

A.A.P.L. FORM 610 - 1989
MODEL FORM OPERATING AGREEMENT

MONUMENT "17" #1

OPERATING AGREEMENT

DATED

October 1 , 2006 ,
year

OPERATOR Unit Petroleum Company

CONTRACT AREA North Half (N/2) Section 17, Township 20 South, Range 36 East

COUNTY OR PARISH OF Lea County , STATE OF New Mexico

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AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD.
FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 - 1989

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 13821 Exhibit No. 6
Submitted By:
Chesapeake Operating
Hearing Date: November 30, 2006

COPAS

1 12. Insurance
 2
 3 Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint
 4 Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability
 5 under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event,
 6 Operator shall include a charge at Operator's cost not to exceed manual rates.
 7
 8 13. Abandonment and Reclamation
 9
 10 Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.
 11
 12 14. Communications
 13
 14 Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave
 15 facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator
 16 owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.
 17
 18 15. Other Expenditures
 19
 20 Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which is of direct
 21 benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.
 22
 23
 24 III. OVERHEAD
 25
 26 1. Overhead - Drilling and Producing Operations
 27
 28 i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and
 29 producing operations on either:
 30
 31 (X) Fixed Rate Basis, Paragraph 1A, or
 32 () Percentage Basis, Paragraph 1B
 33
 34 Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages
 35 plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost
 36 and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or
 37 involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph
 38 of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.
 39
 40 ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and
 41 contract services of technical personnel directly employed on the Joint Property:
 42
 43 () shall be covered by the overhead rates, or
 44 (X) shall not be covered by the overhead rates.
 45
 46 iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and
 47 contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of
 48 the Joint Property:
 49
 50 () shall be covered by the overhead rates, or
 51 (X) shall not be covered by the overhead rates.
 52
 53 A. Overhead - Fixed Rate Basis
 54
 55 (1) Operator shall charge the Joint Account at the following rates per well per month:
 56
 57 Drilling Well Rate \$ 7,000.00
 58 (Prorated for less than a full month)
 59
 60 Producing Well Rate \$ 700.00
 61
 62 (2) Application of Overhead - Fixed Rate Basis shall be as follows:
 63
 64 (a) Drilling Well Rate
 65
 66 (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling
 67 rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no
 68
 69
 70