 1980

Case 6933

Mr. Dan Nutter
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Applications of Yates Petroleum Corporation
for Compulsory Pooling, Eddy County, N.M.
Rio Penasco "KD" No. 1 Well, located in
S/2 Sec. 2, T-19-S, R-25-E, N.M.P.M.
Rio Penasco "KD" No. 2 Well, located in
N/2 Sec. 2, T-19-S, R-25-E, N.M.P.M.

Dear Dan:

This confirms our agreement to consolidate the cases captioned above. The parties are the same in both proceedings. As requested, the names and last known addresses for the parties being pooled are set forth on the attached schedule. Please let us know if you need anything further.

Thank you.

Sincerely yours,

LOSEE, CARSON & DICKERSON, P.A.

Chad Dickerson

Chad Dickerson

CD:pvm
Attachment

UNLEASED

2-19S-25E

RECEIVED
JUN - 9 1980
OIL CONSERVATION DIVISION
SANTA FE

SALLY ELLIS, HEIR OF HAYWARD & MARGUERITE AYERS
c/o Mr. Stanley Black
Hutchinson, Black, Hill, Buchanan & Cook
Attorneys at Law
P. O. Box 1170
Boulder, Colorado 80306

JAMES G. BENNETT HEIRS
Bennett Office, Inc.
1210 Baker Building
Minneapolis, Minnesota 55402

E. E. MACGIBBON HEIRS
321 Lowell
Elk River, Minnesota 55330

OWEN MARSHALL
608 Putnam Drive
Eou Claire, Wisconsin 54701

MARGARET NORTON (MRS. JAMES J.)
2880 Lorain Road
San Marino, California 91108

MARY PHILLIPS BAIDA
2244 Q Via Puerta
Laguna Hills, California 92653

RUFUS R. RAND HEIRS
c/o Palmer First National Bank & Trust Co.
P. O. Box 2018
Sarasota, Florida 33578

Dockets Nos. 20-80 and 21-80 are tentatively set for July 9 and 23, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 25, 1980

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 6891: (Readvertised)

In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Midwest Refining Company, United States Fidelity & Guaranty Company, and all other interested parties to appear and show cause why the State Well No. 1 located in Unit A of Section 16, Township 33 South, Range 14 West, Hidalgo County, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE 6929: Application of Consolidated Oil & Gas, Inc. for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Blanco Mesaverde and Basin-Dakota production in the wellbore of its NCRA Well No. 1-E located in Unit G of Section 22, Township 26 North, Range 7 West, by using the Dakota gas for gas lift of Mesaverde liquids after metering on the surface.

CASE 6930: Application of Amoco Production Company for an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Empire South Deep Unit Well No. 21 to be drilled 660 feet from the North and East lines of Section 36, Township 17 South, Range 28 East, the E/2 of said Section 36 to be dedicated to the well.

CASE 6931: Application of H. L. Harvey for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Aztec-Fruitland and Bloomfield-Farmington production in the wellbore of his Jones Well No. 3 located in Unit B of Section 13, Township 29 North, Range 11 West.

CASE 6917: (Continued from June 4, 1980, Examiner Hearing)

Application of Yates Petroleum Corporation for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination for its Goat Roper "LP" Com. Well No. 1 located in Unit P of Section 30, Township 17 South, Range 26 East.

CASE 6932: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its State "JM" Well No. 2, a Morrow test to be drilled 660 feet from the South and East lines of Section 25, Township 18 South, Range 24 East, the S/2 of said Section 25 to be dedicated to the well.

CASE 6933: Application of Yates Petroleum Corporation for two compulsory poolings, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying two 320-acre proration units, being the N/2 and the S/2 of Section 2, Township 19 South, Range 25 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

CASE 6934: Application of Coronado Exploration Corporation for three compulsory poolings, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying three 40-acre proration units, being the NW/4 SE/4 of Section 6, the NE/4 SE/4 of Section 28, and the SW/4 NW/4 of Section 33, all in Township 11 South, Range 28 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

CASE 6901: (Continued from May 21, 1980, Examiner Hearing)

Application of Harvey E. Yates Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Mississippian formations underlying the E/2 of Section 19, Township 14 South, Range 36 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

RECEIVED
MAY 2 8 1980
OIL CONSERVATION DIVISION
SANTA FE

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF :
YATES PETROLEUM CORPORATION FOR :
COMPULSORY POOLING, EDDY COUNTY, : CASE NO. 6933
NEW MEXICO :
:

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

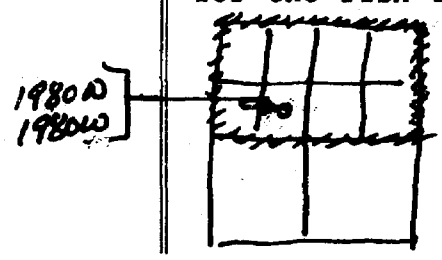
1. Applicant has the right to drill its Rio Penasco "KD" No. 2 Well as a gas well, to a depth sufficient to test the Morrow formation, which is to be located at a point 1,980 feet from the north line and 1,980 feet from the west line of Section 2, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant proposes to dedicate the N/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. 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 unit, all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations underlying the N/2 of said Section 2, should be pooled.

5. 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, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.



6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations underlying the N/2 of said Section 2, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other and further relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: Chad Dickerson
Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

RECEIVED
MAY 2 9 1980
OIL CONSERVATION DIVISION
SANTA FE

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 6933

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its Rio Penasco "RD" No. 2 Well as a gas well, to a depth sufficient to test the Morrow formation, which is to be located at a point 1,980 feet from the north line and 1,980 feet from the west line of Section 2, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant proposes to dedicate the N/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. 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 unit, all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations underlying the N/2 of said Section 2, should be pooled.

5. 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, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations underlying the N/2 of said Section 2, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other and further relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: Chad Dickerson
Chad Dickerson

LOSSE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

RECEIVED
MAY 2 9 1980
OIL CONSERVATION DIVISION
SANTA FE

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 6933

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its Rio Penasco "RD" No. 2 Well as a gas well, to a depth sufficient to test the Morrow formation, which is to be located at a point 1,980 feet from the north line and 1,980 feet from the west line of Section 2, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant proposes to dedicate the N/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. 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 unit, all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations underlying the N/2 of said Section 2, should be pooled.

5. 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, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations underlying the N/2 of said Section 2, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other and further relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: Chad Dickerson
Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

RECEIVED
MAY 28 1980
OIL CONSERVATION DIVISION
SANTA FE

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 6933

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

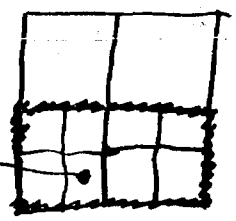
1. Applicant has the right to drill its Rio Penasco "KD" No. 1 Well as a gas well, to a depth sufficient to test the Morrow formation, which is to be located at a point 660 feet from the south line and 1,980 feet from the west line of Section 2, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant proposes to dedicate the S/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. 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 unit, all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations underlying the S/2 of said Section 2, should be pooled.

5. 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, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.



6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations underlying the S/2 of said Section 2, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other and further relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: Chad Dickerson
Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

RECEIVED
MAY 2 3 1989
OIL CONSERVATION DIVISION
SANTA FE

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 6933

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its Rio Penasco "KD" No. 1 Well as a gas well, to a depth sufficient to test the Morrow formation, which is to be located at a point 660 feet from the south line and 1,980 feet from the west line of Section 2, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant proposes to dedicate the S/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. 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 unit, all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations underlying the S/2 of said Section 2, should be pooled.

5. 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, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations underlying the S/2 of said Section 2, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other and further relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: Chad Dickerson
Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

RECEIVED
MAY 2 8 1980
OIL CONSERVATION DIVISION
SANTA FE

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 6933

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its Rio Penasco "RD" No. 1 Well as a gas well, to a depth sufficient to test the Morrow formation, which is to be located at a point 660 feet from the south line and 1,980 feet from the west line of Section 2, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant proposes to dedicate the S/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. 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 unit, all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations underlying the S/2 of said Section 2, should be pooled.

5. 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, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Morrow formations underlying the S/2 of said Section 2, Township 19 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other and further relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: Chad Dickerson
Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 6933

Order No. R- 6395

APPLICATION OF YATES PETROLEUM CORPORATION FOR TWO COMPULSORY POOLINGS, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 25, 19 80, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of June, 19 80, the Division Director, 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 Division has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Yates Petroleum Corporation, seeks an order pooling all mineral interests in the Morrow formation underlying two 320-acre ~~underlying the~~ proration units, being the N/2 and the S/2 of Section 2, Township 19 South, Range 25 East, NMPM, _____, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well on each of said proration unit at a standard location thereon.

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

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in each of said units 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 units.

(6) That the applicant should be designated the operator of the subject well and units.

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

(8) That any non-consenting working interest owner who does not pay his share of appropriate estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

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

(10) That following determination of reasonable well costs, any non-consenting working interest owner who 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.

(11) That $ 2000 oc per month while drilling and $ 278 oc per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures chargeable to the appropriate well required for operating the ~~subject~~ said well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from either of the subject wells 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.

(13) That upon the failure of the operator of said pooled units to commence drilling of the well to which either of said unit is dedicated on or before ~~November~~ December 1, 1980, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Morrow formation underlying the N/2 and underlying the S/2 of Section 2, Township 19 South, Range 25 East, NMPM, _____, Eddy County, New Mexico, are hereby pooled to form two standard ~~320~~ 320-acre gas spacing and proration units each to be dedicated to a well to be drilled at a standard location thereon

PROVIDED HOWEVER, that the operator of said units shall commence the drilling of both of said wells on or before the 1st day of December, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of either of said wells on or before the 1st day of December, 1980, Order (1) of this order shall be null and void and of no effect whatsoever as to such well and unit, unless said operator obtains a time extension from the Division for good cause shown.

either of

PROVIDED FURTHER, that should/said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded as to such well and unit.

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject well and units.

(3) That after the effective date of this order and within either of
90 days prior to commencing/said wells the operator shall furnish the Division and each known working interest owner in the ~~subject~~ appropriate unit an itemized schedule of estimated well costs.

(4) 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 but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner who 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.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) 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.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of 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.

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

(9) That $ 2000 oe per month while drilling and $ 278 oe per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable under each well to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating each such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) 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.

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

(12) That all proceeds from production from the subject wells which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

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

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.