



BEFORE THE OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

Case No. 11563 (De Novo) Exhibit No. 1

Submitted by: Nearburg Exploration Company, L.L.C.

Hearing Date: October 29, 1996

LOCATOR MAP NEARBURG EXPLORATION COMPANY

NIKE "3" NO. 1 WELL
SECTION 3-T16S-R35E

3070' FSL & 330' FEL
LEA COUNTY, NEW MEXICO

OCD CASE NO. 11563

July 25, 1996

EXHIBIT No. 1

NEARBURG EXPLORATION COMPANY

NIKE "3" NO. 1 WELL

SECTION 3-T16S-R35E

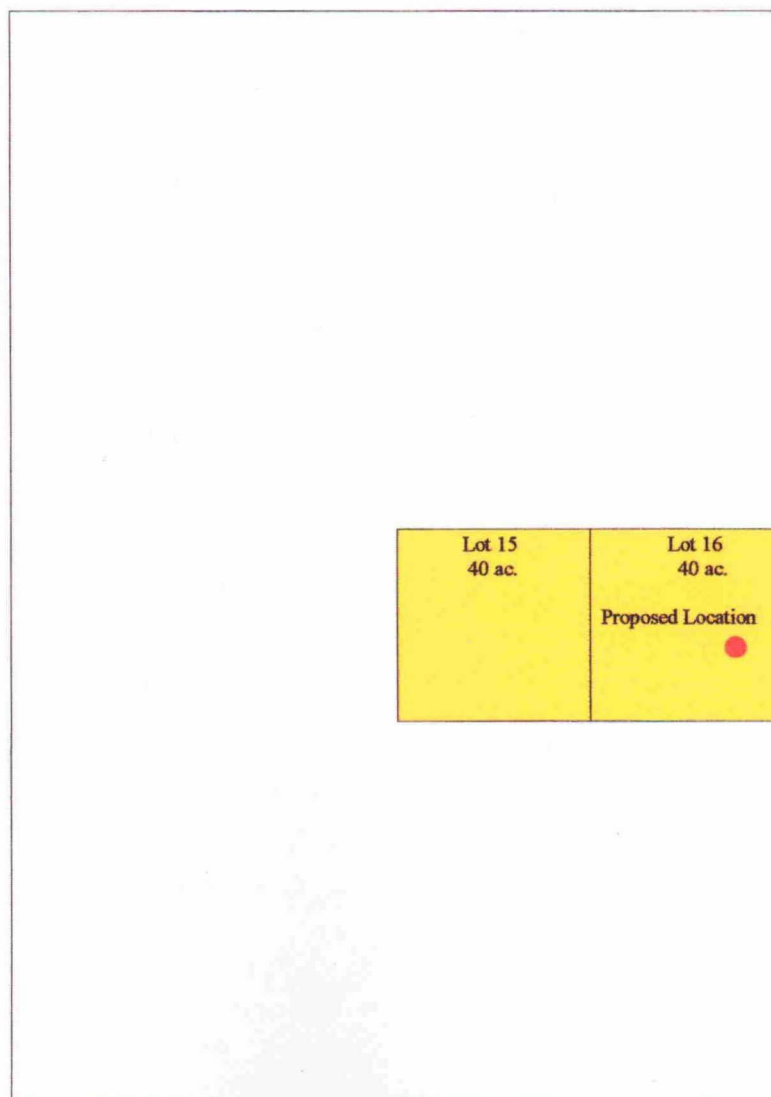
3070' FSL & 330' FEL

LEA COUNTY, NEW MEXICO

OCD CASE NO. 11563

JULY 25, 1996

Exhibit No. 2



BEFORE THE

OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

Case No. 11563 (De Novo) Exhibit No. 2

Submitted by: Nearburg Exploration Company, L.L.C.

Hearing Date: October 29, 1996

Nearburg Exploration Company	54.17%
Amerind Oil Company	20.83%
Enserch Exploration, Inc.	12.50%
A. L. Cone Partnership	<u>12.50%</u>
	100.00%

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

June 25, 1996

CERTIFIED RETURN RECEIPT REQUESTED

Jerry Lee Hooper
P. O. Box 2126
Roswell, New Mexico 88202

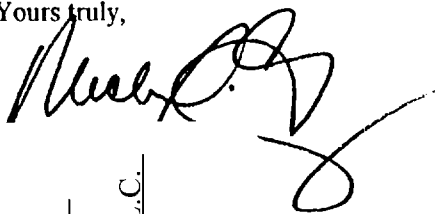
RE: Change of Location - Nike "3" #1 Well
Section 3, T-16-S, R-35-E
Lea County, New Mexico

Gentlemen:

Enclosed is an amended Authority for Expenditure for the captioned well changing the location to 3,070' FSL and 330' FEL of Section 3, T-16-S, R-35-E, Lea County, New Mexico. Also enclosed is an amended page 4 of the Operating Agreement dated June 4, 1996 which has previously been submitted to you. This amends the location under Article VI.A. of the Operating Agreement. This change of location was necessitated due to the proximity of a power line to our original location.

If you have any questions about this amended location or the necessity for moving the location, please contact me. If you have any comments regarding the enclosed AFE or Operating Agreement please let me know.

Yours truly,



Z 740 463 196



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to

RE: Nike "3" #1

our RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

Jerry Lee Hooper
P. O. Box 2126
Roswell, NM 88202

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
 2. ☐ Restricted Delivery
- Consult postmaster for fee.

4a. Article Number

Z 740 463 196

4b. Service Type

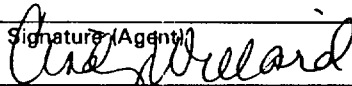
- ☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt for Merchandise

7. Date of Delivery

6-27-96

5. Signature (Addressee)

6. Signature (Agent)



8. Addressee's Address (Only if requested and fee is paid)

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 11563 (De Novo) Exhibit No. 3

Submitted by: Nearburg Exploration Company, L.L.C.

Hearing Date: October 29, 1996

Thank you for using Return Receipt Service

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

June 25, 1996

CERTIFIED RETURN RECEIPT REQUESTED

A. L. Cone Partnership
12 Briercroft Office Pa.
Lubbock, Texas 79412-3002

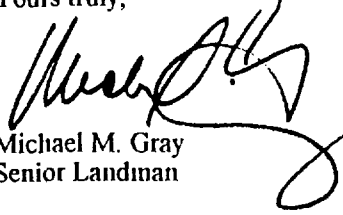
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Section 3, T-16-S, R-35-E
Lea County, New Mexico

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Yours truly,


Michael M. Gray
Senior Landman

MMG/dw
encl.

NIKE 3-1

Z 740 463 195



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to: *Cone Partnership*

RE: Nike "3" #1

Your RETURN ADDRESS completed on the reverse side?	SENDER: <ul style="list-style-type: none">• Complete items 1 and/or 2 for additional services.• Complete items 3, and 4a & b.• Print your name and address on the reverse of this form so that we can return this card to you.• Attach this form to the front of the mailpiece, or on the back if space does not permit.• Write "Return Receipt Requested" on the mailpiece below the article number.• The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
	3. Article Addressed to: A. L. Cone Partnership 12 Briercroft Office Pa. Lubbock, TX 79412-3002		4a. Article Number Z 740 463 195	
	4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail		<input type="checkbox"/> Return Receipt for Merchandise	
	5. Signature (Addressee) <i>Betty Petree</i>		7. Date of Delivery JUN 27 1996	
	6. Signature (Agent) <i>Betty Lou Petree</i>		8. Addressee's Address (Only if requested and fee is paid)	

PS Form 3811, December 1991

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

June 25, 1996

CERTIFIED RETURN RECEIPT REQUESTED

Amerind Oil Company, Ltd.
415 West Wall, Suite 500
Midland, Texas 79701

ATTN: Mr. Bob Leibrock

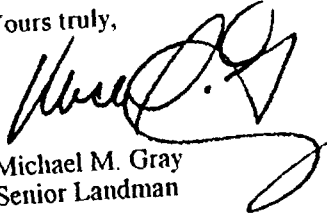
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Lea County, New Mexico

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Michael M. Gray
Senior Landman

MMG/dw
encl.

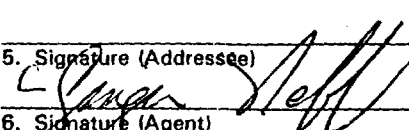
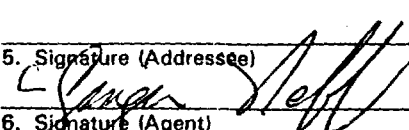
NIKE-3-1

Z 740 463 194



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RE: Nike "3" #1	
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3. Article Addressed to: Mr. Bob Leibrock Amerind Oil Company, Ltd. 415 W. Wall, Suite 500 Midland, TX 79701	4a. Article Number Z 740 463 194
5. Signature (Addressee) 	4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature (Agent) 	7. Date of Delivery 6-27-96
8. Addressee's Address (Only if requested and fee is paid)	

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

June 25, 1996

CERTIFIED RETURN RECEIPT REQUESTED

Enserch Exploration, Inc.
4849 Greenville Ave., Suite 1200
Dallas, Texas 75206

ATTN: Mr. Jerry R. Anderson

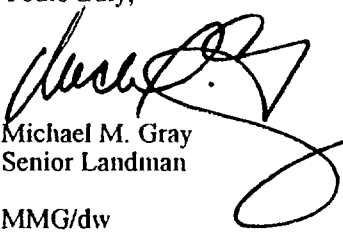
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Lea County, New Mexico

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Yours truly,


Michael M. Gray
Senior Landman

MMG/dw
encl.

NIKE.3-1

Z 740 463 193

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RE: Nike "3" #1

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	3. Article Addressed to: Mr. Jerry R. Anderson Enserch Exploration, Inc. 4849 Greenville Ave., S-1200 Dallas, TX 75206	
	4a. Article Number Z 740 463 193	4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
	7. Date of Delivery 6/27/96	
	8. Addressee's Address (Only if requested and fee is paid)	
5. Signature (Addressee)		
6. Signature (Agent)		

our RETURN ADDRESS completed on the reverse side?

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

Nearburg Producing Company 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 hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, 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" 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. 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"; provided, however, if an Operator which has been 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" 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 31st day of August, 1996, Operator shall be authorized to commence the drilling of a well for oil and gas at the following location:

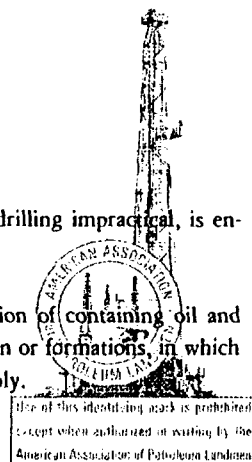
3,070' FSL and 330' FEL of Section 3, T-16-S, R-35-E,
Lea County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to

a total depth of 12,300' or sufficient in Operator's opinion to adequately test the Mississippian formation,

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 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.



Nearburg Producing Company

Page 1 of 2

Exploration and Production

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Nike 3

WELL NUMBER: 1

TOTAL DEPTH: 12,300'

LOCATION: 3070' FSL and 330' FEL Section 3, T16S, R35E, Lea County, NM

FIELD: Wildcat Mississippian

EXPLORATORY, DEVELOPMENT, WORKOVER: Wildcat

DESCRIPTION OF WORK: Drill and complete as a flowing Mississippian gas producer

DATE PREPARED: 6/4/96

EST. START DATE:

EST. COMPLETION DATE:

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage - 12,300' @ \$18 /Ft	1514.101	221,400	NA		221,400
Drilling Daywork - 3/2 Days @ \$4,500/Day	1514.105	13,500	1515.105	9,000	22,500
Drilling Turnkey	1514.110		1515.110		0
Rig Mobilization and Demobilization	1514.115		1515.115		0
Road & Location Expense	1514.120	15,000	1515.123	2,500	17,500
Damages	1514.125	5,000	1515.125	1,000	6,000
Directional Drilling - Tools and Service	1514.130		1515.130		0
Drilling Fluids	1514.135	35,000	NA	1,000	36,000
Fuel, Power & Water	1514.140	15,000	1515.140	2,000	17,000
Supplies - Bits	1514.145		1515.145	500	500
Supplies - Casing Equipment	1514.150	2,500	1515.150	7,000	9,500
Supplies - Liner Equipment	1514.155		1515.155		0
Supplies - Miscellaneous	1514.160	1,500	1515.160	500	2,000
Cement and Cmt. Services - Surface Csg	1514.165	5,000	NA		5,000
Cement and Cmt. Services - Int. Csg	1514.170	12,000	NA		12,000
Cement and Cmt. Services - Prod. Csg	NA		1515.173	25,000	25,000
Cement and Cmt. Services - Other	1514.175		1515.175		0
Rental - Drilling Tools and Equipment	1514.180	10,000	1515.180		10,000
Rental - Misc.	1514.185	2,500	1515.185	3,000	5,500
Testing - Drill Stem / Production	1514.190	9,000	1515.195		9,000
Open Hole Logging	1514.200	35,000	NA		35,000
Mudlogging Services	1514.210	15,000	NA		15,000
Special Services	1514.190		1515.190		0
Plug and Abandon	1514.215	15,000	1515.215	(15,000)	0
Pulling and/or Swabbing Unit	NA		1515.217	10,500	10,500
Reverse Equipment	NA		1515.219	1,200	1,200
Wireline Services	1514.205		1515.205	7,500	7,500
Stimulation	NA		1515.221	9,500	9,500
Pump / Vacuum Truck Services	1514.220		1515.220	2,500	2,500
Transportation	1514.225	2,500	1515.225	4,000	6,500
Tubular Goods - Inspection & Testing	1514.230	1,500	1515.230	8,000	9,500
Unclassified	1514.245		1515.245		0
Telephone and Radio Expense	1514.240	1,500	1515.240	300	1,800
Engineer / Geologist	1514.250	7,500	1515.250	2,500	10,000
Company Labor - Field Supervision	1514.255	15,000	1515.255	4,500	19,500
Contract Labor / Roustabout	1514.265	2,000	1515.265	3,000	5,000
Legal and Professional Services	1514.270	5,000	1515.270	2,000	7,000
Insurance	1514.275	27,900	1515.275	2,000	29,900
Overhead	1514.280	10,000	1515.280	2,000	12,000
SUBTOTAL		485,300		96,000	581,300
Contingencies (10%)		48,530		9,600	58,130
ESTIMATED TOTAL INTANGIBLES		533,830		105,600	639,430

Dallas, Texas

<u>TANGIBLE COSTS:</u>	<u>CODE</u>	<u>TO CSG PT</u>	<u>CODE</u>	<u>COMPLETION</u>	<u>TOTAL WELL</u>
Conductor Casing	1520.305		NA		0
Surface Casing 13-3/8"-500'@\$24/ft	1520.310	12,000	NA		12,000
Intermediate Casing 8-5/8"-4,900'@\$14/ft	1520.315	68,600	NA		68,600
Protection Casing	1520.320		NA		
Production Casing 12,300'@\$13.50/ft	NA		1522.325	166,100	166,100
Protection Liner	1520.330		NA		
Production Liner	NA		1522.335		
Tubing 2-3/8" - 11,900'@\$3.30/ft	NA		1522.340	39,300	39,300
Rods	NA		1522.345		0
Artificial Lift Equipment	NA		1522.350		0
Tank Battery	NA		1522.355	20,000	20,000
Separators/Heater Treater/Gas Units/FWKO	NA		1522.360	12,000	12,000
Well Head Equipment & Christmas Tree	1520.365	1,500	1522.365	10,500	12,000
Subsurface Well Equipment	NA		1522.370	6,000	6,000
Flow Lines	NA		1522.375	7,500	7,500
Saltwater Disposal Pump	NA		1522.380		0
Gas Meter	NA		1522.385	3,500	3,500
Lact Unit	NA		1522.390	12,000	12,000
Vapor Recovery Unit	NA		1522.395	2,500	2,500
Other Well Equipment	NA		1522.399		
ROW and Damages	NA		1522.393	2500	
Surface Equipment Installation Costs	NA		1522.399	10,000	10,000
Elect. Installation	NA		1522.397	5,000	5,000
ESTIMATED TOTAL TANGIBLES		82,100		296,900	379,000
ESTIMATED TOTAL WELL COSTS		615,930		402,500	1,018,430

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, OR LESS, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND. THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL	DATE
PREPARED BY: HRW	6/04/96
REVIEWED BY: ESK	6/04/96
APPROVED BY:	

WI APPROVAL: COMPANY _____

BY _____ DATE _____

TITLE _____

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES


IN THE MATTER OF THE APPLICATION
OF NEARBURG EXPLORATION COMPANY, L.L.C.
FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 11563

AFFIDAVIT

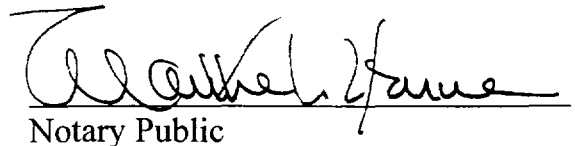
STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

William F. Carr, authorized representative of Nearburg Exploration Company, L.L.C.,
the Applicant herein, being first duly sworn, upon oath, states that in accordance with the
notice provisions of Rule 1207 of the New Mexico Oil Conservation Division the Applicant
has attempted to find the correct addresses of all interested persons entitled to receive notice
of this application and that notice has been given at the addresses shown on Exhibit "A"
attached hereto as provided in Rule 1207.



William F. Carr

SUBSCRIBED AND SWORN to before me this 24th day of July, 1996.



Notary Public

My Commission Expires: August 19, 1999

EXHIBIT A

Amerind Oil Company, Ltd.
415 W. Wall, Suite 500
Midland, TX 79701

Enserch Exploration
4849 Greenville, Suite 1200
Dallas, TX 75206

Jerry Lee Hooper
Post Office Box 2186
Roswell, NM 88202

Jimmy Joe Hooper
Post Office Box 2186
Roswell, NM 88202

A. L. Cone Partnership
12 Briercroft Office Pa.
Lubbock, TX 79412-3002

**BEFORE THE
OIL CONSERVATION DIVISION**
Santa Fe, New Mexico

**AFFIDAVIT,
Page 2**

Case No. 11563 Exhibit No. 6

Submitted by: Nearburg Exploration Company, L.L.C.

Hearing Date: July 25, 1996

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN

MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4422
TELECOPIER: (505) 983-6043

June 20, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Amerind Oil Company, Ltd.
415 W. Wall, Suite 500
Midland, Texas 79701

Re: Application of Nearburg Exploration Company, L.L.C. for Compulsory
Pooling, Lea County, New Mexico

Gentlemen:

This letter is to advise you that Nearburg Exploration Company, L.L.C. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests in certain spacing units all formations to the base of the Mississippian formation, in and under Lots 15 and 16 of Section 3, Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico. Nearburg Exploration Company, L.L.C. proposes to dedicate the referenced pooled units to its Nike "3" No. 1 Well to be drilled to an approximate depth of 12,300 feet at an orthodox well location 2970 feet from the South line and 330 feet from the East line in Lot 16 of said Section 3.

This application has been set for hearing before a Division Examiner on July 11, 1996. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Amerind Oil Company. Ltd.

June 20, 1996

Page 2

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", with a long horizontal line extending to the right.

WILLIAM F. CARR

ATTORNEY FOR NEARBURG EXPLORATION COMPANY, L.L.C.

WFC:mlh

Enc.

Is your **RETURN ADDRESS** completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. ☐ Addressee's Address
 - 2. ☐ Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Amerind Oil Company, Ltd.
415 W. Wall, Suite 500
Midland, TX 79701

4a. Article Number

P 106 677 035

4b. Service Type

- ☐ Registered
- ☐ Express Mail
- ☐ Return Receipt for Merchandise
- ☐ COD
- ☒ Certified
- ☐ Insured

7. Date of Delivery

6-26-96

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

X *Mudith Praydes*

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

P-106 677 035

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

Amerind Oil Company, Ltd.
415 W. Wall, Suite 500
Midland, TX 79701

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	JUN 20 1996

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN

MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

June 20, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Enserch Exploration
4849 Greenville, Suite 1200
Dallas, TX 75206

Re: Application of Nearburg Exploration Company, L.L.C. for Compulsory
Pooling, Lea County, New Mexico

Gentlemen:

This letter is to advise you that Nearburg Exploration Company, L.L.C. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests in certain spacing units all formations to the base of the Mississippian formation, in and under Lots 15 and 16 of Section 3, Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico. Nearburg Exploration Company, L.L.C. proposes to dedicate the referenced pooled units to its Nike "3" No. 1 Well to be drilled to an approximate depth of 12,300 feet at an orthodox well location 2970 feet from the South line and 330 feet from the East line in Lot 16 of said Section 3.

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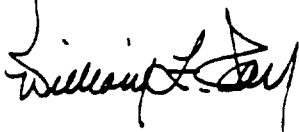
Enserch Exploration

June 20, 1996

Page 2

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Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is stylized with a large initial "W" and a long, sweeping underline.

WILLIAM F. CARR

ATTORNEY FOR NEARBURG EXPLORATION COMPANY, L.L.C.

WFC:mlh

Enc.

Is your **RETURN ADDRESS** completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
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- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. ☐ Addressee's Address
 - 2. ☐ Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Enserch Exploration
4849 Greenville, Suite 1200
Dallas, TX 75206

4a. Article Number

P 106 677 036

4b. Service Type

- ☐ Registered
- ☐ Express Mail
- ☐ Return Receipt for Merchandise
- ☐ COD
- ☒ Certified
- ☐ Insured

7. Date of Delivery

6/25/96

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

X

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

P-106 677 036

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

Enserch Exploration
4849 Greenville, Suite 1200
Dallas, TX 75206

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	JUN 20 1996

PS Form 3800, June 1994

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN

MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

June 20, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Jerry Lee Hooper
Post Office Box 2186
Roswell, NM 88202

Re: Application of Nearburg Exploration Company, L.L.C. for Compulsory
Pooling, Lea County, New Mexico

Dear Mr. Hooper:

This letter is to advise you that Nearburg Exploration Company, L.L.C. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests in certain spacing units all formations to the base of the Mississippian formation, in and under Lots 15 and 16 of Section 3, Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico. Nearburg Exploration Company, L.L.C. proposes to dedicate the referenced pooled units to its Nike "3" No. 1 Well to be drilled to an approximate depth of 12,300 feet at an orthodox well location 2970 feet from the South line and 330 feet from the East line in Lot 16 of said Section 3.

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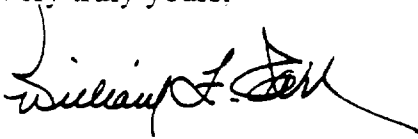
Jerry Lee Hooper

June 20, 1996

Page 2

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Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", with a long, sweeping horizontal line extending to the right.

WILLIAM F. CARR

ATTORNEY FOR NEARBURG EXPLORATION COMPANY, L.L.C.

WFC:mlh

Enc.

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
LAWYERS

POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208

P-106 677 037

RECEIPT FOR CERTIFIED MAIL

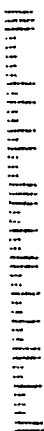
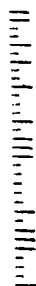
INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

Jerry Lee Hooper
Post Office Box 2186
Roswell, NM 88202

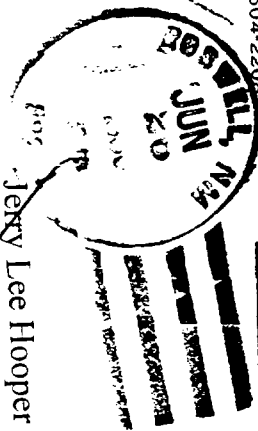
Postage	5
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date and Address of Delivery	
TOTAL Postage and Fees	5
Postmark or Date	JUN 20 1996

PS Form 3800, June 1985

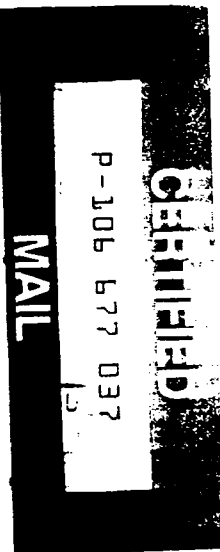
88202/2186



Jerry Lee Hooper
Post Office Box 2186
Roswell, NM 88202



JUN 01 1996



CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. SERGE
MARK F. SHERIDAN

MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 100 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

June 20, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Jimmy Joe Hooper
Post Office Box 2186
Roswell, NM 88202

Re: Application of Nearburg Exploration Company, L.L.C. for Compulsory
Pooling, Lea County, New Mexico

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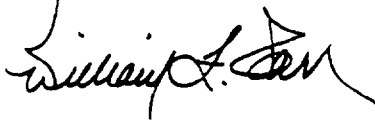
Jimmy Joe Hooper

June 20, 1996

Page 2

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Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a large initial "W" and a stylized "C".

WILLIAM F. CARR

ATTORNEY FOR NEARBURG EXPLORATION COMPANY, L.L.C.

WFC:mlh

Enc.

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
LAWYERS

POST OFFICE BOX 2298
SANTA FE, NEW MEXICO 87504-2208

P-106 677 038

RECEIPT FOR CERTIFIED MAIL

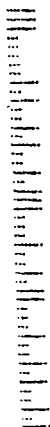
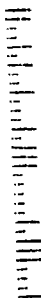
NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

Jimmy Joe Hooper
Post Office Box 2186
Roswell, NM 88202

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date JUN 20 1996	

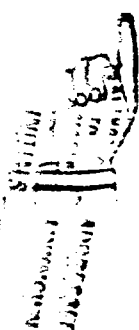
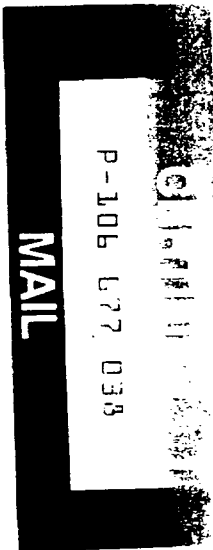
PS Form 3800, June 1985

88202/2208



Jimmy Joe Hooper
Post Office Box 2186
Roswell, NM 88202

JUN 20 1996



NAME
1st Notice
2nd Notice
Return
JUL 01 1996

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN

MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

June 20, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

A. L. Cone Partnership
12 Briercroft Office Pa.
Lubbock, TX 79412-3002

Re: Application of Nearburg Exploration Company, L.L.C. for Compulsory
Pooling, Lea County, New Mexico

Gentlemen:

This letter is to advise you that Nearburg Exploration Company, L.L.C. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of all mineral interests in certain spacing units all formations to the base of the Mississippian formation. in and under Lots 15 and 16 of Section 3, Township 16 South, Range 35 East, N.M.P.M., Lea County, New Mexico. Nearburg Exploration Company, L.L.C. proposes to dedicate the referenced pooled units to its Nike "3" No. 1 Well to be drilled to an approximate depth of 12,300 feet at an orthodox well location 2970 feet from the South line and 330 feet from the East line in Lot 16 of said Section 3.

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A. L. Cone Partnership

June 20, 1996

Page 2

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Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", with a long, sweeping horizontal line extending to the right.

WILLIAM F. CARR

ATTORNEY FOR NEARBURG EXPLORATION COMPANY, L.L.C.

WFC:mlh

Enc.

Is your **RETURN ADDRESS** completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. ☐ Addressee's Address
- 2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

A. L. Cone Partnership
12 Briercroft Office Pa.
Lubbock, TX 79412-3002

4a. Article Number

4b. Service Type

P 106 677 039

☐ Registered

☐ Express Mail

☐ Return Receipt for Merchandise

7. Date of Delivery

8. Addressee's Address (Only if requested and fee is paid)

5. Received By: (Print Name)

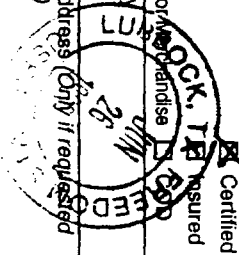
Betty Petree

6. Signature (Addressee or Agent)

X Betty Cone Petree

PS Form 3811, December 1994

Domestic Return Receipt



Thank you for using Return Receipt Service.

P-106 677 039

RECEIPT FOR CERTIFIED MAIL

INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

A. L. Cone Partnership
12 Briercroft Office Pa.
Lubbock, TX 79412-3002

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	
JUN 20 1996	

PS Form 3800, June 1986

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 10, 1996

Amerind Oil Company, Ltd.
415 West Wall Avenue
Suite 500
Dallas, Texas 79701

Re: Nike "3" No. 1 Well
2970' FSL and 330' FEL of Section 3,
T-16-S, R-35-E, Lea County, NM

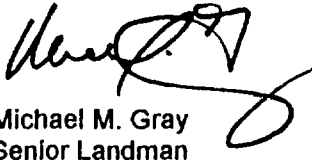
Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) proposes the drilling of a 12,300' Mississippian test at the referenced location. We enclose herewith an AFE estimating the cost of our proposed well, along with an Operating Agreement for your review covering Lots 15 and 16 of Section 3, 16S-35E.

If Amerind does not desire to participate in our proposed well, we will entertain a term assignment or farmout arrangement for your interest.

If you have any questions, please call me.

Yours truly,


Michael M. Gray
Senior Landman

MMG:kg

Enclosures

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to <i>Amerind</i>	
Street & Number	
Post Office, State, & ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>6/10/96</i> <i>Nike 3#1</i>	

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete Items 1 and/or 2 for additional services.
- Complete Items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Amerind Oil Company, Ltd.
415 West Wall Avenue
Suite 500
Dallas, Texas 79701

4a. Article Number

P 268 415 244

4b. Service Type

- | | |
|---|---|
| <input type="checkbox"/> Registered | <input checked="" type="checkbox"/> Certified |
| <input type="checkbox"/> Express Mail | <input type="checkbox"/> Insured |
| <input type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> COD |

7. Date of Delivery

6-14-96

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

X Meredith Blaydes

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 10, 1996

Enserch Exploration, Inc.
4849 Greenville Avenue
Suite 1200
Dallas, Texas 75206

Attention: Mr. Jerry R. Anderson

Re: Nike "3" No. 1 Well
2970' FSL and 330' FEL of Section 3,
T-16-S, R-35-E, Lea County, NM

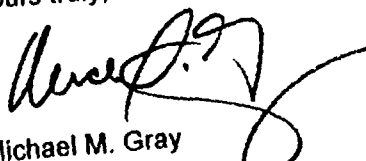
Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) proposes the drilling of a 12,300' Mississippian test at the referenced location. We enclose herewith an AFE estimating the cost of our proposed well, along with an Operating Agreement for your review covering Lots 15 and 16 of Section 3, 16S-35E.

If Enserch does not desire to participate in our proposed well, we will entertain a term assignment or farmout arrangement for your interest.

If you have any questions, please call me.

Yours truly,


Michael M. Gray
Senior Landman

MMG:kg

Enclosures

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to <i>Enserch</i>	
Street & Number	
Post Office, State, & ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>Nike 3 #1</i> <i>6/10/96</i>	

PS Form 3800, April 1995

SENDER: ■ Complete items 1 and/or 2 for additional services. ■ Complete items 3, 4a, and 4b. ■ Print your name and address on the reverse of this form so that we can return this card to you. ■ Attach this form to the front of the mailpiece, or on the back if space does not permit. ■ Write "Return Receipt Requested" on the mailpiece below the article number. ■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.
3. Article Addressed to: Enserch Exploration, Inc. 4849 Greenville Avenue Suite 1200 Dallas, Texas 75206	4a. Article Number <i>P 268 415 242</i>	4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD
5. Received By: (Print Name) 6. Signature: (Addressee or Agent) <i>Anna Baker</i>	7. Date of Delivery <i>6/12/96</i>	
8. Addressee's Address (Only if requested and fee is paid)		

Is your RETURN ADDRESS completed on the reverse side?

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 10, 1996

Mr. Jerry Lee Hooper
Mr. Jimmy Joe Hooper
P. O. Box 2126
Roswell, New Mexico 88202

Re: Nike "3" No. 1 Well
2970' FSL and 330' FEL of Section 3,
T-16-S, R-35-E, Lea County, NM

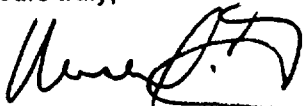
Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) proposes the drilling of a 12,300' Mississippian test at the referenced location. We enclose herewith an AFE estimating the cost of our proposed well, along with an Operating Agreement for your review covering Lots 15 and 16 of Section 3, 16S-35E.

Randy Watts of Roswell, New Mexico has contacted you regarding the acquisition of a lease covering your interest in Lots 13, 14, 15 and 16 of Section 3, 16S-35E. We are still interested in acquiring a lease from you if you do not desire to participate in our proposed well.

If you have any questions, please call me.

Yours truly,



Michael M. Gray
Senior Landman

MMG:kg

Enclosures

msoffice\winword\mmg\nike well proposal

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent To <i>Hooper</i>	
Street & Number	
Post Office, State, & ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>Nike 3 #1</i> <i>6/10/96</i>	

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

Mr. Jerry Lee Hooper
Mr. Jimmy Joe Hooper
P. O. Box 2126
Roswell, New Mexico 88202

4a. Article Number
P 268 415 243

4b. Service Type

☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD

7. Date of Delivery
JUN 11 1996

8. Addressee's Address (if requested and fee is paid)
88201

5. Received By: (Print Name)

6. Signature (Addressee or Agent)
X [Signature]

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

Thank you for using Return Receipt Service.

PS Form 3811, December 1994

Domestic Return Receipt

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 10, 1996

A. L. Cone Partnership
12 Briercroft Office Pa.
Lubbock, Texas 79412-3002

Re: Nike "3" No. 1 Well
2970' FSL and 330' FEL of Section 3,
T-16-S, R-35-E, Lea County, NM

Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) proposes the drilling of a 12,300' Mississippian test at the referenced location. We enclose herewith an AFE estimating the cost of our proposed well, along with an Operating Agreement for your review covering Lots 15 and 16 of Section 3, 16S-35E.

If the A. L. Cone Partnership does not desire to participate in our proposed well, we will entertain the purchase of an oil and gas lease covering your interest.

If you have any questions, please call me.

Yours truly,


Michael M. Gray
Senior Landman

MMG:kg

Enclosures

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to <i>A L Cone Partnership</i>	
Street & Number	
Post Office, State, & ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>Nike 3 #1</i> <i>6/10/96</i>	

PS Form 3800, April 1995

your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

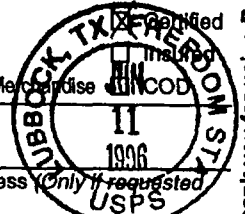
Consult postmaster for fee.

3. Article Addressed to:

A. L. Cone Partnership
12 Briercroft Office Pa.
Lubbock, Texas 79412-3002

4a. Article Number*P 268 415 241***4b. Service Type**

- ☐ Registered
☐ Express Mail
☐ Return Receipt for Merchandise (Only if requested and fee is paid)

7. Date of Delivery**5. Received By: (Print Name)***Betty Petree***6. Signature: (Addressee or Agent)**

X Betty Petree
A L Cone Partnership

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

Nearburg Producing Company

Exploration and Production

Dallas, Texas

Page 1 of 2

AUTHORITY FOR EXPENDITURE

LEASE: Nike 3

WELL NUMBER: 1

TOTAL DEPTH: 12,300'

LOCATION: 2970' FSL and 330' FEL Section 3, T16S, R35E, Lea County, NM

FIELD: Wildcat Mississippian

EXPLORATORY, DEVELOPMENT, WORKOVER: Wildcat

DESCRIPTION OF WORK: Drill and complete as a flowing Mississippian gas producer

DATE PREPARED: 8/4/96

EST. START DATE:

EST. COMPLETION DATE:

ACCOUNTING WELL NUMBER:

COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage - 12,300' @ \$18 /Ft	1514.101	221,400	NA		221,400
Drilling Daywork - 3/2 Days @ \$4,500/Day	1514.102	13,500	1515.102	9,000	22,500
Drilling Turnkey	1514.103		1515.103		0
Rig Mobilization and Demobilization	1514.104		1515.104		0
Road & Location Expense	1514.105	15,000	1515.105	2,500	17,500
Damages	1514.106	5,000	1515.106	1,000	6,000
Directional Drilling - Tools and Service	1514.107		1515.107		0
Drilling Fluids	1514.108	35,000	NA	1,000	36,000
Fuel, Power & Water	1514.109	15,000	1515.109	2,000	17,000
Supplies - Bits	1514.110		1515.110	500	500
Supplies - Casing Equipment	1514.111	2,500	1515.111	7,000	9,500
Supplies - Liner Equipment	1514.112		1515.112		0
Supplies - Miscellaneous	1514.113	1,500	1515.113	500	2,000
Cement and Cmt. Services - Surface Csg	1514.114	5,000	NA		5,000
Cement and Cmt. Services - Int. Csg	1514.115	12,000	NA		12,000
Cement and Cmt. Services - Prod. Csg	NA		1515.115	25,000	25,000
Cement and Cmt. Services - Other	1514.116		1515.116		0
Rental - Drilling Tools and Equipment	1514.117	10,000	1515.117		10,000
Rental - Misc.	1514.118	2,500	1515.118	3,000	5,500
Testing - Drill Stem / Production	1514.119	9,000	1515.119		9,000
Open Hole Logging	1514.120	35,000	NA		35,000
Mudlogging Services	1514.121	15,000	NA		15,000
Special Services	1514.122		1515.122		0
Plug and Abandon	1514.123	15,000	1515.123	(15,000)	0
Pulling and/or Swabbing Unit	NA		1515.124	10,500	10,500
Reverse Equipment	NA		1515.125	1,200	1,200
Wireline Services	1514.124		1515.126	7,500	7,500
Stimulation	NA		1515.127	9,500	9,500
Pump / Vacuum Truck Services	1514.125		1515.128	2,500	2,500
Transportation	1514.126	2,500	1515.129	4,000	6,500
Tubular Goods - Inspection & Testing	1514.127	1,500	1515.130	8,000	9,500
Unclassified	1514.128		1515.131		0
Telephone and Radio Expense	1514.129	1,500	1515.132	300	1,800
Engineer / Geologist	1514.130	7,500	1515.133	2,500	10,000
Company Labor - Field Supervision	1514.131	15,000	1515.134	4,500	19,500
Contract Labor / Roustabout	1514.132	2,000	1515.135	3,000	5,000
Legal and Professional Services	1514.133	5,000	1515.136	2,000	7,000
Insurance	1514.134	27,900	1515.137	2,000	29,900
Overhead	1514.135	10,000	1515.138	2,000	12,000
SUBTOTAL		485,300		96,000	581,300
Contingencies (10%)		48,530		9,600	58,130
ESTIMATED TOTAL INTANGIBLES		533,830		105,600	639,430

Exploration and Production
Dallas, Texas

LEASE: Nike 3 WELL NUMBER: 1 TOTAL DEPTH: 12,300'
LOCATION: 2970' FSL and 330' FEL Section 3, T16S, R35E, Lea County, NM
FIELD: Wildcat Mississippian EXPLORATORY, DEVELOPMENT, WORKOVER: Wildcat
DESCRIPTION OF WORK: Drill and complete as a flowing Mississippian gas producer
DATE PREPARED: 6/4/96 EST. START DATE: EST. COMPLETION DATE:
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

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, OR LESS, UNLESS THE NON-OPERATOR GIVES NOTIFICATION ON THIS FORM OF HIS INTENT TO FURNISH HIS PROPORTIONATE SHARE IN KIND. THIS AFE IS ONLY AN ESTIMATE. BY SIGNING YOU AGREE TO PAY YOUR SHARE OF THE ACTUAL COSTS INCURRED.

NPC APPROVAL	DATE
PREPARED BY: HRW	6/04/96
REVIEWED BY: ESK	6/04/96
APPROVED BY:	

BY

TITLE

DATE _____

A.A.P.L. FORM 610-1982

MODEL FORM OPERATING AGREEMENT

Use of this identifying mark is prohibited
except when authorized in writing by the
American Association of Petroleum Landmen

NIKE PROSPECT

OPERATING AGREEMENT

DATED

June 4 , 19 96 ,

OPERATOR NEARBURG PRODUCING COMPANY

CONTRACT AREA LOTS 15 and 16 OF SECTION 3, T-16-S, R-35-E

COUNTY ~~OR-PARISH~~ OF LEA STATE OF NEW MEXICO

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Nearburg Producing Company, 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:

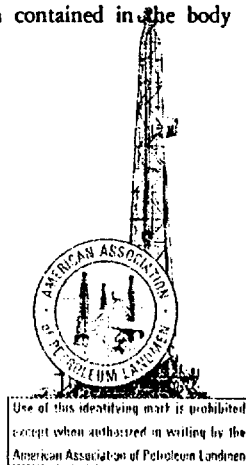
ARTICLE I.
DEFINITIONS

- 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 this agreement,
 - (2) Restrictions, if any, as to depths, formations, or substances,
 - (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~~, Interests and Financial Statement
 - ☐ ~~G. Exhibit "G", Tax Partnership.~~ There is no Exhibit "G" to this agreement.
- If any provision of any exhibit, except Exhibits "E" and "G", 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 oil and gas interest in the Contract Area, that interest shall be treated for all purposes of this agreement and during the term hereof as if it were covered by the form of oil and gas lease attached hereto as Exhibit "B", and the owner thereof shall be deemed to own both the royalty interest reserved in such lease and the interest of the lessee thereunder.

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A". In the same manner, the parties shall also own all production of oil and gas from the Contract Area subject to the payment of royalties ~~to the extent of~~ due on each party's share of which shall be borne as hereinafter set forth.
production

Regardless of which party has contributed the lease(s) and/or oil and gas interest(s) hereto on which royalty is due and payable, each party entitled to receive a share of production of oil and gas from the Contract Area shall bear and shall pay or deliver, or cause to be paid or delivered, to the extent of its interest in such production, the royalty amount stipulated hereinabove and shall hold the other parties free from any liability therefor. No party shall ever be responsible, however, on a 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 settlement on a higher price basis, the party contributing the affected lease shall bear the additional royalty burden attributable to such higher price.

Nothing contained in this Article III.B. shall be deemed an assignment or cross-assignment of interests covered hereby.

C. Excess Royalties, Overriding Royalties and Other Payments:

Unless changed by other provisions, if the interest of any party in any lease covered hereby is subject to any royalty, overriding royalty, production payment or other burden on production in excess of the amount stipulated in Article III.B., such party so burdened shall assume and alone bear all such excess obligations and shall indemnify and hold the other parties hereto harmless from any and all claims and demands for payment asserted by owners of such excess burden.

D. Subsequently Created Interests:

If any party should hereafter create an overriding royalty, production payment or other burden payable out of production attributable to its working interest hereunder, or if such a burden existed prior to this agreement and is not set forth in Exhibit "A", or was not disclosed in writing to all other parties prior to the execution of this agreement by all parties, or is not a jointly acknowledged and accepted obligation of all parties (any such interest being hereinafter referred to as "subsequently created interest" irrespective of the timing of its creation and the party out of whose working interest the subsequently created interest is derived being hereinafter referred to as "burdened party"), and:

1. If the burdened party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of said subsequently created interest and the burdened party shall indemnify and save said other party, or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created interest; and,
2. If the burdened party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the subsequently created interest in the same manner as they are enforceable against the working interest of the burdened party.

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 the 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 "A", and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.~~

ARTICLE IV

continued

☒ 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. 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", the party contributing the affected lease or interest shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, 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 or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;

(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;

(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 interest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well;

(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;

(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.

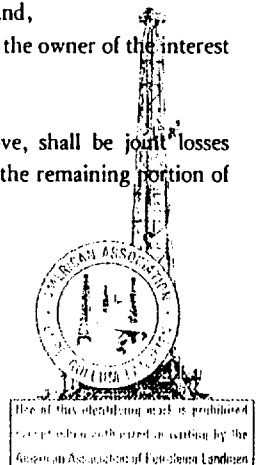
2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the 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 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:

Nearburg Producing Company 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 hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, 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" 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. 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"; provided, however, if an Operator which has been 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" 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 31st day of August, 1996, Operator shall be authorized to commence the drilling of a well for oil and gas at the following location:

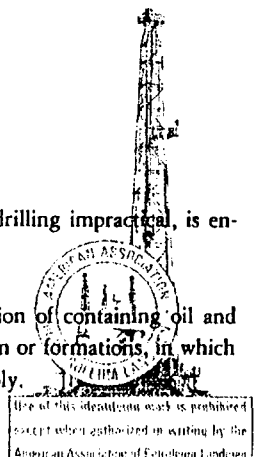
2970' FSL and 330' FEL of Section 3, T-16-S, R-35-E,
Lea County, New Mexico,

and shall thereafter continue the drilling of the well with due diligence to

a total depth of 12,300' or sufficient in Operator's
opinion to adequately test the Mississippian formation,

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 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.



ARTICLE VI

continued

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, the provisions of Article VI.E.1. shall thereafter apply.

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 party 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 a 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 and legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an ^{irrevocable} 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.

*Such election shall be irrevocable.

If all parties elect to participate in such a proposed operation, Operator shall, within ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the proposed operation and complete it with due diligence at the risk and expense of all parties hereto; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. Notwithstanding the force majeure provisions of Article XI, if the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance with the provisions hereof as if no prior proposal had been made.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VII.D.1. (Option No. 2) 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 ninety (90) 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 when a drilling rig is on location, as the case may be) actually commence 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 the total interest of the parties approving such operation and 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 and 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' interests, and failure to advise the proposing party shall be deemed an election under (a). In the event a drilling rig is on location, the time permitted for such a response shall not exceed a total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). 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 and restore the surface location 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,



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ARTICLE VI

continued

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, ~~excise taxes~~, ^{crude oil taxes}, royalty, overriding royalty and other interests not excepted by Article III.D. 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:

200%

(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 such Non-Consenting Party had it participated in the well from the beginning of the operations; and

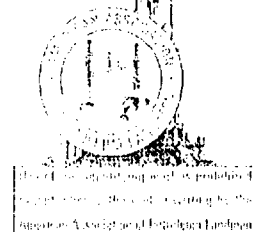
(b) 500 % of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and 500 % of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

An election not to participate in the drilling or the deepening of a well shall be deemed an election not to participate in any reworking or plugging back operation proposed in such a well, or portion thereof, to which the initial Non-Consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment account. Any such reworking or plugging back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties one hundred percent (100%) of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking or plugging back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

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, ~~excise~~, ^{crude oil} gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.D.

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.



ARTICLE VI
continued

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) as to Article VII.D.1. (Option No. 2), if selected, or (b) as to the reworking, deepening and plugging back of such initial well after it has been drilled to the depth specified in Article VI.A. if it shall thereafter prove to be a dry hole or, if initially completed for production, ceases to produce in paying quantities.

3. Stand-By Time: When a well which has been drilled or deepened has reached its authorized depth and all tests have been completed, and the results thereof furnished to the parties, stand-by costs incurred pending response to a party's notice proposing a reworking, deepening, plugging back or completing operation in such a well shall be charged and borne as part of the drilling or deepening operation just completed. Stand-by costs subsequent to all parties responding, or expiration of the response time permitted, whichever first occurs, and prior to agreement as to the participating interests of all Consenting Parties pursuant to the terms of the second grammatical paragraph of Article VI.B.2, shall be charged to and borne as part of the proposed operation, but if the proposal is subsequently withdrawn because of insufficient participation, such stand-by costs shall be allocated between the Consenting Parties in the proportion each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Parties.

4. Sidetracking: Except as hereinafter provided, those provisions of this agreement applicable to a "deepening" operation shall also be applicable to any proposal to directionally control and intentionally deviate a well from vertical so as to change the bottom hole location (herein called "sidetracking"), unless done to straighten the hole or to drill around junk in the hole or because of other mechanical difficulties. Any party having the right to participate in a proposed sidetracking operation that does not own an interest in the affected well bore at the time of the notice shall, upon electing to participate, tender to the well bore owners its proportionate share (equal to its interest in the sidetracking operation) of the value of that portion of the existing well bore to be utilized as follows:

(a) If the proposal is for sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in the initial drilling of the well down to the depth at which the sidetracking operation is initiated.

(b) If the proposal is for sidetracking a well which has previously produced, reimbursement shall be on the basis of the well's salvable materials and equipment down to the depth at which the sidetracking operation is initiated, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning.

In the event that notice for a sidetracking operation is given while the drilling rig to be utilized is on location, the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays; provided, however, any party may request and receive up to eight (8) additional days after expiration of the forty-eight (48) hours within which to respond by paying for all stand-by time incurred during such extended response period. If more than one party elects to take such additional time to respond to the notice, stand-by costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties. In all other instances the response period to a proposal for sidetracking shall be limited to thirty (30) days.

C. TAKING PRODUCTION IN KIND:

Each party shall have the right to ~~take in kind or separately dispose of~~ ^{market} 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 and gas 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

ARTICLE VI
continued

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 directly 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 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 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 not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil 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.

In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with any gas balancing agreement between the parties hereto, whether such an agreement is attached as Exhibit "E", or is a separate agreement.

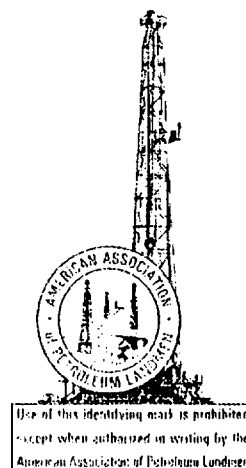
D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect 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 or deepened pursuant to Article VI.B.2., any well which has been drilled or deepened 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 and 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 or deepening such well. Any party who objects to 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 in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein 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 any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other parties its proportionate share of the value of the well's salvageable 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 the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, 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 (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit



ARTICLE VI

continued

"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 percentage 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 interests 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. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E.

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 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.

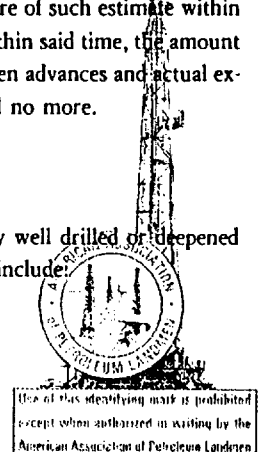
C. Payments and Accounting:

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 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. Consent to the drilling or deepening shall include



ARTICLE VII

continued

☐ 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.

☒ 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, and the results thereof furnished to the parties, 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. Consent to the reworking or plugging back of a well shall include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Twenty-five Thousand Dollars (\$25,000) 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 an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of Fifteen Thousand Dollars (\$15,000) but less than the amount first set forth above in this paragraph.

E. 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.

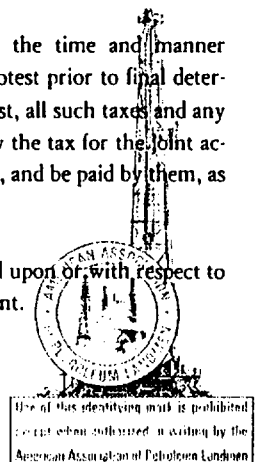
Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitted by circumstances, prior to taking 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.

F. 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. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares 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, excise, 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.



ARTICLE VII

continued

G. 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 as provided in Exhibit "C". 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 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 the 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 consenting to such surrender. If the interest of the assigning party is or includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such oil and gas interest for a term of one (1) 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 or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leased 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 or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased 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 any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal 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, which shall be in proportion to the interests held at that time by the parties in the Contract Area.~~

~~If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.~~

~~Each party who participates in the purchase of a renewal lease shall be given an assignment 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 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 renewal lease and shall not be subject to the provisions of this agreement.~~

~~The provisions in this Article shall also be applicable to extensions of oil and gas leases.~~

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions

ARTICLE VIII

continued

said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of a well drilled inside the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C. This paragraph shall not be applicable to the contribution of acreage by the Contributing Parties toward the Initial, Substitute, or Option Test Well.

D. Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, 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 interest 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 thereof.

E. Waiver of Rights 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.

F. ~~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 provision 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.



Use of this operating agreement is prohibited except when authorized in writing by the American Association of Petroleum Landowners.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Fifteen Thousand Dollars (\$ 15,000) 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 expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. 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, such party shall immediately notify all other parties, 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 mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties 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 mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof 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 subject 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.

☒ 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, reworking, deepening, plugging back, testing or attempting to complete 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, deepening, plugging back or reworking operations are commenced within 120 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.



Use of this identifying mark is prohibited except when authorized in writing by the American Association of Petroleum Landmen

A.A.P.L. FORM 610 - MODEL FORM OPERATION AGREEMENT - 1982

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 Contract Area 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:

This agreement and all matters pertaining hereto, 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 of _____ shall govern.

C. Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, or tracts offsetting or adjacent to the Contract Area.

With respect to operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or predecessor or successor agencies to the extent such interpretation or application was made in good faith. Each Non-Operator further agrees to reimburse Operator for any amounts applicable to such Non-Operator's share of production that Operator may be required to refund, rebate or pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

Non-Operators authorize Operator to prepare and submit such documents as may be required to be submitted to the purchaser of any crude oil sold hereunder or to any other person or entity pursuant to the requirements of the "Crude Oil Windfall Profit Tax Act of 1980", as same may be amended from time to time ("Act"), and any valid regulations or rules which may be issued by the Treasury Department from time to time pursuant to said Act. Each party hereto agrees to furnish any and all certifications or other information which is required to be furnished by said Act in a timely manner and in sufficient detail to permit compliance with said Act.

ARTICLE XV.
OTHER PROVISIONS

Notwithstanding any provisions herein to the contrary, the parties hereto agree as follows:

A. Notwithstanding any other provisions herein, if during the term of this agreement, a well is required to be drilled, deepened, reworked, plugged back, sidetracked, or recompleted, or any other operation that may be required in order to (1) continue a lease or leases in force and effect, or (2) maintain a unitized area or any portion thereof in and to any oil and/or gas and other interest which may be owned by a third party or which, failing in such operation, may revert to a third party, or (3) comply with an order issued by a regulatory body having jurisdiction in the premises, failing in which certain rights would terminate, the following shall apply. The party desiring to drill, deepen, rework, plug back, sidetrack, recomplete, or to perform any other operation that may be required pursuant to this paragraph D, 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 notice shall have fifteen (15) days after receipt of the notice within which to notify the party wishing to do the work whether they elect to participate in the proposed operation, and any party electing to participate must pay its share of the cost within the fifteen (15) day period after receipt of the notice, failing in which the parties interest who elected to participate but did not timely pay will be subject to the reassignment provision as set forth below. If a drilling rig is on location, notice of a proposal to rework, drill, deepen, plug back, sidetrack, recomplete, or any other operation pursuant to this paragraph D may be given by telephone and the response period shall be limited to forty-eight (48) hours inclusive of Saturdays, Sundays, and legal holidays. Failure of a party receiving such notice to reply or pay its share of the cost within the period above fixed shall make such parties interest subject to the reassignment provision provided for below. Any notice or response given by telephone shall be promptly confirmed in writing.

B. Operator shall comply where applicable with the following clauses contained in 41 CFR:

60-1.4(a)	(Equal Employment Opportunity);
1-12.803-10	(Certification of Non-Segregated Facilities);
60-250	(Employment Opportunity for Veterans);
60-741	(Employment Opportunity for Handicapped Individuals);
1-1.710	(Subcontracting With Small Business Concerns);
1-1.805	(Subcontracting With Labor Surplus Area Concerns);
1.1.1310	(Subcontracting With Minority Business Enterprises);
1.1.2302-2	(Environmental Protection).

These clauses are incorporated herein by reference if and to the extent applicable to this contract by law, executive order, or regulation. Operator represents that he is in compliance with the reporting requirements of 41 CFR 60-1.7 and the Affirmative Action Program requirements of 41 CFR 60-1.40 and 60-2.

C. Non-Operators authorize Operator to receive, and direct all product purchasers to pay to Operator, all proceeds of production from or attributable to the Contract Area. As evidence of this authority all products purchasers may rely solely on a copy of this provision, authenticated by Operator, in lieu of the need for any additional consents or transfer orders from the Non-Operators. While Operator is receiving all proceeds of production, Operator obligates itself to make payments of all Working and Royalty Interests Revenues attributable to the interests covered hereby.

1 D. Any party creating the necessity for separate measurement facilities shall alone bear all costs of such facilities. Any party using separate
2 production measurement facilities shall keep accurate records of such production in accordance with applicable state and federal regulations,
3 and upon Operator's request, under the terms of this agreement or any agreement executed in conjunction with this agreement, true and
4 complete copies of said records shall be furnished to Operator. Said production records supplied to the Operator shall be treated as
5 confidential information and shall be used by Operator only to the extent necessary to fulfill its duties as Operator.
6

7 E. All costs and expenses incurred by Operator in securing attorneys, geologists, engineers, exhibits and related documentation, for the
8 preparation and filing of material relative to the sale of oil and/or gas shall be borne by all parties in accordance with their respective interest
9 as set forth on Exhibit "A" attached hereto and made a part hereof.
10

11 F. All costs and expenses including fees and expenses of attorneys and consultants incurred by Operator which may arise due to other
12 operators in the area applying for non-standard locations and/or other regulatory hearings shall be borne by all parties in accordance with
13 their respective interests as set forth in Exhibit "A" attached hereto and made a part hereof.
14

15 G. The parties hereto agree to execute a Notice of Joint Operating Agreement Lien in the form of Exhibit "F" to this agreement in order
16 to permit perfection of the hereinabove described security interests by placing said NOTICE of record in the county in which the Contract
17 Area is located and in accordance with the Uniform Commercial Code of the State in which the Contract Area is located.
18

19 H. If a party to this agreement elects not to participate in a proposed operation or, if a non-consenting party fails to timely pay its share
20 of the cost involved in such operation, and is determined to be a non-participating party, shall not have access to or be entitled to receive
21 well information with regard to operations conducted on the Contract Area.
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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 the 4th day of June, 1996.

OPERATOR

ATTEST OR WITNESS

NEARBURG PRODUCING COMPANY

MS

By: Bob Shelton

Bob Shelton
Type or Print Name

Title Land Manager

Date June 4, 1996

Tax ID or SS No. 74-1666262

NON-OPERATORS

ATTEST OR WITNESS

NEARBURG EXPLORATION COMPANY, L.L.C.

MS

By: Robert G. Shelton

Robert G. Shelton
Type or Print Name

Title Attorney-in-Fact

Date June 4, 1996

Tax ID or SS No. 75-2626152

ATTEST OR WITNESS

ENSERCH EXPLORATION, INC.

By: _____

Type or Print Name

Title _____

Date _____

Tax ID or SS No. _____

ATTEST OR WITNESS

AMERIND OIL COMPANY, LTD.

By: _____

Type or Print Name

Title _____

Date _____

Tax ID or SS No. _____

ATTEST OR WITNESS

A. L. CONE PARTNERSHIP

By: _____

Type or Print Name

Title _____

Date _____

Tax ID or SS No. _____

ATTEST OR WITNESS

JERRY L. HOOPER

By: _____

Type or Print Name

Title Individual

Date _____

Tax ID or SS No. _____

ATTEST OR WITNESS

JIMMY JOE HOOPER

By: _____

Type or Print Name

Title Individual

Date _____

Tax ID or SS No. _____

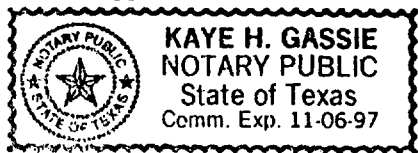
ACKNOWLEDGMENTS

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this the 4th day of June, 1996 by Bob Shelton, as Land Manager of Nearburg Producing Company, a Texas corporation, on behalf of said corporation.

Kaye H. Gassie
Notary Public, State of Texas

My Commission Expires:

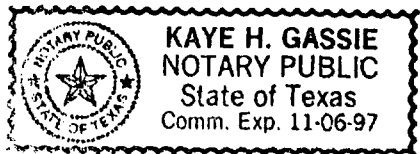


STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this the 4th day of June, 1996 by Robert G. Shelton, as Attorney-in-Fact of Nearburg Exploration Company, L. L. C., a Texas limited liability company, on behalf of said company.

Kaye H. Gassie
Notary Public, State of Texas

My Commission Expires:



STATE OF TEXAS §
 §
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on this _____ day of June, 1996, by _____, as _____ of Enserch Exploration, Inc., a _____ corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this _____ day of June, 1996, by _____, as _____ of Amerind Oil Company, Ltd. a _____, on behalf of said _____.

My Commission Expires: _____
Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF LUBBOCK §

The foregoing instrument was acknowledged before me on this _____ day of June, 1996, by _____, as _____ of A. L. Cone Partnership, a _____, on behalf of said _____.

My Commission Expires: _____
Notary Public, State of Texas

STATE OF NEW MEXICO §
 §
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me on this _____ day of June, 1996, by Jerry Lee Hooper.

My Commission Expires: _____
Notary Public, State of New Mexico

STATE OF NEW MEXICO
COUNTY OF CHAVES

The foregoing instrument was acknowledged before me on this _____ day of June, 1996, by Jimmy Joe Hooper.

My Commission Expires: _____
Notary Public, State of New Mexico

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT
DATED THE 4TH DAY OF JUNE, 1996, BETWEEN NEARBURG PRODUCING
COMPANY, AS OPERATOR, AND NEARBURG EXPLORATION COMPANY, L.L.C., ET
AL, AS NON-OPERATORS

I. Identification of Lands Subject to this Agreement:

Lots 15 and 16 of Section 3, T-16-S, R-35-E,
Lea County, New Mexico

II. Restrictions as to Depths or Formations:

This agreement is limited from the surface of the earth to the base
of the Mississippian formation.

III. Percentages of Parties to this Agreement:

Nearburg Exploration Company, L.L.C.	54.166666%
Enserch Exploration, Inc.	12.500000%
Amerind Oil Company, Ltd.	12.500000%
A. L. Cone Partnership	12.500000%
Jerry Lee Hooper	4.166667%
Jimmy Joe Hooper	4.166667%
	<hr/> 100.000000%

IV. Oil and Gas Leases Subject to this Agreement:

(to be added at a later date)

V. Addresses of Parties to this Agreement:

Nearburg Producing Company
3300 North "A" Street, Bldg. 2, Ste. 120
Midland, Texas 79705

Nearburg Exploration Company, L.L.C.
3300 North "A" Street, Bldg. 2, Ste. 120
Midland, Texas 79705

Enserch Exploration, Inc.
4849 Greenville Avenue, Suite 1200
Dallas, Texas 75206

Amerind Oil Company, Ltd.
415 West Wall, Suite 500
Midland, Texas 79701

A. L. Cone Partnership
12 Briercroft Office Pa.
Lubbock, Texas 79412-3002

Jerry Lee Hooper
P. O. Box 2126
Roswell, New Mexico 88202

Jimmy Joe Hooper
P. O. Box 2126
Roswell, New Mexico 88202

OIL, GAS AND MINERAL LEASE

THIS AGREEMENT made and entered into this _____ day of _____, 19____, by and between _____

hereinafter called "Lessor", whether one or more, and _____, hereinafter called "Lessee".

WITNESSETH; That, for and in consideration of the sum of _____ Dollars (\$_____), receipt of which is hereby acknowledged and of the royalties herein provided and the agreements of Lessee herein contained Lessor does hereby grant, lease and let exclusively unto Lessee, its successors and assigns, all of the land hereinafter described, together with any reversionary rights therein, for the purpose of exploring by geological, geophysical and all other methods, and of drilling, producing and operating wells or mines for the recovery of oil, gas and other hydrocarbons, and all other minerals or substances, whether similar or dissimilar, that may be produced from any well or mine on the leased premises, including primary, secondary, tertiary, cycling, pressure maintenance methods of recovery and all other methods, whether now known or unknown, with all incidental rights thereto, and to establish and utilize facilities for surface and subsurface disposal of salt water, and to construct, maintain and remove roadways, tanks, pipelines, electric power and telephone lines, power stations, machinery and structures thereon, to produce, store, transport, treat and remove all substances described above, and the products therefrom, together with the right of ingress and egress to and from said land. The land hereby leased is situated in the County of _____, State of _____, and is described as follows:

EXHIBIT "B"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED THE 4TH DAY OF JUNE, 1996 BETWEEN NEARBURG PRODUCING COMPANY, AS OPERATOR, AND NEARBURG EXPLORATION COMPANY, L.L.C., ET AL, AS NON-OPERATORS.

This lease covers all of the land described above, including any interests herein that any signatory hereto has the right or power to lease, and in addition it covers, and there is hereby granted, leased and let, upon the same terms and conditions as herein set forth, all lands now or hereafter owned or claimed by Lessor, adjacent, contiguous, or a part of the tract or tracts described above, whether such additional lands be owned or claimed by deed, limitation, or otherwise, or are fenced or unfenced, and whether such lands are inside or outside of the metes and bounds description set forth above, or are in the named survey, or other survey or surveys. The bonus money paid for this lease is in gross, and not by the acre, and shall be effective to cover all such land irrespective of the number of acres contained therein, but the land included within this lease is estimated to comprise _____ acres, whether actually more or less, and such land is hereinafter referred to as the "leased premises".

TO HAVE AND TO HOLD the leased premises for a term of _____ years from the date hereof, hereinafter called "primary term", and as long thereafter as oil, gas or other hydrocarbons, or other minerals or leased substances, or either or any of them, are produced from the leased premises or from lands with which the leased premises are pooled or unitized.

In consideration of the premises, it is hereby agreed as follows:

1. **Royalty On Oil.** Lessee shall deliver to Lessor, at the well or to the credit of Lessor in the pipeline to which the well may be connected, ~~75%~~ ^{3/16} of all oil and other liquid hydrocarbons produced and saved from the leased premises, or Lessee, at its option, may buy or sell such ~~25%~~ ^{3/16} royalty and pay Lessor the market price for oil or liquid hydrocarbons of like grade and gravity prevailing in the field on the day such oil is run into pipelines or into storage tanks. Lessor's royalty interest in either case shall bear its proportion of any expenses for transporting and treating oil to make it marketable as crude. 3/16

2. **Royalty On Gas.** Lessee shall pay to Lessor as royalty on gas, including casinghead gas or other gaseous substances produced from said land and sold on or off the premises, ~~75%~~ ^{3/16} of the net proceeds at the well received from the sale thereof, provided that on gas used off the premises or by Lessee in the manufacture of gasoline or other products therefrom, the royalty shall be the market value at the well or the market value at the well for the gas so sold. 3/16

3. **Royalty On Other Substances.** Lessee shall pay to Lessor, as royalty on any substances covered by this lease other than oil and gas and the products thereof which Lessee may elect to produce, save and market from the leased premises, ~~75%~~ ^{3/16} of the proceeds received by Lessee from the sale thereof after deducting the processing costs.

4. **Shut - In Gas Royalty.** If at any time, or from time to time, either before or after the expiration of the primary term of this lease, there is any gas well on the leased premises or on lands with which the leased premises are pooled or unitized and which is capable of producing in paying quantities, but which is shut in before or after production therefrom, such well shall be considered under all provisions of this lease as a well producing gas in paying quantities and this lease shall remain in force in like manner as though gas therefrom was actually being sold or used. In such event, Lessee covenants and agrees to pay Lessor, as royalty, the sum of _____ Dollars (\$_____) per annum for the period commencing on the date such well is actually shut in, unless this lease is being maintained in force and effect by some other provision hereof. In which event, such period shall commence on the date this lease ceases to be maintained in full force and effect by some other provision hereof. Payment or tender shall be made to Lessor, or deposited to the credit of Lessor in the depository bank named in this lease. The first payment shall be due and payable on or before ninety (90) days after the date such well is shut in, or ninety (90) days from the date this lease ceases to be maintained in force by some other provision hereof. Unless gas from such well is produced and sold or used prior thereto, except temporary sales, or use for lease operations, subsequent payments shall be due annually thereafter on the anniversary date of the period for which such prior payment was made. No additional payments shall be required if there is more than one shut-in gas well on the leased premises or on lands with which the leased premises are pooled or unitized. The term "gas well" shall include wells capable of producing natural gas, condensate, or any gaseous substance, and wells classified as gas wells by any governmental authority having jurisdiction.

5. **Delay Rental.** If operations for drilling or mining on the leased premises, or on lands with which the leased premises are pooled or unitized, are not commenced on or before one (1) year from the date of this lease, as set forth above, this lease shall terminate as to both parties unless on or before one (1) year from the date of this lease, Lessee shall pay or tender to the Lessor a rental of _____ Dollars (\$_____) which shall cover the privilege of deferring commencement of such drilling or mining operation for a period of twelve (12) months from the expiration of said one (1) year period. In like manner and upon like payments or tenders annually, the commencement of such operations may be deferred for successive periods of the same number of months, during the primary term. Payments or tenders may be made to the Lessor or to the Lessor's credit in the

Bank at _____, which bank or any successor thereof shall continue to be the agent for the Lessor and the Lessor's successors and assigns. If such bank or any successor thereof shall fail, liquidate, or be succeeded by another bank, or for any reason fail or refuse to accept rental, the rental paying date for any year shall be extended until the expiration of thirty (30) days after Lessor shall have delivered to Lessee a recordable instrument making provision for another method of payment or tender and any depository charge shall be the liability of the Lessor. The payment or tender of rental may be made by check or draft of Lessee, mailed or delivered to said bank or Lessor, or to any Lessor. If more than one, on or before the rental paying date. Mailing of rental on or before the rental paying date shall be deemed a timely tender thereof and shall preclude the termination of this lease.

6. **Drilling Operations.** If Lessee should drill and abandon as a dry hole a well on the leased premises, or if after the discovery of oil, gas or other minerals, the production thereof should cease from any cause, and, in either event, there are no other producing wells on the leased premises or on lands with which they are pooled or unitized, or drilling or reworking operations are not being conducted thereon, this lease shall not terminate if Lessee commences reworking or additional drilling operations on the leased premises within sixty (60) days thereafter or, if it be within the primary term, Lessee commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of ninety (90) days from the date of such abandonment or cessation of production. If such abandonment or cessation of production occurs at any time during the last fifteen (15) months of the primary term, no rental payment or drilling operations are necessary to keep the lease in force during the remainder of the primary term. If, at the expiration of the primary term, oil, gas or other minerals are not being produced from the leased premises or from lands with which the leased premises are pooled or unitized, but Lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such drilling or reworking operations are prosecuted, or reworking operations on any well or additional drilling operations are conducted on the leased premises, or on lands pooled or unitized therewith, with no cessation of more than sixty (60) consecutive days, and if any such operations result in production then as long thereafter as such production continues.

7. **Pooling.** Lessee is hereby granted the right, at any time and from time to time, whether before or after production, to pool this lease for the production of oil, gas or condensate, or any or either of them, as to the land covered hereby, or any zone or portion thereof, or as to any mineral or royalty interest therein, with any other lease covering the above described land, or lands adjacent, contiguous, adjoining, or in the immediate vicinity thereof, or as to any zone or portion of said lease or any mineral or royalty interest therein. Such pooling shall be into a unit or units not exceeding forty (40) acres plus an acreage tolerance of ten percent (10%) thereof for oil, and units not exceeding six hundred forty (640) acres each plus an acreage tolerance of ten percent (10%) thereof for gas, provided that, should governmental authority having jurisdiction prescribe or permit the creation of any drilling, spacing or proration units larger than those specified above, such units may be created or enlarged to conform in size to the drilling or spacing units so prescribed or permitted or to the proration units as may be authorized for obtaining the maximum allowable production from one well. Lessee may pool the acreage or interests above described, or any portion thereof, as above provided, as to oil, or gas in any one or more zones, and units so formed need not conform in size or area with the unit or units into which the lease is pooled, or combined as to any other zone, and oil units need not conform as to area with gas units. Such pooling shall be effected by the filing by Lessee of a written designation, in the county, or counties, in which the premises are located, identifying and describing the pooled unit. The production of oil, gas or condensate from any zone or portion of the land so pooled and the development and operation on such land, including the commencement, drilling, completion and operation of a well thereon, or the existence thereof of a shut-in gas well, shall be considered and construed and shall have the same effect, except for the payment of royalty, as production, development and operation, or the existence of a shut-in gas well on the leased premises, regardless of the location of the well on the unit. Production from any unit well producing oil, gas or condensate shall be allocated to the leased premises in the proportion that the acreage of the leased premises included within the unit bears to the total acreage in the unit, and the royalty provided for herein shall be calculated on the portion of the production so allocated. The royalty so payable on allocated production shall be in lieu of any other royalty that would accrue to Lessor from the production of oil, gas or condensate from any zone or portion of the leased premises included within the unit. Shut-in gas royalty, with respect to unit shut-in gas wells, shall be payable in accordance with the provisions and in the amount set forth in this lease. In the event any unit well shall fail to produce oil, gas or condensate in paying quantities, or in the event the production from any such well shall cease, Lessee may terminate the unit by filing for record, in the county, or counties where the land is situated, a written declaration of such termination.

8. **Use Of Oil, Gas And Water For Operations.** Lessee shall have the free use of oil, gas and water from the leased premises, except water from Lessor's wells and tanks, for all operations hereunder, and the royalty on oil and gas shall be computed after deducting the amount so used.

9. **Removal Of Equipment.** Lessee shall have the right, at any time during or after the expiration of this lease, to remove all property and fixtures placed on the leased premises by Lessee, including the right to withdraw and remove all casing.

10. **Assignment Or Change Of Ownership.** The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors, and assigns, but no change or division in ownership of the land, rentals or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No change or division in the ownership of the land, rentals or royalties, however accomplished, shall be binding upon Lessee for any purpose and shall not impair the effectiveness of any payment theretofore made by Lessee (irrespective of whether Lessee has either actual or constructive knowledge thereof) until sixty (60) days after such person acquiring any interest has furnished Lessee with the instrument or instruments, or certified copies thereof, constituting his chain of title from the original Lessor. In the event of an assignment of this lease as to a segregated portion of the land covered by this lease, the rentals payable hereunder shall be apportioned as between the several leasehold owners, ratably, according to the surface area of each, and a default in rental payment by one Lessee shall not affect the rights of other leasehold owners hereunder who make due payments of rentals. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge Lessee of all obligations hereunder.

11. **Force Majeure.** Lessee shall not be liable for any delays in its performance of any covenant or condition hereunder, express or implied, or for total or partial nonperformance thereof, due to force majeure. The term "force majeure", as used herein, shall mean any circumstance or any condition beyond the control of Lessee, including but not limited to acts of God and actions of the elements; acts of the public enemy; strikes; lockouts; accidents; laws, acts, rules, regulations and orders of federal, state or municipal governments, or officers or agents thereof; failure of transportation; or the exhaustion, unavailability, or delays in delivery, of any product, labor, service or material. If Lessee is required to cease drilling or reworking or producing operations on the leased premises by force majeure, then until such time as such force majeure is terminated and for a period of ninety (90) days after such termination, each and every provision of this lease that might operate to terminate it shall be amended and this lease shall continue in full force and effect during such suspension period. If any period of suspension occurs

EXHIBIT

" C "

Attached to and made a part of that certain Operating Agreement dated June 4, 1996, by and between Nearburg Producing Company, as Operator, and Nearburg Exploration Company, L.L.C., et al, as Non-Operators.

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.

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

A. 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 within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. 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 prime rate in effect at Texas Commerce Bank of Dallas, Texas on the first day of the month in which delinquency occurs plus ~~1%~~ ^{2%} for 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. 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 a joint audit 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. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.
- B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

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. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

2. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

3. 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.
- (4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates, which shall include the salaries and wages of professional employees associated with the sale of gas and/or casinghead gas from any well located in the Contract Area.
- 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 3A of this Section II. Such costs under this Paragraph 3B 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 3A 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 3A and 3B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II.

4. 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 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

5. 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.

6. 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 where like material is normally available or railway receiving point nearest the Joint Property 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 where like material is normally available, or railway receiving point nearest the Joint Property 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, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, 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.

8. 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 gross investment less accumulated depreciation not to exceed * see below percent (=====%) 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 8A 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.

9. 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.

10. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgements 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 9.~~

11. 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. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

12. 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 Worker'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.

13. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

15. 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 of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

*prime rate of interest in effect at Texas Commerce Bank of Dallas, Texas, on the first day of the month in which usage occurs plus two percent (2%)

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:

- (x) 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 3A, 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 be covered by the overhead rates, or
(x) shall not be covered by the overhead rates.

- iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property, including the costs and expenses of professional employees associated with and employed for the sale of gas and/or casinghead gas from any well

- () shall be covered by the overhead rates, or located on the Contract Area.
(x) shall not 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 \$ 6,000
(Prorated for less than a full month)

Producing Well Rate \$ 600

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

- (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work 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 or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar 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 shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
 - (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 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 10 of Section II and all salvage credits.

(b) Operating

_____ Percent (_____ %) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 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 rig and crew capable of drilling to the producing interval on the Joint Property; 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 \$ _____ :

- A. 7.5 % of first \$100,000 or total cost if less, plus
- B. 5.0 % of costs in excess of \$100,000 but less than \$1,000,000, plus
- C. 2.5 % of 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 and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

- A. 7.5 % of total costs through \$100,000; plus
- B. 5.0 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
- C. 2.5 % of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. 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 reasons, 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 basis exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular Goods Other than Line Pipe

- (a) Tubular goods, sized 2½ inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.
- (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.
- (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.
- (d) Macaroni tubing (size less than 2½ inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.

(2) Line Pipe

- (a) Line pipe movements (except size 24 inch OD and larger with walls ¾ inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
 - (b) Line pipe movements (except size 24 inch OD and larger with walls ¾ inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
 - (c) Line pipe 24 inch OD and over and ¾ inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.
 - (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.
- (3) Other Material 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, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.
- (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2 A (1) and (2).

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

~~At seventy-five percent (75%)~~ ^{eighty percent (80%)} of current new price, as determined by Paragraph A.

(2) Material used on and moved from the Joint Property

- (a) ~~At seventy-five percent (75%)~~ ^{eighty percent (80%)} of current new price, as determined by Paragraph A, 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 A, if Material was originally charged to the Joint Account as used Material.

(3) Material not used on and moved from the Joint Property

~~At seventy-five percent (75%)~~ ^{eighty percent (80%)} of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

(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 A. 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

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

- (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.
- (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by 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 or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.
- (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

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made^{*} within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to 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, change of interest, or change of Operator 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. In cases involving a change of Operator, all Parties shall be governed by such inventory.

EXHIBIT "D"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED THE 4TH DAY OF JUNE, 1996, BETWEEN NEARBURG PRODUCING COMPANY, AS OPERATOR, AND NEARBURG EXPLORATION COMPANY, L.L.C., ET AL, AS NON-OPERATORS

INSURANCE

Operator shall carry insurance for the benefit of the joint account covering Operator's operations upon the Unit Area subject to the Operating Agreement to which this Exhibit "D" is attached as follows:

(a) Workmen's compensation insurance in accordance with the requirements of the laws of the State or States where work is conducted and employers liability insurance of Five Hundred Thousand Dollars (\$500,000.00) bodily injury by accident and Five Hundred Thousand Dollars (\$500,000.00) bodily injury by disease per employee, with a policy limit of Five Hundred Thousand Dollars (\$500,000.00) for bodily injury by disease.

(b) Public liability insurance with limits of One Million Dollars (\$1,000,000) as to any one person, and One Million Dollars (\$1,000,000) as to any one occurrence.

(c) Automobile public liability insurance with a combined single limit of up to One Million Dollars (\$1,000,000) per accident.

(d) Umbrella catastrophe liability of Ten Million Dollars (\$10,000,000) each occurrence and Ten Million Dollars (\$10,000,000) aggregate.

Each policy of insurance issued pursuant to the provisions of (a), (b), (c) or (d) of this section shall provide by endorsement or otherwise that the provisions of the policy are extended to cover the interest of the Non-Operator for whom the assured is acting as Operator, agent, or contractor under contract, but only with respect to operations conducted by named assured, and shall charge the premiums for all such insurance to the joint account.

Operator carries Control of Well Insurance covering his proportionate share of expenses involved in controlling a blowout, the expense of redrilling and certain other related costs. Coverage under this insurance is available to non-operating working interest owners. Such insurance is optional, however, and if not rejected by the non-operating working interest owners prior to spud date, they will be billed accordingly. Any working interest owner rejecting above coverage shall be responsible for his proportionate share of such loss, anything in this agreement to the contrary notwithstanding.

Operator shall furnish, upon request, to Non-Operators a certificate covering each policy of insurance issued pursuant to this section.

EXHIBIT "E"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED THE 4TH DAY OF JUNE, 1996, BETWEEN NEARBURG PRODUCING COMPANY, AS OPERATOR, AND NEARBURG EXPLORATION COMPANY, L.L.C., ET AL, AS NON-OPERATORS

GAS BALANCING AGREEMENT

During the period or periods when any party hereto has no market for, or such party's purchaser is unable to take, or if any party fails to take its share of gas, the other parties shall be entitled to produce, take and deliver each month one hundred percent of the allowable gas production assigned to the unit area by the appropriate governmental entity having jurisdiction, and each of such parties shall be entitled to take its pro-rata share of such production.

All parties hereto shall share in and own the condensate recovered at the surface in accordance with their respective interests, but each party taking such gas shall own all of the gas delivered to its purchaser.

Each party unable to market its full share of the gas produced shall be credited with underproduction equal to its share of the gas produced, less its share of gas taken or sold, used in lease operations, vented or lost. Operator shall maintain a current account of the gas balance between the parties and shall furnish all parties hereto annual statements showing the total quantity of gas produced, taken or sold, used in lease operations, vented or lost, and the total quantity of condensate recovered. After seventy two (72) hours prior notice to Operator, any party may begin taking or delivering its share of the gas produced.

In addition to its share, each underproduced party, until it has recovered its underproduction and balanced its gas account, shall be entitled to take or deliver a volume of gas equal to twenty-five percent (25%) of each overproduced party's share of gas produced. If more than one party is entitled to take additional gas, they shall divide such additional gas in proportion to their unit participation.

It is recognized that the purpose of this Provision is to permit any party not marketing or taking its share of current gas production to defer its production from the reservoir and permit the other party or parties to pass clear title to all gas which is marketed or taken on a current basis. Therefore, in the event production of gas permanently ceases prior to the time that the accounts of the parties have been balanced, the complete balancing shall be made based upon the price actually received by each overproduced party for gas produced and sold in excess of its share, such gas being the last volumes produced from such well or wells.

Each party producing and taking gas shall pay any and all production taxes due on such gas. At all times while gas is produced from the contract area, each party hereto, while producing, taking or delivering any gas to a purchaser, shall pay or cause to be paid, all royalties due on the gas produced, taken or delivered to a purchaser. Such royalty payments shall be paid to all royalty owners in the well spaced unit of the well being produced and shall be for each royalty owner's proportionate share of the royalty due on the production.

If, after one (1) year from the date of first sales and on a quarterly basis thereafter, an out-of-balance condition exists because of any party's inability or failure to take or deliver its share of production, then at the election of either the over-balanced party or the under-balanced party, either may require a cash balancing. The price basis for a cash-balancing pursuant to terms of this paragraph shall be the lower of either the over-balanced party's or parties' average price received during the period for which the cash balancing covers or the under-balanced party's or parties' average gas purchase contract price for such period. In the event an under-balanced party does not have a gas purchase contract, the price basis shall be the average price received by the over-balanced party or parties. This option may be exercised quarterly by either party during the thirty day period immediately following the quarterly anniversary of the date of first sales of gas by the first party selling any gas from the well.

EXHIBIT "F"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPERATING AGREEMENT DATED THE 4TH DAY OF JUNE, 1996, BETWEEN NEARBURG PRODUCING COMPANY, AS OPERATOR, AND NEARBURG EXPLORATION COMPANY, L.L.C., ET AL, AS NON-OPERATORS

NOTICE OF JOINT OPERATING AGREEMENT, LIEN,
SECURITY INTERESTS AND FINANCING STATEMENT

STATE OF NEW MEXICO §
 §
COUNTY OF LEA §

WHEREAS, A Joint Operating Agreement dated June 4, 1996 has been entered into between Nearburg Producing Company, as Operator, and the undersigned parties, as Non-Operators, with respect to the exploration, development and operation of their Working Interest and Mineral Interest, insofar as said interests pertain to the following described land (hereinafter called "Contract Area") in Lea County, New Mexico, to wit:

Lots 15 and 16 of Section 3, T-16-S, R-35-E.

AND, WHEREAS the said Operating Agreement provides in part that the parties hereto have granted certain liens and security interests in the above referenced property, fixtures and production located thereon or produced therefrom, to wit:

"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 a rate provided in Exhibit "C" to the above referenced Operating Agreement. 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 as 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."

WHEREAS, it is the intent of the parties to give third parties notice of this instrument by filing same in the records of Lea County, New Mexico.

NOW, THEREFORE, the undersigned parties do hereby grant to each other those rights described in said Agreement regarding liens priority and security interests upon the property described above insofar as said parties' property is covered by the terms of the Joint Operating Agreement outlined herein.

Operator and Non-Operator agree that a carbon, photograph or other reproduction of this Notice shall be sufficient as a financing statement.

For the purpose of filing this Notice of Joint Operating Agreement Lien, Security Interests and Financing Statement as a financing statement, the mailing address of secured parties and debtor are set forth on the signature page attached hereto.

ATTENTION OF RECORDING OFFICE: This instrument gives notice of and grants liens and security interests to both Operator and Non-Operators. Operator is both a secured party and a debtor. Non-operators are both a secured party and debtor. This Notice, as a financing statement, should be indexed accordingly.

EXHIBIT "F"
NOTICE OF JOINT OPERATING AGREEMENT LIEN,
SECURITY INTERESTS AND FINANCING STATEMENT
PAGE -2-

The original of the Operating Agreement herein referenced, or a copy thereof, is maintained at Operator's office at P. O Box 823085, Dallas, Texas 75382-3085.

This instrument may be executed in multi-counterparts, no one of which need be executed by all parties hereto and the same shall be binding upon those parties, as well as their successors and assigns, who execute same, whether or not all named parties join in execution hereof. Counterparts thus executed shall together constitute but one and the same instrument. In the interest of facilitating, filing or recording this instrument thus executed in multi-counterparts, each executing party hereby authorizes removal of signature and acknowledgment pages and reassembly of the same into a single document composed of one copy of the substantive portions of this instrument attached to multiple, separately executed signature and acknowledgment pages.

This Agreement shall be effective the 4th day of June, 1996.

OPERATOR

NEARBURG PRODUCING COMPANY

3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

By:  

Bob Shelton
Type or Print Name

Title Land Manager
Date June 4, 1996

Tax ID or SS No. 74-1666262

NON-OPERATORS

NEARBURG EXPLORATION COMPANY, L.L.C.

3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

By:  

Robert G. Shelton
Type or Print Name

Title Attorney-in-Fact

Date June 4, 1996

Tax ID or SS No. 75-2626152

ENSERCH EXPLORATION, INC.

4849 Greenville Avenue
Suite 1200
Dallas, Texas 75206

By: _____

Type or Print Name

Title _____

Date _____

Tax ID or SS No. _____

AMERIND OIL COMPANY, LTD.

415 West Wall, Suite 500
Midland, Texas 79701

By: _____

Type or Print Name

Title _____

Date _____

Tax ID or SS No. _____

EXHIBIT "F"

**NOTICE OF JOINT OPERATING AGREEMENT LIEN,
SECURITY INTERESTS AND FINANCING STATEMENT
PAGE -3-**

12 Briercroft Office Pa.
Lubbock, Texas 79412-3002

A. L. CONE PARTNERSHIP

By: _____

Type or Print Name

Title _____

Date _____

Tax ID or SS No. _____

JERRY L. HOOPER

By: _____

Type or Print Name

Title Individual

Date _____

Tax ID or SS No. _____

JIMMY JOE HOOPER

By: _____

Type or Print Name

Title Individual

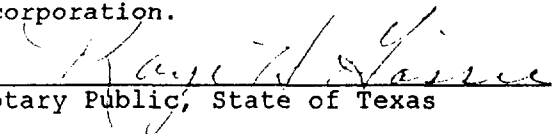
Date _____

Tax ID or SS No. _____

ACKNOWLEDGMENTS

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this the 4th day of June, 1996 by Bob Shelton, as Land Manager of Nearburg Producing Company, a Texas corporation, on behalf of said corporation.



Notary Public, State of Texas

My Commission Expires:

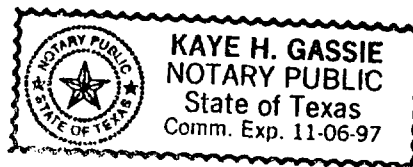
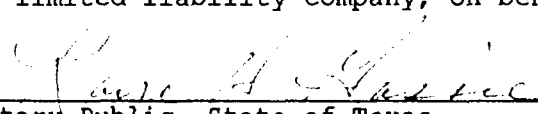


EXHIBIT "F"
NOTICE OF JOINT OPERATING AGREEMENT LIEN,
SECURITY INTERESTS AND FINANCING STATEMENT
PAGE -4-

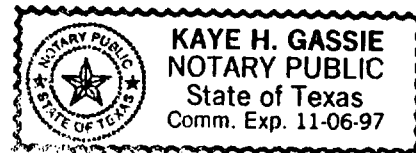
STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this the 4th day of June, 1996 by Robert G. Shelton, as Attorney-in-Fact of Nearburg Exploration Company, L. L. C., a Texas limited liability company, on behalf of said company.



Notary Public, State of Texas

My Commission Expires:



STATE OF TEXAS §
 §
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on this _____ day of June, 1996, by _____, as _____ of Enserch Exploration, Inc., a _____ corporation, on behalf of said corporation.

Notary Public, State of Texas

My Commission Expires:

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

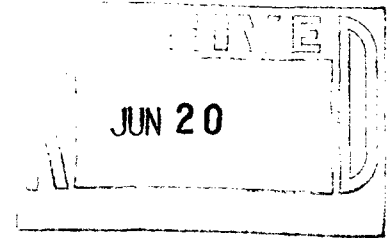
The foregoing instrument was acknowledged before me on this _____ day of June, 1996, by _____, as _____ of Amerind Oil Company, Ltd. a _____, on behalf of said _____.

Notary Public, State of Texas

My Commission Expires:

Mike

A.L. CONE PARTNERSHIP
P.O. Box 3457
Lubbock, Texas 79452



CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 17, 1996

Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

Re: *File*
Nike "3" No. 1 Well
2970' FSL and 330 FEL of Section 3,
T-16-S, R-35-E, Lea County, NM

Gentlemen:

A.L. Cone Partnership appreciates the opportunity to participate in the above referenced well, however without a thorough geological evaluation we do not feel that such a decision can be made at this time. Should you be willing to provide us with all of the geological information (seismic interpretations, etc.) available to you we would certainly entertain such a proposal.

Should you have any questions concerning this matter please do not hesitate to contact us.

Sincerely,

Annie Lee Cooke
A.L. Cone Partnership
Annie Lee Cooke, Partner

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 11563 (De Novo) Exhibit No. 4

Submitted by: Nearburg Exploration Company, L.L.C.

Hearing Date: October 29, 1996

EXHIBIT "F"

NOTICE OF JOINT OPERATING AGREEMENT LIEN,
SECURITY INTERESTS AND FINANCING STATEMENT
PAGE -5-

STATE OF TEXAS §
 §
COUNTY OF LUBBOCK §

The foregoing instrument was acknowledged before me on this _____ day
of June, 1996, by _____, as _____ of A. L.
Cone Partnership, a _____, on behalf of said _____.

Notary Public, State of Texas

My Commission Expires:

STATE OF NEW MEXICO §
 §
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me on this _____ day
of June, 1996, by Jerry Lee Hooper.

Notary Public, State of New Mexico

My Commission Expires:

STATE OF NEW MEXICO §
 §
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me on this _____ day
of June, 1996, by Jimmy Joe Hooper.

Notary Public, State of New Mexico

My Commission Expires:

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

June 26, 1996

A. L. Cone Partnership
P. O. Box 3457
Lubbock, Texas 79452

ATTN: Annie Lee Cooke

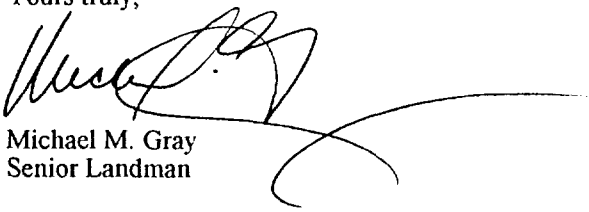
RE: Nike "3" #1 Well
Section 3, T-16-S, R-35-E
Lea County, New Mexico

Dear Ms. Cooke:

Thank you for your letter of June 17, 1996. Pursuant to my conversation with Larry Petrie on Friday, June 21, Nearburg will be willing to share geological information with the A. L. Cone Partnership for this location provided that in the event that you do not participate in the well, you will sell us an oil and gas lease for the bonus consideration of \$100.00 per net acre, a one year lease and a 25% royalty covering all of your interest in Lots 13, 14, 15 and 16 of Section 3, T-16-S, R-35-E.

Mr. Petrie told me that he would be out of town until Monday, July 1. Please contact me if this arrangement is agreeable to you.

Yours truly,



Michael M. Gray
Senior Landman

MMG/dw

CONE 62696

bcc: Randy Watts

**BEFORE THE
OIL CONSERVATION COMMISSION**
Santa Fe, New Mexico

Case No. 11563 (De Novo) Exhibit No. 5

Submitted by: Nearburg Exploration Company, L.L.C.

Hearing Date: October 29, 1996

AMERIND OIL COMPANY, LTD.

ROBERT M. LEIBROCK
ROBERT C. LEIBROCK

SUITE 500, WILCO BUILDING
415 WEST WALL STREET
MIDLAND, TEXAS 79701-4467

TELEPHONE (915) 682-8217
FACSIMILE (915) 686-0747

July 8, 1996

VIA FAX 686-7806

Nearburg Exploration Company, L.L.C.
Exploration and Production
3300 North A Street
Building 2, Suite 120
Midland, Texas 79705

Attention: Mr. Michael M. Gray, Senior Landman

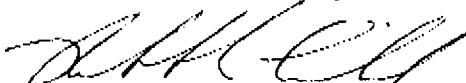
RE: Nike "3" No. 1
Section 3, T16S, R35E
Lea County, New Mexico

Gentlemen:

Per our telephone conversation of last week, this is to confirm that Amerind intends to join in the drilling of this well as to its leasehold interest.

Very truly yours,

AMERIND OIL COMPANY, LTD.



Robert C. Leibrock
General Partner

RCL/mab

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 11563 (De Novo) Exhibit No. 6

Submitted by: Nearburg Exploration Company, L.L.C.

Hearing Date: October 20, 1996

Post-it® Fax Note	7671	DATE <u>7/11/96</u>	# of pages <u>2</u>
To <u>Jim</u>	From <u>Mike</u>		

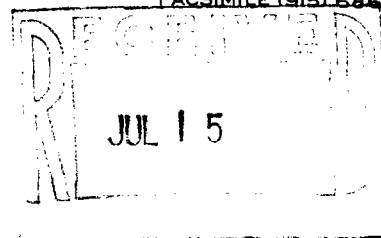
AMERIND OIL COMPANY, LTD.

ROBERT M. LEIBROCK
ROBERT C. LEIBROCK

SUITE 500, WILCO BUILDING
415 WEST WALL STREET
MIDLAND, TEXAS 79701-4467

July 11, 1996

TELEPHONE (915) 682-8217
FACSIMILE (915) 686-0747



Nearburg Exploration Company, L.L.C.
Exploration and Production
3300 North A Street
Building 2, Suite 120
Midland, Texas 79705

Attention: Mr. Michael M. Gray, Senior Landman

RE: Nike "3" No. 1
Section 3, T16S, R35E
Lea County, New Mexico

Gentlemen:

This is to transmit executed copies of your AFE, Operating Agreement, and Exhibit "F", subject to the following changes:

1. Per our telephone conversation I have deleted the language on page 2 of the AFE pertaining to tubular rates. Instead, tubulars are to be charged to the joint account at actual current market value. In the event "current market value" cannot be agreed upon, it will be the rate(s) actually paid by Amerind on the Gallagher State No. 2 well in section 2 of the same township.
2. COPAS Paragraph 2. Overhead - Major Construction:
Cost of building tank battery is specifically excluded from the Major Construction category.

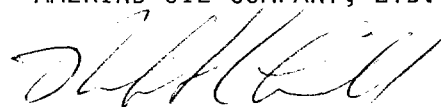
In addition to the two charges noted above, this is to notify you that a portion of Amerind's interest will be assigned to several other parties. Amerind will be responsible for this full interest until such time as the well is completed as a producer. At that point Amerind will provide the division of interest and Nearburg will deal with each party directly thereafter.

Our information requirement sheet is enclosed.

Thank you for your attention to this matter. Please let me know if you have any questions.

Very truly yours,

AMERIND OIL COMPANY, LTD.


Robert C. Leibrock
General Partner

RCL/mab
Enclosures

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1982

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 the 4th day of June, 1996.

OPERATOR

ATTEST OR WITNESS

NEARBURG PRODUCING COMPANY *MS*

By: *Bob Shelton*

Bob Shelton
Type or Print Name

Title Land Manager

Date June 4, 1996

Tax ID or SS No. 74-1666262

NON-OPERATORS

ATTEST OR WITNESS

NEARBURG EXPLORATION COMPANY, L.L.C. *MS*

By: *Robert G. Shelton*

Robert G. Shelton
Type or Print Name

Title Attorney-in-Fact

Date June 4, 1996

Tax ID or SS No. 75-2626152

ATTEST OR WITNESS

ENSERCH EXPLORATION, INC.

By: _____

Type or Print Name

Title _____

Date _____

Tax ID or SS No. _____

ATTEST OR WITNESS

AMERIND OIL COMPANY, LTD.

By: *Robert C. Leibrock*

Robert C. Leibrock
Type or Print Name

Title General Partner

Date July 11, 1996

Tax ID or SS No. _____

ATTEST OR WITNESS

A. L. CONE PARTNERSHIP

By: _____

Type or Print Name

Title _____

Date _____

Tax ID or SS No. _____

ATTEST OR WITNESS

JERRY L. HOOPER

By: _____

Type or Print Name

Title Individual

Date _____

Tax ID or SS No. _____

ATTEST OR WITNESS

JIMMY JOE HOOPER

By: _____

Type or Print Name

Title Individual

Date _____

Tax ID or SS No. _____

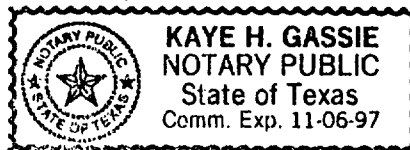
ACKNOWLEDGMENTS

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this the 4th day of June, 1996 by Bob Shelton, as Land Manager of Nearburg Producing Company, a Texas corporation, on behalf of said corporation.

Kaye H. Gassie
Notary Public, State of Texas

My Commission Expires:

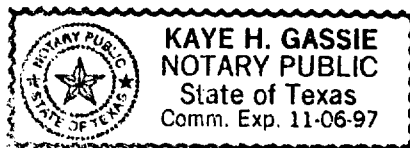


STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this the 4th day of June, 1996 by Robert G. Shelton, as Attorney-in-Fact of Nearburg Exploration Company, L. L. C., a Texas limited liability company, on behalf of said company.

Kaye H. Gassie
Notary Public, State of Texas

My Commission Expires:



STATE OF TEXAS §
 §
COUNTY OF DALLAS §

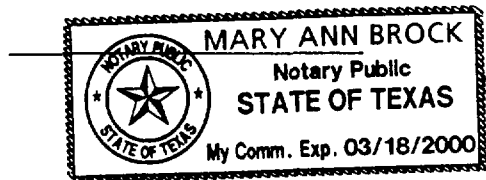
The foregoing instrument was acknowledged before me on this _____ day of June, 1996, by _____, as _____ of Enserch Exploration, Inc., a _____ corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this 11th day of ~~June~~ July, 1996, by Robert C. Leibrock, as General Partner of Amerind Oil Company, Ltd. a Texas Limited Partnership, on behalf of said Partnership.

My Commission Expires: _____
Mary Ann Brock
Notary Public, State of Texas



STATE OF TEXAS §
 §
COUNTY OF LUBBOCK §

The foregoing instrument was acknowledged before me on this _____ day of June, 1996, by _____, as _____ of A. L. Cone Partnership, a _____, on behalf of said _____.

My Commission Expires: _____
Notary Public, State of Texas

STATE OF NEW MEXICO §
 §
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me on this _____ day of June, 1996, by Jerry Lee Hooper.

My Commission Expires: _____
Notary Public, State of New Mexico

STATE OF NEW MEXICO §
 §
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me on this _____ day
of June, 1996, by Jimmy Joe Hooper.

My Commission Expires:

Notary Public, State of New Mexico

EXHIBIT "F"

NOTICE OF JOINT OPERATING AGREEMENT LIEN, SECURITY INTERESTS AND FINANCING STATEMENT

PAGE -2-

The original of the Operating Agreement herein referenced, or a copy thereof, is maintained at Operator's office at P. O Box 823085, Dallas, Texas 75382-3085.

This instrument may be executed in multi-counterparts, no one of which need be executed by all parties hereto and the same shall be binding upon those parties, as well as their successors and assigns, who execute same, whether or not all named parties join in execution hereof. Counterparts thus executed shall together constitute but one and the same instrument. In the interest of facilitating, filing or recording this instrument thus executed in multi-counterparts, each executing party hereby authorizes removal of signature and acknowledgment pages and reassembly of the same into a single document composed of one copy of the substantive portions of this instrument attached to multiple, separately executed signature and acknowledgment pages.

This Agreement shall be effective the 4th day of June, 1996.

OPERATOR

NEARBURG PRODUCING COMPANY

3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

By:  ✓

Bob Shelton
Type or Print Name

Title Land Manager
Date June 4, 1996

Tax ID or SS No. 74-1666262

NON-OPERATORS

NEARBURG EXPLORATION COMPANY, L.L.C.

3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705

By:  ✓

Robert G. Shelton
Type or Print Name

Title Attorney-in-Fact

Date June 4, 1996

Tax ID or SS No. 75-2626152

ENSERCH EXPLORATION, INC.

4849 Greenville Avenue
Suite 1200
Dallas, Texas 75206

By: _____

Type or Print Name


Title _____

Date _____

Tax ID or SS No. _____

AMERIND OIL COMPANY, LTD

415 West Wall, Suite 500
Midland, Texas 79701

By: 

Robert C. Leibrock
Type or Print Name

Title General Partner

Date July 11, 1996

Tax ID or SS No. _____

EXHIBIT "F"
NOTICE OF JOINT OPERATING AGREEMENT LIEN,
SECURITY INTERESTS AND FINANCING STATEMENT
PAGE -3-

12 Briercroft Office Pa.
Lubbock, Texas 79412-3002

A. L. CONE PARTNERSHIP

By: _____

Type or Print Name

Title _____

Date _____

Tax ID or SS No. _____

JERRY L. HOOPER

By: _____

Type or Print Name

Title Individual _____

Date _____

Tax ID or SS No. _____

JIMMY JOE HOOPER

By: _____

Type or Print Name

Title Individual _____

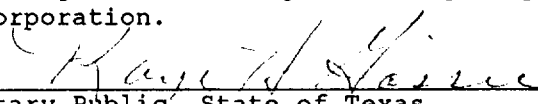
Date _____

Tax ID or SS No. _____

ACKNOWLEDGMENTS

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this the 4th day of June, 1996 by Bob Shelton, as Land Manager of Nearburg Producing Company, a Texas corporation, on behalf of said corporation.



Notary Public, State of Texas

My Commission Expires:

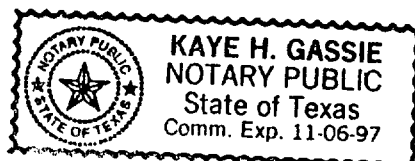


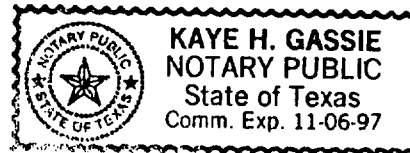
EXHIBIT "F"
NOTICE OF JOINT OPERATING AGREEMENT LIEN,
SECURITY INTERESTS AND FINANCING STATEMENT
PAGE -4-

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me on this the 4th day of June, 1996 by Robert G. Shelton, as Attorney-in-Fact of Nearburg Exploration Company, L. L. C., a Texas limited liability company, on behalf of said company.

Kaye H. Gassie
Notary Public, State of Texas

My Commission Expires:



STATE OF TEXAS §
 §
COUNTY OF DALLAS §

The foregoing instrument was acknowledged before me on this _____ day of June, 1996, by _____, as _____ of Enserch Exploration, Inc., a _____ corporation, on behalf of said corporation.

Notary Public, State of Texas

My Commission Expires:

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

~~June~~ July The foregoing instrument was acknowledged before me on this 11th day of ~~June~~, 1996, by Robert C. Leibrock, as General Partner of Amerind Oil Company, Ltd. a Texas Limited Partnership, on behalf of said Partnership.

Mary Ann Brock
Notary Public, State of Texas

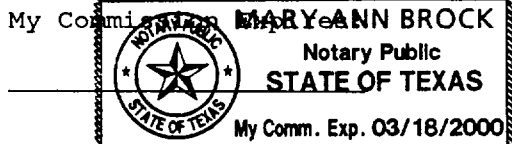


EXHIBIT "F"
NOTICE OF JOINT OPERATING AGREEMENT LIEN,
SECURITY INTERESTS AND FINANCING STATEMENT
PAGE -5-

STATE OF TEXAS §
 §
COUNTY OF LUBBOCK §

The foregoing instrument was acknowledged before me on this _____ day
of June, 1996, by _____, as _____ of A. L.
Cone Partnership, a _____, on behalf of said _____.

Notary Public, State of Texas

My Commission Expires:

STATE OF NEW MEXICO §
 §
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me on this _____ day
of June, 1996, by Jerry Lee Hooper.

Notary Public, State of New Mexico

My Commission Expires:

STATE OF NEW MEXICO §
 §
COUNTY OF CHAVES §

The foregoing instrument was acknowledged before me on this _____ day
of June, 1996, by Jimmy Joe Hooper.

Notary Public, State of New Mexico

My Commission Expires:

Nearburg Producing Company

Exploration and Production

3300 North "A" Street

Building 2, Suite 120

Midland, Texas 79705

915/686-8235

Fax 915/686-7806

August 6, 1996

Amerind Oil Company, Ltd.

500 Wilco Building

415 W. Wall Ave.

Midland, Texas 79701-4467

ATTN: Mr. Robert C. Leibrock

RE: Nike "3" #1 Well

T-16-S, R-35-E, Section 3: Lots 15 and 16


Lea County, New Mexico

Gentlemen:

This letter will confirm the acceptance by Nearburg Exploration Company, L.L.C. and Nearburg Producing Company of your conditional letter dated July 11, 1996, concerning the Operating Agreement for the captioned well.

We appreciate your cooperation.

Yours truly,


Michael M. Gray
Senior Landman

MMG/dw

AMERIND.8696

**ENSERCH
EXPLORATION** INC.

4849 Greenville Ave., Suite 1200
Dallas, Texas 75206

September 25, 1996

Nearburg Producing Company
3300 North "A" Street, Building 2, Suite 120
Midland, Texas 79705

Nearburg Exploration Company, L.L.C.
3300 North "A" Street, Building 2, Suite 120
Midland, Texas 79705

Amerind Oil Company, Ltd.
415 West Wall, Suite 500
Midland, Texas 79701

A. L. Cone Partnership
12 Briercroft Office Pa.
Lubbock, Texas 79412-3002

Jerry Lee Hooper
P. O. Box 2126
Roswell, New Mexico 88202

Jimmy Joe Hooper
P. O. Box 2126
Roswell, New Mexico 88202

Re: Operating Agreement
North Airport Prospect
Lea County, New Mexico
MC# NM 110

Gentlemen:

Enserch Exploration, Inc. ("Enserch") hereby accepts and executes the above referenced Operating Agreement (the "Operating Agreement"), dated June 4, 1996, between Nearburg Producing Company, as Operator, and Enserch, et al., as Non-Operators, subject to your acceptance of the following terms, conditions, modifications, and amendments:

1. The last sentence of the first paragraph of Article III.B. of the Operating Agreement shall be deleted and replaced with the following: "In the same manner, the parties shall also own all production of oil and gas from the Contract Area subject to the payment of royalties to the extent of three-sixteenths of eight-eighths (3/16 of 8/8), which shall be borne as hereinafter set forth."

2. Line 37 of page 2 of the Operating Agreement, which is set forth in Article III.D. thereof, shall be deleted and replaced with the following: "...attributable to its working interest hereunder, or if such a burden existed prior to this agreement and was not of record prior to the date of this agreement, or..."

Nearburg Producing Company, et al.

September 25, 1996

Page 2

3. The second sentence of Article V.B.1. of the Operating Agreement shall be deleted and replaced with the following: "If Operator terminates its legal existence or is no longer capable of serving as Operator, or if Nearburg Exploration Company, L.L.C. no longer owns an interest hereunder in the Contract Area, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor."

4. Article VI.A. of the Operating Agreement shall be deleted.

5. The well formerly described in Article VI.A. of the Operating Agreement shall be governed by Article VI.B. of the Operating Agreement and, for the purposes of the Operating Agreement, shall be deemed to have been proposed by Nearburg Producing Company pursuant to Article VI.B. of the Operating Agreement on September 1, 1996. Enserch shall be deemed timely to have elected not to participate in the cost of the well described in Article 2. of this Amendment.

6. The last sentence of Article VIII.C. of the Operating Agreement shall be deleted and replaced with the following: "This Article VIII.C. shall not apply to the contribution of acreage toward the Initial Well provided for in Article VI.A. hereof or any substitutes therefor."

7. Article XV.A. of the Operating Agreement shall be deleted and replaced with the following:

XV.A. REQUIRED WELLS AND OPERATIONS. If a party elects not to participate in operations that are necessary to perpetuate a lease that, absent such operations, would expire or terminate within six (6) months from the date such operations are proposed, it shall release and relinquish unto the parties participating in such operations all of its interest in and to such lease and, upon the completion of such operations, shall transfer and assign unto such participating parties, in the proportions their interests, as set forth in Exhibit "A," bear to each other, all of such non-participating party's right, title, and interest in and to such lease, insofar, and only insofar, as such lease lies within the Contract Area and does not include the producing unit of a well in which such non-participating party previously participated hereunder and that was completed as a commercial producer of oil and/or gas. Upon such assignment, this Operating Agreement shall be amended automatically to reflect the interests of the parties in the portion of the Contract Area covered by such lease as being identical to their ownership interests in the oil and gas leases and oil and gas interests lying within the portion of the Contract Area covered by such lease. The assignment provided for herein shall be made

without representation or warranty of title, either express or implied. The assignment shall be free and clear of all royalties, overriding royalties, production payments, and other burdens upon production except those to which such lease was subject as of the effective date of this Operating Agreement.

8. Article XV.C. of the Operating Agreement shall be deleted.

9. Article XV.H. of the Operating Agreement shall be deleted and replaced with the following:

Notwithstanding anything contained herein to the contrary, if a party to this Agreement elects not to participate in a proposed operation, or if a consenting party to an operation fails timely to pay its share of the cost of such operation and is determined to be a non-participating party in such operation, such party shall not have access to or be entitled to receive information with regard to such operation.

10. The following shall be added to the Operating Agreement as Article XV.I.:

XV.I. MULTIPLE OPERATIONS. Notwithstanding anything to the contrary contained in this Agreement, the parties agree that none of them shall be required to consider or make an election to participate in any proposed operation to drill, rework, deepen, complete, recomplate, sidetrack, or plug back any well while:

- (a) Any drilling, reworking, deepening, completing, recompleting, side-tracking, or plugging back operation is in progress on any well covered by this Agreement; or
- (b) Any proposal to drill, rework, deepen, complete, recomplate, sidetrack, or plug back any well covered by this Agreement is being considered by the parties.

If, however, any operation is proposed to comply with any express or implied covenant provided for in any lease or interest subject to this Agreement, or if any lease will expire at the end of its primary term in the absence of such operation, the proposing party shall clearly include this information in its notice of the proposed operation. Should any party fail to elect within thirty (30) days of receipt of such notice either to participate or

to become a non-consenting party, such failure shall constitute its election not to participate in the proposed operation. Failure by any party to assert or invoke the rights provided for herein shall not prejudice that party's right to assert or invoke such rights on any future occasion.

11. The following shall be added to the Operating Agreement as Article XV.J.:

XV.J. DEFAULT. 1. If any party (including the Operator) fails to pay, as provided in the Accounting Procedure (attached hereto as Exhibit "C"), its share of any cost that it is obligated to pay under any provision of this Agreement, and if such default continues for a period of fifteen (15) days following delivery by Operator (or by any Non-Operator in case of a default by Operator) of notice of such default to such party, then at any time after the expiration of such notice period the Operator (or any Non-Operator if the Operator is the party in default) shall be entitled to the remedies in (a) and (b) or (a) and (c) below:

(a) Operator (or any Non-Operator if Operator is the party in default) may suspend by written notice any or all of the rights of the defaulting party granted by this Agreement, without prejudice to the right of the non-defaulting party to continue to enforce the obligations of the defaulting party under this Agreement. The rights of a defaulting party that may be suspended hereunder at the election of the non-defaulting parties shall include, without limitation, the right to elect to participate in any subsequent operation regarding the well to which the default relates, or any subsequent operation proposed under this Agreement; and

(b) Operator (or any Non-Operator if Operator is the party in default) may take any action to which it may be entitled or pursue any remedy to collect the amounts in default, together with all damages suffered by the non-defaulting parties as a result of the default, plus interest accruing on the amounts recovered from the date of default until the date of collection at the rate specified in the Accounting Procedure (attached hereto as Exhibit "C") together with reasonable attorney's fees and court costs related thereto; or

(c) Operator (or any Non-Operator if the Operator is the party in default) may deliver a written Notice of Nonparticipation Election to

Nearburg Producing Company, et al.

September 25, 1996

Page 5

the defaulting party at any time after the default occurs with the following effect:

(i) If the billing is for the drilling of a new well or the plugging back, reworking, or deepening (including side-tracking) of a dry hole or a well not then producing in paying quantities, or the completion or recompletion of any well, the nonpaying party shall be deemed conclusively to have elected not to participate in the subject operation from the time of the billing which led to the default and to be a Nonparticipating party with respect thereto, notwithstanding any election to participate theretofore made.

(ii) Until the delivery of such Notice of Nonparticipation Election to the non-paying party, such party shall have the right to cure its default by paying the unpaid billing plus interest at the rate set forth in the Accounting Procedure (attached hereto as Exhibit "C"). Any interest relinquished pursuant to this Article shall be owned by the non-defaulting parties in proportion to their interests, and the non-defaulting parties shall be liable to contribute their shares of the defaulted amount.

2. Notwithstanding the other provisions of this Article, if a party fails to pay part or all of its share of costs hereunder because of a legitimate disagreement as to the appropriateness of part or all of the billing in question, and if such party makes such disagreement and the grounds therefor known to the Operator in writing prior to the due date of such billing and timely tenders payment of all undisputed amounts, then such party shall not be subject to paragraph 1.(a) or 1.(c) of this Article.

12. The following shall be added to the Operating Agreement as Article XV.K.:

XV.K. SECURITY PROVISIONS. Notwithstanding anything to the contrary contained in this Operating Agreement, it is understood and agreed that:

1. Each Non-Operator, to secure payment of its share of expenses incurred under this Operating Agreement, together with interest thereon at the rate provided in the Accounting Procedure

(attached hereto as Exhibit "C"), grants to Operator a lien on all of its right, title, and interest now owned or hereafter acquired in the Contract Area, including, but not limited to, the oil, gas, and mineral leases, mineral estates, and other mineral interests described in Exhibit "A," as hereafter amended, modified, ratified, renewed, or extended; any properties now or hereafter pooled or unitized with any of the properties affected by such mineral interests; and all unsevered and unextracted oil, gas, and other hydrocarbons that may be produced, obtained, or secured from the lands covered and affected by such mineral interests.

2. To further secure its share of expenses incurred under this Operating Agreement, together with interest thereon at the rate provided in the Accounting Procedure, each Non-Operator grants to Operator a security interest in all of its interest now owned or hereafter acquired in and to all other properties associated with or attributable to the Contract Area, including: (i) all equipment; (ii) all hydrocarbons severed and extracted from or attributable to the properties described in the Contract Area; (iii) all accounts (including, but not limited to, accounts resulting from the sale of such hydrocarbons), contract rights, and general intangibles arising in connection with the sale or other disposition of such hydrocarbons; (iv) fixtures; and (v) all proceeds and products of all such properties.
3. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expenses. Each party paying its share of unpaid expenses pursuant to Article VII.B. hereof shall, to obtain reimbursement thereof, be subrogated to the security rights described in this Agreement.

13. The following shall be added to the Operating Agreement as Article XV.L.:

XV.L. REMOVAL OF OPERATOR. If Nearburg Exploration Company, L.L.C. ceases to own an interest in the Contract Area, Nearburg Producing Company shall cease to be Operator under this Operating Agreement, then and thereupon. If Nearburg Producing Company ceases to be Operator hereunder, the parties hereto shall select a replacement Operator under the

Nearburg Producing Company, et al.

September 25, 1996

Page 7

provisions of Article V.B.2. hereof. Upon the selection of such successor Operator, Article V.B.1. hereof shall be amended by deleting the second sentence thereof and replacing it with the following: "If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor."

14. Article I. of Exhibit "A" to the Operating Agreement shall be amended to include Lots 13 and 14 of Section 3, Township 16 South, Range 35 East, Lea County, New Mexico.

This Letter of Conditional Acceptance may be executed in multiple counterparts, each of which shall constitute an original and all of which, when construed together, shall constitute but one and the same instrument. This Letter of Conditional Acceptance shall be binding on the parties executing it. Please indicate your acceptance of the foregoing terms, conditions, modifications, and amendments by executing this Letter of Conditional Acceptance in the space provided hereinafter for your signature and sending a fully executed duplicate original hereof to Enserch at the following address:

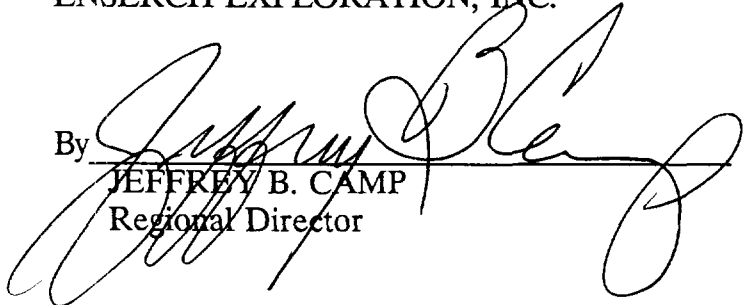
Enserch Exploration, Inc.
Mr. Jeffrey B. Camp
Regional Director, Mid-Continent Region
Suite 1200
4849 Greenville Avenue
Dallas, Texas 75206

Sincerely,

ENSERCH EXPLORATION, INC.

By


JEFFREY B. CAMP
Regional Director

A large, stylized handwritten signature in black ink, which appears to read "Jeffrey B. Camp", is written over a horizontal line. The signature is fluid and cursive, with a large loop at the end.

Nearburg Producing Company, et al.
September 25, 1996
Page 8


ACCEPTED AND AGREED TO this 22nd day of October, 1996.

NEARBURG PRODUCING COMPANY

By 
Title Gen. Counselman

ACCEPTED AND AGREED TO this 22nd day of October, 1996.

NEARBURG EXPLORATION COMPANY,
L.L.C.

By 
Title Gen. Counselman

ACCEPTED AND AGREED TO this _____ day of _____, 1996.

AMERIND OIL COMPANY, LTD.

By _____
Title _____

(Signature page to letter of conditional acceptance from Enserch Exploration, Inc., dated September 25, 1996.)

Nearburg Producing Company, et al.
September 25, 1996
Page 9

ACCEPTED AND AGREED TO this ____ day of _____, 1996.

A. L. CONE PARTNERSHIP

By _____

Title _____

ACCEPTED AND AGREED TO this ____ day of _____, 1996.

JERRY LEE HOOPER

ACCEPTED AND AGREED TO this ____ day of _____, 1996.

JIMMY JOE HOOPER

(Signature page to letter of conditional acceptance from Enscher Exploration, Inc., dated September 25, 1996.)

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT - 1982

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 the 4th day of June, 1996.

OPERATOR

ATTEST OR WITNESS

NEARBURG PRODUCING COMPANY

By: Bob Shelton

Bob Shelton
Type or Print Name

Title Land Manager

Date June 4, 1996

Tax ID or SS No. 74-1666262

NON-OPERATORS

ATTEST OR WITNESS

NEARBURG EXPLORATION COMPANY, L.L.C.

By: Robert G. Shelton

Robert G. Shelton
Type or Print Name

Title Attorney-in-Fact

Date June 4, 1996

Tax ID or SS No. 75-2626152

ATTEST OR WITNESS

ENSERCH EXPLORATION, INC. *

By: Jeffrey B. Camp

Jeffrey B. Camp
Type or Print Name

Title Regional Director

Date _____

Tax ID or SS No. 75-2556975

*Executed subject to letter of conditional acceptance, dated September 13, 1996.

ATTEST OR WITNESS

AMERIND OIL COMPANY, LTD.

By: _____

Type or Print Name

Title _____

Date _____

Tax ID or SS No. _____

ATTEST OR WITNESS

A. L. CONE PARTNERSHIP

By: _____

Type or Print Name

Title _____

Date _____

Tax ID or SS No. _____

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

October 9, 1996

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Enserch Exploration, Inc.
4849 Greenville Avenue
Suite 1200
Dallas, Texas 75206
Attention: Mr. Jerry R. Anderson

Amerind Oil Company, Ltd.
415 West Wall Street, Suite 500
Midland, Texas 79701
Attention: Mr. Bob Leibrock

Re: T-16-S, R-35-E, Section 3: Lots 15 and 16
Lea County, New Mexico
Nike Prospect

Gentlemen:

Nearburg Exploration Company, L.L.C. (Nearburg) has previously forwarded for your approval a Joint Operating Agreement covering the captioned acreage. Enclosed herewith please find an amended page -4- which changes the well commencement date to on or before January 31, 1997, allowing Nearburg adequate time to spud the initial well under the Joint Operating Agreement.

If we can be of any further assistance, please advise.

Yours very truly,



Duke Roush
Consulting Landman

DR:kg

Enclosure

P 268 415 314

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to
Amerind
Street & Number
Post Office, State, & ZIP Code
Postage \$
Certified Fee
Special Delivery Fee
Restricted Delivery Fee
Return Receipt Showing to Whom & Date Delivered
Return Receipt Showing to Whom, Date, & Addressee's Address
TOTAL Postage & Fees \$
Postmark or Date
10/10/96

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

3. Article Addressed to:
Amerind Oil Company, Ltd.
415 West Wall Street, Suite 500
Midland, Texas 79701
Attention: Mr. Bob Leibrock
Nike JOA

4a. Article Number
P 268 415 314
4b. Service Type
☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD
7. Date of Delivery
10-10-96

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
X [Signature]

PS Form 3811, December 1994 Domestic Return Receipt

Thank you for using Return Receipt Service.

P 268 415 313

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sent to
Enserch
Street & Number
Post Office, State, & ZIP Code
Postage \$
Certified Fee
Special Delivery Fee
Restricted Delivery Fee
Return Receipt Showing to Whom & Date Delivered
Return Receipt Showing to Whom, Date, & Addressee's Address
TOTAL Postage & Fees \$
Postmark or Date
10/10/96

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

3. Article Addressed to:
Enserch Exploration, Inc.
4849 Greenville Avenue
Suite 1200
Dallas, Texas 75206
Attention: Mr. Jerry R. Anderson
Nike JOA

4a. Article Number
P 268 415 313
4b. Service Type
☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☐ Return Receipt for Merchandise ☐ COD
7. Date of Delivery
10/11/96

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)
X [Signature]

PS Form 3811, December 1994 Domestic Return Receipt

Thank you for using Return Receipt Service.

ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

_____ 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 hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, 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" 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. 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"; provided, however, if an Operator which has been 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" 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 31st day of January, 1997, Operator shall be authorized to commence the drilling of a well for oil and gas at the following location:

3,070' FSL and 330' FEL of Section 3, T-16-S, R-35-E,
Lea County, New Mexico,

and shall thereafter continue the drilling of the well with due diligence to

a total depth of 12,300' or sufficient in Operator's
opinion to adequately test the Mississippian formation,

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 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.

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

August 7, 1996

A.L. Cone Partnership
12 Briercroft Office Park
Lubbock, Texas 79412-3002

CERTIFIED RETURN RECEIPT

ATTN: Mr. Larry Petrie

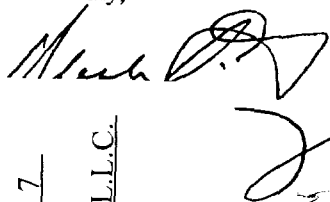
RE: Nike "3" #1 Well
T-16-S, R-35-E, Section 3
3,070' FSL/330' FEL
Lea County, New Mexico

Gentlemen:

Order No. R-10637 has been issued for Case #11563 by the Oil Conservation Division of the State of New Mexico. Pursuant to that order, we are enclosing our Authority for Expenditure setting forth the estimated cost of drilling and completing the well. Under the terms of the order, you have 30 days from receipt of this letter and AFE to elect to participate or not to participate in the captioned well.

As we have indicated to you in the past, we would welcome and prefer that you join under the terms of our proposed Operating Agreement or we would still be willing to consider leasing from you under mutually acceptable terms.

Yours truly,



Z 740 463 190



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Nike "3" #1

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Mr. Larry Petrie
A.L. Cone Partnership
12 Briercroft Office Park
Lubbock, TX 79412-3002

4a. Article Number

Z 740 463 190

4b. Service Type


- ☐ Registered ☐ Insured
☒ Certified ☐ Return Receipt for Merchandise
☐ Express Mail

7. Date of Delivery

13
1996

5. Signature (Addressee)

6. Signature (Agent)



your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 11563 (De Novo) Exhibit No. 7
Submitted by: Nearburg Exploration Company, L.L.C.
Hearing Date: October 29, 1996

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

August 7, 1996

Enserch Exploration, Inc.
4849 Greenville Ave., Suite 1200
Dallas, Texas 75206

CERTIFIED RETURN RECEIPT

ATTN: Mr. Jerry R. Anderson

RE: Nike "3" #1 Well
T-16-S, R-35-E, Section 3
3,070' FSL/330' FEL
Lea County, New Mexico

Gentlemen:

Order No. R-10637 has been issued for Case #11563 by the Oil Conservation Division of the State of New Mexico. Pursuant to that order, we are enclosing our Authority for Expenditure setting forth the estimated cost of drilling and completing the well. Under the terms of the order, you have 30 days from receipt of this letter and AFE to elect to participate or not to participate in the captioned well.

As we have indicated to you in the past, we would welcome and prefer that you join under the terms of our proposed Operating Agreement.

Yours truly,


Michael M. Gray
Senior Landman

MMG/dw
encl.

ENSERCH.8696

Z 740 463 189

**Receipt for
Certified Mail**
No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to
Jerry Anderson

Nike "3" #1

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

Mr. Jerry R. Anderson
Enserch Exploration, Inc.
4849 Greenville Ave., S 1200
Dallas, TX 75206

4a. Article Number
Z 740 463 189

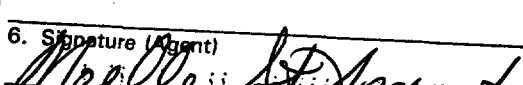
4b. Service Type

<input type="checkbox"/> Registered	<input type="checkbox"/> Insured
<input checked="" type="checkbox"/> Certified	<input type="checkbox"/> COD
<input type="checkbox"/> Express Mail	<input type="checkbox"/> Return Receipt for Merchandise

7. Date of Delivery
8/9/96

8. Addressee's Address (Only if requested and fee is paid)

5. Signature (Addressee)

6. Signature (Agent)


Is your RETURN ADDRESS completed on the reverse side?

PS Form 3811, December 1991

Thank you for using Return Receipt

Dallas, Texas

AUTHORITY FOR EXPENDITURE

LEASE: Nike 3 WELL NUMBER: 1 TOTAL DEPTH: 12,300'
LOCATION: 3070' FSL and 330' FEL Section 3, T16S, R35E, Lea County, NM
FIELD: Wildcat Mississippian EXPLORATORY, DEVELOPMENT, WORKOVER: Wildcat
DESCRIPTION OF WORK: Drill and complete as a flowing Missippian gas producer
DATE PREPARED: 6/4/96 EST. START DATE: EST. COMPLETION DATE:
ACCOUNTING WELL NUMBER:
COMMUNICATIONS ACCOUNT NUMBER:

INTANGIBLE COSTS:	CODE	TO CSG PT	CODE	COMPLETION	TOTAL WELL
Drilling Footage - 12,300'@ \$18 /Ft	1514.101	221,400	NA		221,400
Drilling Daywork - 3/2 Days @ \$4,500/Day	1514.105	13,500	1515.105	9,000	22,500
Drilling Turnkey	1514.110		1515.110		0
Rig Mobilization and Demobilization	1514.115		1515.115		0
Road & Location Expense	1514.120	15,000	1515.121	2,500	17,500
Damages	1514.122	5,000	1515.123	1,000	6,000
Directional Drilling - Tools and Service	1514.130		1515.130		0
Drilling Fluids	1514.133	35,000	NA	1,000	36,000
Fuel, Power & Water	1514.140	15,000	1515.140	2,000	17,000
Supplies - Bits	1514.145		1515.145	500	500
Supplies - Casing Equipment	1514.150	2,500	1515.150	7,000	9,500
Supplies - Liner Equipment	1514.155		1515.155		0
Supplies - Miscellaneous	1514.160	1,500	1515.160	500	2,000
Cement and Cmt. Services - Surface Csg	1514.165	5,000	NA		5,000
Cement and Cmt. Services - Int. Csg	1514.170	12,000	NA		12,000
Cement and Cmt. Services - Prod. Csg	NA		1515.171	25,000	25,000
Cement and Cmt. Services - Other	1514.175		1515.175		0
Rental - Drilling Tools and Equipment	1514.180	10,000	1515.180		10,000
Rental - Misc.	1514.185	2,500	1515.185	3,000	5,500
Testing - Drill Stem / Production	1514.189	9,000	1515.185		9,000
Open Hole Logging	1514.200	35,000	NA		35,000
Mudlogging Services	1514.210	15,000	NA		15,000
Special Services	1514.190		1515.190		0
Plug and Abandon	1514.215	15,000	1515.215	(15,000)	0
Pulling and/or Swabbing Unit	NA		1515.217	10,500	10,500
Reverse Equipment	NA		1515.219	1,200	1,200
Wireline Services	1514.205		1515.205	7,500	7,500
Stimulation	NA		1515.221	9,500	9,500
Pump / Vacuum Truck Services	1514.220		1515.220	2,500	2,500
Transportation	1514.225	2,500	1515.225	4,000	6,500
Tubular Goods - Inspection & Testing	1514.230	1,500	1515.230	8,000	9,500
Unclassified	1514.245		1515.245		0
Telephone and Radio Expense	1514.240	1,500	1515.240	300	1,800
Engineer / Geologist	1514.250	7,500	1515.250	2,500	10,000
Company Labor - Field Supervision	1514.255	15,000	1515.255	4,500	19,500
Contract Labor / Roustabout	1514.265	2,000	1515.265	3,000	5,000
Legal and Professional Services	1514.270	5,000	1515.270	2,000	7,000
Insurance	1514.275	27,900	1515.275	2,000	29,900
Overhead	1514.280	10,000	1515.280	2,000	12,000
SUBTOTAL		485,300		96,000	581,300
Contingencies (10%)		48,530		9,600	58,130
ESTIMATED TOTAL INTANGIBLES		533,830		105,600	639,430

Exploration and Production
Dallas, Texas

<u>TANGIBLE COSTS:</u>	<u>CODE</u>	<u>TO CSG PT</u>	<u>CODE</u>	<u>COMPLETION</u>	<u>TOTAL WELL</u>
Conductor Casing	1520-305		NA		0
Surface Casing 13-3/8"-500'@\$24/ft	1520-310	12,000	NA		12,000
Intermediate Casing 8-5/8"-4,900'@\$14/ft	1520-315	68,600	NA		68,600
Protection Casing	1520-320		NA		
Production Casing 12,300'@\$13.50/ft	NA		1522-325	166,100	166,100
Protection Liner	1520-330		NA		
Production Liner	NA		1522-305		
Tubing 2-3/8" - 11,900'@\$3.30/ft	NA		1522-340	39,300	39,300
Rods	NA		1522-345		0
Artificial Lift Equipment	NA		1522-300		0
Tank Battery	NA		1522-335	20,000	20,000
Separators/Heater Treater/Gas Units/FWKO	NA		1522-360	12,000	12,000
Well Head Equipment & Christmas Tree	1520-345	1,500	1522-365	10,500	12,000
Subsurface Well Equipment	NA		1522-370	6,000	6,000
Flow Lines	NA		1522-375	7,500	7,500
Saltwater Disposal Pump	NA		1522-397		0
Gas Meter	NA		1522-385	3,500	3,500
Lact Unit	NA		1522-387	12,000	12,000
Vapor Recovery Unit	NA		1522-388	2,500	2,500
Other Well Equipment	NA		1522-390		
ROW and Damages	NA		1522-393	2500	
Surface Equipment Installation Costs	NA		1522-395	10,000	10,000
Elect. Installation	NA		1522-397	5,000	5,000
ESTIMATED TOTAL TANGIBLES		82,100		296,900	379,000
ESTIMATED TOTAL WELL COSTS		615,930		402,500	1,018,430

NPC APPROVAL	DATE
PREPARED BY: HRW	6/04/96
REVIEWED BY: ESK	6/04/96
APPROVED BY:	

WI APPROVAL: COMPANY _____

BY _____ DATE _____

TITLE _____

Nearburg Exploration Company, L.L.C.

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
915/686-8235
Fax 915/686-7806

FAXED
9-12-96

September 10, 1996

A.L. Cone Partnership
12 Briercroft Office Park
Lubbock, Texas 79412-3002

**BY FAX (806) 762-6749 and
CERTIFIED RETURN RECEIPT REQUESTED**

ATTN: Mr. Larry Petrie

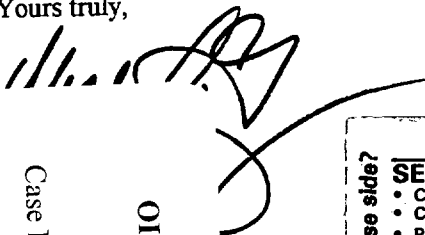
RE: Nike "3" #1 Well
T-16-S, R-35-E, Section 3
3,070' FSL/330' FEL
Lea County, New Mexico

Gentlemen:

Under Case #11563, Order #R-10637, an order pooling Lots 15 and 16 of the captioned section for the drilling of the captioned well was issued by the Oil Conservation Division. By letter dated August 7, 1996 received by A.L. Cone Partnership on August 13, 1996, we furnished you with an Authority for Expenditure as required by the aforesaid order. The election date under the terms of the order is September 12, 1996.

By application dated August 27, 1996, James Bruce applied on your behalf for a de novo hearing concerning the pooling order. This letter is to inform you that Nearburg Exploration Company, L.L.C. intends to enforce the election date as set forth in the original order R-10637. In the event of your failure to elect to participate in the captioned well by September 12, 1996, Nearburg will consider you to be a non-participant under the order and will use it's best efforts to enforce the order as written.

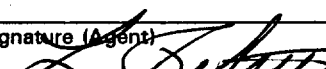
Yours truly,



Z 740 464 875

Receipt for Certified Mail

No Insurance Coverage Provided
Consult postmaster for fee.

SENDER: <ul style="list-style-type: none">• Complete items 1 and/or 2 for additional services.• Complete items 3, and 4a & b.• Print your name and address on the reverse of this form so that we can return this card to you.• Attach this form to the front of the mailpiece, or on the back if space does not permit.• Write "Return Receipt Requested" on the mailpiece below the article number.• The Return Receipt will show to whom the article was delivered and the date delivered.		RE: Nike "3" #1 ltr. dtd. 9-10-96	
3. Article Addressed to: A.L. Cone Partnership 12 Briercroft Office Park Lubbock, TX 79412-3002		4a. Article Number Z 740 464 875	
5. Signature (Addressee)		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Registered Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered Mail for Merchandise	
6. Signature (Agent) 		7. Date of Delivery 23	
		8. Addressee's Address (Only if requested and fee is paid)	

U.S. POSTAL SERVICE
LUBBOCK, TX
23
USPS

Submitted by: Nearburg Exploration Company, L.L.C.

Case No. 11563 (De Novo) Exhibit No. 8

**BEFORE THE
OIL CONSERVATION COMMISSION**
Santa Fe, New Mexico

Hearing Date: October 29, 1996

HINKLE, COX, EATON, COFFIELD & HENSLEY, L.L.P.

ATTORNEYS AT LAW

218 MONTEZUMA POST OFFICE BOX 2008

SANTA FE, NEW MEXICO 87504-2008

(505) 982-4554 FAX (505) 982-8623

LOUIS C. GIL, JR. CLARENCE E. HINKLE (HONORARY)

OF COUNSEL
O. H. GILMOUR, JOC. W. WOOD
RICHARD L. GILMOUR, RAY W. RICHARDS

AUSTIN AFFILIATION
MORTIMER S. STEPHENS, JR.
HEINRICH R. HOFFMAN
TOM D. STEPHENS
RONALD C. GONZALES, JR.
JOSE GARCIA

THOMAS E. MOORE
ROSEANNE HENDRICK JOHNSON
STANLEY E. KOTENY, JR.
ELLEN S. GARY
MARGARET CARTER LUDWIG
B. BARRY RUSSELL
DAVID H. RUSSELL
ANDREW J. CLOUTIER
STEPHANIE LAUDRY
KURT E. HOSCHKE
DAVID FISHER
JULIE P. KEEFER
WILLIAM P. CLATTER
CHRISTOPHER M. MOORE
JOHN D. PHILLIPS
CARL R. MORRIS
JAMES A. GILBERT
MARGARET R. MENEN

DARY W. LARSON
LEA W. SMITH
NORMAN D. SMITH
DARRIN Y. GROSS
NOLLY HENTON
MARCIA S. LINDEN
SCOTT A. SHUART
PAUL B. NAGAN
AMY Q. HIGGINS
BRADLEY S. HIGGINS
MARGARET KING NELSON
ELLEN Y. LOUGHBROUGH
JAMES R. WOOD
NANCY L. STRATTON
TIMOTHY R. BROWN
JAMES C. MARTIN

*NOT LICENSED IN NEW MEXICO

October 22, 1996

Via Fax: 983-6043

William F. Carr
Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504

Re: Case 11563 (Nearburg Exploration Company, L.L.C.)

Dear Bill:

Enclosed is a draft subpoena regarding the above matter. Will Nearburg voluntarily produce the data? If not, will you accept service on behalf of Nearburg? Due to the short time frame, I will probably get the subpoena issued today so that I can have it served on Nearburg in Midland if necessary.

I understand Nearburg's position, that Cone has elected to go non-consent. Of course, we will assert that under a de novo order a new election period is required. Does Nearburg have any interest in (1) turning over the requested data, and (2) giving a new election period to my client? That way we could do away with the hearing.

Let me know your position on these issues.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 11563 (De Novo) Exhibit No. 9

James Bruce

Submitted by: Nearburg Exploration Company, L.L.C.

Hearing Date: October 29, 1996

ILLEGIBLE

ILLEGIBLE

BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF NEARBURG EXPLORATION
COMPANY, L.L.C. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO

CASE NO. 11563 (DE NOVO)
ORDER NO. R-10637

SUBPOENA DUCES TECUM

TO: Nearburg Producing Company, L.L.C.
c/o William F. Carr
Campbell, Carr, Berge & Sheridan, P.A.
110 North Guadalupe
Santa Fe, New Mexico 87501

Pursuant to N.M. Stat. Ann. §70-2-8 (1995 Repl. Pam.) and Division Rule 1211, you are hereby required to produce the documents and records described below at 9:00 a.m. on Tuesday, October 29, 1996, at the office of the New Mexico Oil Conservation Commission, 2040 South Pacheco Street, Santa Fe, New Mexico, and make them available for inspection and copying by employees and representatives of A.L. Cone Partnership.

DOCUMENTS TO BE PRODUCED: All documents, records, and data regarding the matters itemized below under your possession or control pertaining to the Nike "3" Well No. 1, located approximately 2970 feet from the South line and 330 feet from the East line of Section 3, Township 16 South, Range 35 East, N.M.P.M.:

- N/W 1. Pressure data, including but not limited to bottom hole pressure surveys;
- N/W 2. Mechanical (electrical and radioactivity) logs;
- N/W 3. Gas:oil ratio tests;
- N/W 4. Specific gravity information on liquids produced from the well;
- N/W 5. Production information; and

ILLEGIBLE

N^o 6. Daily drilling, completion, and testing reports.

INSTRUCTIONS: This subpoena requires the production of all information described above available to you or in your possession, custody, or control, wherever located. The information shall include data from inception of drilling the well to the latest available data.

"You" or "your" means Nearburg Exploration Company, L.L.C., and its employees, former employees, officers, directors, agents, contractors, representatives, affiliated companies, and predecessors.

This subpoena was issued at the request of Hinkle, Cox, Eaton, Coffield & Hensley, L.L.P., P.O. Box 2068, Santa Fe, New Mexico 87504, (505) 982-4554, attorneys for A. L. Cone Partnership.

NEW MEXICO OIL CONSERVATION
COMMISSION

WILLIAM J. LeMAY
Chairman

ISSUED this _____ day of October, 1996, at Santa Fe, New Mexico.

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN

MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

HAND DELIVERED

OCT 28

October 24, 1996

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

James G. Bruce, Esq.
Hinkle, Cox, Eaton, Coffield
& Hensley, L.L.P.
218 Montezuma
Santa Fe, New Mexico 87501

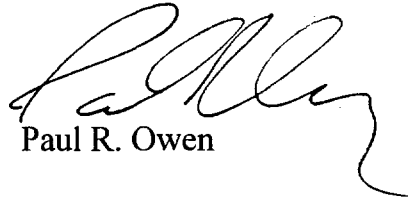
Re: *Application of Nearburg Exploration Company, L.L.C. for Compulsory
Pooling, Lea County, New Mexico*

Dear Mr. Bruce:

I was advised by Nearburg Exploration Company L.L.C. that the description listed in Mr. Carr's previous letter had a wrong location, the new location should read 3070 feet from the South line and 330 feet from the East line of Section 3, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.

If you have any questions, give me a call.

Very truly yours,



Paul R. Owen

PRO:mlh
cc: ✓ Bob Shelton

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN

MICHAEL H. FELDEWERT
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October 24, 1996

HAND DELIVERED

James G. Bruce, Esq.
Hinkle, Cox, Eaton, Coffield
& Hensley, L.L.P.
218 Montezuma
Santa Fe, New Mexico 87501

Re: *Application of Nearburg Exploration Company, L.L.C. for Compulsory
Pooling, Lea County, New Mexico*

Dear Jim:

This letter confirms the offer of Nearburg Exploration Company L.L.C. to extend the election period contained in Order No. R-10637 until 5:00 p.m. on Friday, October 25, 1996, to permit the A. L. Cone Partnership to participate in its Nike "3" Well No. 1 which Nearburg proposes to drill at a standard location 2970 feet from the South line and 330 feet from the East line of Section 3, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico.

If the A. L. Cone Partnership does not elect to participate in this well by that date, Nearburg will be prepared to proceed with the De Novo hearing scheduled for October 29, 1996.

Since I will be out of the office on October 25, any communications concerning this matter can be directed to Paul Owen.

Very truly yours,



WILLIAM F. CARR
cc: ✓ Bob Shelton

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 11563 (De Novo) Exhibit No. 10

Submitted by: Nearburg Exploration Company, L.L.C.

Hearing Date: October 29, 1996

Memo

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 11563 (De Novo) Exhibit No. 11

Submitted by: Nearburg Exploration Company, L.L.C.

Hearing Date: October 29, 1996

To: Bob Shelton
From: Mike Gray
Date: October 29, 1996
Re: Nike '3" No. 1 Well, de novo hearing

The following is a chronology of our efforts to pool the Nike "3" well and accommodate the A. L. Cone Partnership:

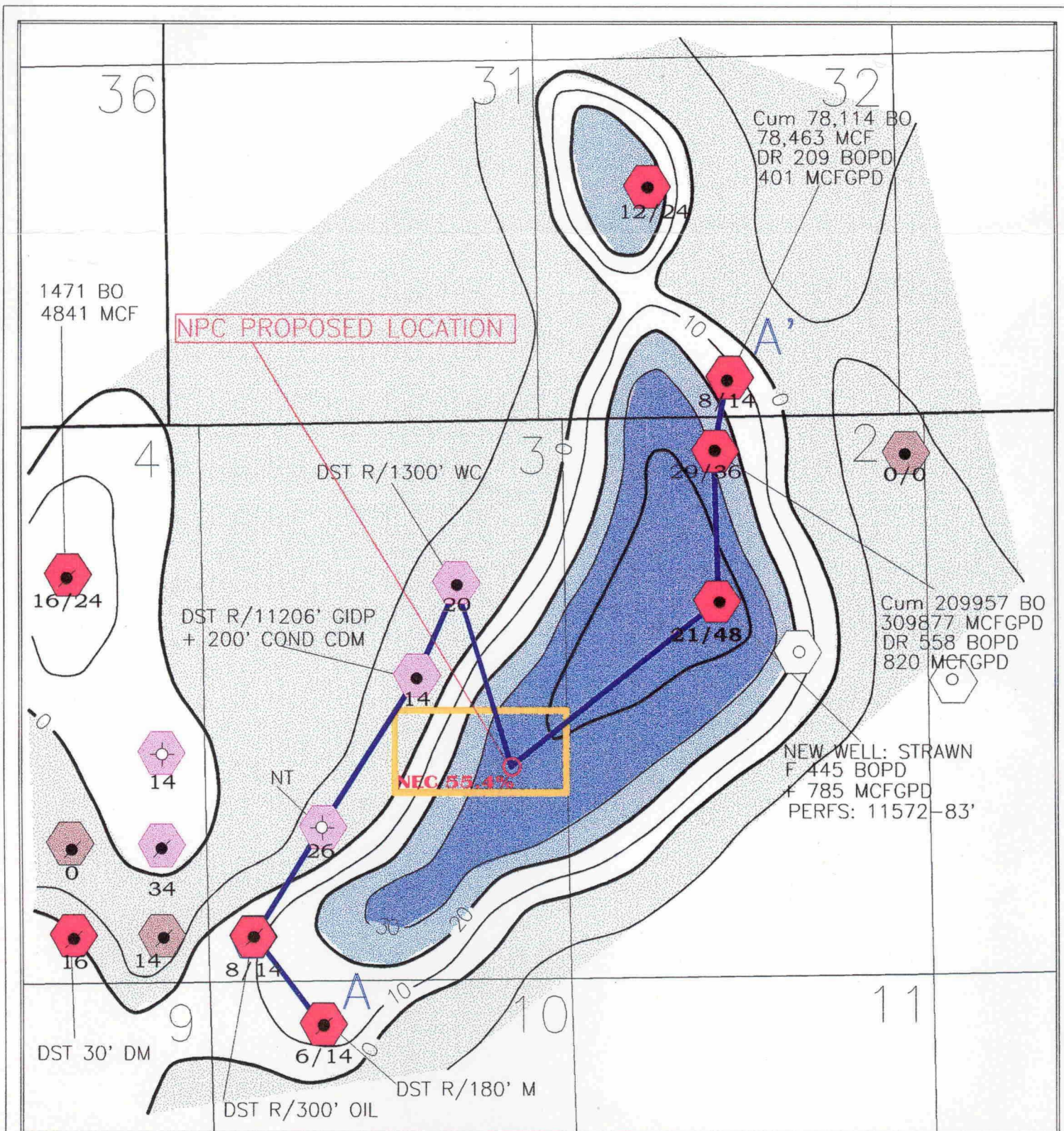
1. 6/10/96: Mailed JOA and cost estimate to all owners with AFE proposing the well at 2,970'FSL 330'FEL and offered to discuss terms for an oil and gas lease.
2. 6-25-96: Notified all owners of change of location 100' north due to surface obstruction.
3. 6-28-96: Amended Application for pooling filed with new location 3070'FSL 330'FEL
4. 6-26-96: Letter to A. L. Cone Partnership offering to let them see our geological and geophysical data, provided they agree to lease to us if they did not participate.
5. July 96, date unknown: Sometime in July and prior to the Pooling hearing Larry Petrie with the A. L. Cone Partnership was shown our geological and geophysical data in our office in Midland.
6. 7-25-96: Pooling hearing was held in Santa Fe.
7. 7-29-96: Pooling order is issued.
8. 8-7-96 : Cost estimate is sent to A. L. Cone Partnership pursuant to Order, Nearburg again offers to consider leasing Cone's interest.
9. 8-13-96: A. L. Cone Partnership receives cost estimate pursuant to order.
10. August 96, date unknown: Sometime in August, after order is issued and prior to Application for de novo hearing, Nearburg allows Cone's geophysical consultant, Mr. Don Hibbits to review and interpret our seismic data.
11. 8--96: Jim Bruce files application for de novo hearing.
12. 9-10-96: Faxed and sent certified letter to A. L. Cone expressing our intent to enforce the pooling order as written.

13. 9-12-96: Election period expires with no election made by A. L. Cone Partnership.

14. 9-13-96: Sent letter to OCD with cost estimate and copies of letters to pooled owners.

15. 10-24-96: Received copy of proposed Subpoena from James Bruce, who mistakenly thought the well had been drilled.

16. 10-24-96: Offered in writing to let A. L. Cone Partnership change its election until 5:00 P.M. CDT on 10-25-96.



LEGEND



24/16

ALGAL MOUND FACIES
NET POROSITY $\geq 4\%$ /
GROSS MOUND THICKNESS



34

CLEAN NEAR-MOUND MUDSTONE
THICKNESS OF NEAR-MOUND FACIES



14

DIRTY INTER-MOUND MUDSTONE

Scale 1:24000.

1000. 0. 1000. 2000. 3000. 4000. 5000. feet



Nearburg Producing Company
Exploration and Production
Midland, Texas

NIKE PROSPECT
LEA COUNTY, NEW MEXICO

STRAWN FACIES ISOPACH MAP
NET ALGAL MOUND POROSITY $\geq 4\%$

PRODUCTION TO 5/96

C.I. = 10'

GEOLOGIST	DATE	DRAWN BY	FILE NO.
J.B. ELGER	11/96	LCG/NKM	ISOSTRFC.gpf

Examiner _____

Case No. 11563

EXHIBIT NO. 12



**BEFORE THE
OIL CONSERVATION COMMISSION**
Santa Fe, New Mexico

Case No. 11563 (De Novo) Exhibit No. 12

Submitted by: Nearburg Exploration Company, L.L.C.

Hearing Date: October 29, 1996

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE