

SETTLEMENT AGREEMENT

This Settlement Agreement is made as of this 16th day of October, 1986, by and between EL PASO NATURAL GAS COMPANY ("El Paso"), EL PASO PRODUCTION COMPANY, and MERIDIAN OIL INC. ("Meridian"), (hereinafter sometimes collectively referred to as "El Paso/Meridian") and W. WATSON LaFORCE, JR., SUZANNE LaFORCE BABER, NANCY C. BARD and FIRST INTERSTATE BANK OF ARIZONA, CO-TRUSTEES for DOUGLAS N. BARD, JAMES C. BARD, RALPH A. BARD, JR., ROY E. BARD, JR., GUY R. BRAINARD, JR. and LOLA WARD BRAINARD, TRUSTEES for GUY R. BRAINARD, JR., TRUST, CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY, TRUSTEE for TRUST NUMBER 23935, CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY, TRUSTEE for TRUST NUMBER 23949, DAVID WALLER Dangler, ELEANOR ISHAM DUNNE, CHARLES WELLS FARNHAM, JR., ROBERT B. FARNHAM, WALTER B. FARNHAM, ELIZABETH B. FARRINGTON, MINNIE A. FITTING, RALPH U. FITTING, JR. ESTATE, J. ROBERT JONES, ROBERT D. FITTING, NANCY H. GERSON, JOHN R. GRIMES, KAY B. GUNDLACH, RUTH N. HALLS, CORTLAND T. HILL, ELSIE F. HILL, LOUIS W. HILL, JR., ALBERT L. HOPKINS, JR., GEORGE S. ISHAM, VIRGINIA W. ISHAM, EXECUTRIX of the ESTATE of HENRY P. ISHAM, JR., ROBERT T. ISHAM, SHAW ISHAM & COMPANY, JOSEPHINE C. JACOBSON, J. ROBERT JONES, NANCY LaFORCE KEYES, FEDERIC P. G. LATTNER, TRUSTEE under TRUST AGREEMENT for MARTHA M. LATTNER, SETTLOR, MARY F. LOVE, R. S. MacDONALD and A. MacDONALD and NORTHERN TRUST CO., TRUSTEES for TRUST of N. S. MacDONALD, DECEASED, W. J. McDERMOTT, SUCCESSOR TRUSTEE for the WILLIAM E. SIMPSON REVOCABLE TRUST, NORTHERN TRUST CO., TRUSTEE for the JOHN STUART TRUST, NORA R. RANNEY, CATHERINE H. RUMML, EDWARD L. RYERSON, JR., SABINE ROYALTY TRUST, ROGER D. SHAW and EULAH P. SHAW, TRUSTEES of the JOHN I. SHAW and ROGER D. SHAW TRUST, JOHN M. SIMPSON and WILLIAM SIMPSON, TRUSTEES for JAMES SIMPSON, JR. TRUST, UNITED STATES TRUST COMPANY OF NEW YORK, TRUSTEE of the MICHAEL SIMPSON TRUST, UNITED STATES TRUST COMPANY OF NEW YORK, TRUSTEE of the PATRICIA SIMPSON TRUST, SYDNEY STEIN, JR., ESTATE of ROBERT DOUGLAS STUART, WILLIAM P. SUTTER, FIRST NATIONAL BANK OF DES PLAINES and F. F. WEBSTER, JR., TRUSTEES for the F. F. WEBSTER REVOCABLE TRUST, KATHARINE I. WHITE, and MARY S. ZICK (hereinafter sometimes collectively referred to as "LaForce, et al,").

W I T N E S S E T H

WHEREAS, (A) El Paso entered into a Gas Rights Sale Agreement with Lucerne Corporation on March 31, 1953, under which El Paso acquired from Lucerne Corporation certain of its right, title, and interest in certain lands and leases located in the San Juan Basin of New Mexico, subject to the reservation by Lucerne Corporation of an interest denominated as an "overriding royalty interest" (the said Gas Rights Sale Agreement is hereinafter sometimes referred to as "GLA-66"); and

WHEREAS, (B) LaForce, et al. have succeeded to or otherwise acquired the interests of Lucerne Corporation under GLA-66; and

WHEREAS, (C) GLA-66 required El Paso to pay an overriding royalty on gas at an initial amount of five cents (5¢) per Mcf, escalating to ten cents (10¢) per Mcf, and required El Paso to pay such overriding royalty at such amount as would be redetermined for each successive five-year period beginning April 24, 1968; the overriding royalty to be paid during each such five-year period was to be determined by agreement, if possible, or by arbitration if agreement could not be reached; El Paso was also required to pay a higher overriding royalty pursuant to a "favored nations" clause contained in GLA-66; and

WHEREAS, (D) El Paso and LaForce et al (the then owners of the overriding royalty interest reserved and retained by Lucerne Corporation in GLA-66) entered into an agreement dated

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

EXHIBIT NO. D

CASE NO. 11808 + 11809

as of October 29, 1974 (titled "Settlement Agreement") resolving certain issues between the parties which had arisen under GLA-66, said agreement of October 29, 1974 being herein referenced as "1974 Settlement Agreement"; and

WHEREAS, (E) On August 1, 1983, El Paso gave notice of reassignment of the properties it had acquired under GLA-66, effective October 1, 1983; concurrently, El Paso filed a declaratory judgment action in the 11th Judicial District Court in Houston, Texas, in Case No. 83-50539 requesting a finding that El Paso has the contractual right to make such reassignments; in addition, El Paso filed a petition with the Federal Energy Regulatory Commission in Docket No. CI83-356 requesting an order (i) requiring the overriding royalty owners to seek and obtain a certificate of public convenience and necessity pursuant to Section 7(c) of the Natural Gas Policy Act authorizing the sale in interstate commerce to El Paso of natural gas for resale from the reassigned lease as successors to El Paso and requiring them to file rate schedules applicable to such sales, and (ii) confirming payment procedures and the prices which the overriding royalty owners may charge for the sale of gas to El Paso, subject to refund, during the interim period commencing October 1, 1983, and continuing until final Commission disposition of such certificate and rate filings; and

WHEREAS, (F) on February 27, 1984, the District Court in Case No. 83-50539 denied El Paso's request for declaratory relief and El Paso subsequently filed an appeal in the Court of Appeals for the First Supreme Judicial District of Texas, Case No. 01-84-0350-CV; on August 17, 1986, the Court of Appeals issued its opinion affirming in part and reversing in part the District Court's holding with respect to El Paso's attempted reassignments; El Paso and LaForce, et al., have filed motions for rehearing with the Court of Appeals; and

WHEREAS, (G) it can be expected that judicial review of El Paso's contractual right to reassign the lease it acquired pursuant to GLA-66 may require a substantial amount of time to resolve; and

WHEREAS, (H) El Paso has assigned its rights and duties under GLA-66, as amended, and the 1974 Settlement Agreement to its affiliate El Paso Production Company, and El Paso's affiliate Meridian now has the responsibility for administering such rights and duties and in operating such properties in behalf of El Paso and El Paso Production Company; and

WHEREAS, (I) El Paso/Meridian and LaForce, et al. are concerned with the uncertainties that will exist, the expense that will be incurred, and the time that will elapse prior to the final resolution of the pending litigation; and

WHEREAS, (J) El Paso/Meridian and LaForce, et al. are desirous of settling the pending litigation in Case No. 83-50539 and in Case No. 01-84-0350-CV and of avoiding all further disputes relating to GLA-66 and the 1974 Settlement Agreements.

NOW, THEREFORE, in consideration of the mutual promises herein contained and in reliance upon the representations and warranties of each of the several parties hereto, the parties agree as follows:

1. Effective as of September 1, 1986, GLA-66 as heretofore amended and the 1974 Settlement Agreement shall be further amended by execution of all the parties of an instrument titled "Amendment" in the exact form as that attached hereto as Appendix I, herein referred to as the "1986 Amendment".
2. Effective as of September 1, 1986, LaForce et al shall convey to El Paso/Meridian one-third (1/3rd) of the

overriding royalty interest owned by LaForce et al which was created by GLA-66, as heretofore amended, including the 1974 Settlement Agreement and as further amended by the 1986 Amendment.

3. El Paso/Meridian shall pay LaForce et al Four and One-Half Million Dollars (\$4.5 Million) as of December 31, 1986.
4. The overriding royalty payable by El Paso/Meridian under GLA-66, as amended, shall be paid monthly on or before the last day of the next calendar month following the month for which such overriding royalties are payable, except as provided below:
 - a. For the period September 1, 1986, through August 31, 1987, El Paso/Meridian shall not make any overriding royalty payments, unless the total overriding royalties payable for this period exceeds Four and One-Half Million Dollars (\$4.5 Million), in which event LaForce et al shall be entitled to overriding royalties over \$4.5 Million, which shall be paid on or before October 31, 1987.
 - b. For the period September 1, 1987 through August 31, 1988 and for like annual periods for three (3) additional years ending August 31, 1991, LaForce et al's overriding royalty payments shall not be less than Three Million Eight Hundred Seventy-Five Thousand Dollars (\$3.875 Million). On or before October 31, 1988, 1989, 1990 and 1991, El Paso/Meridian shall compute the full overriding royalty paid to LaForce et al for the respective preceding annual period ending August 31, and if such amount is less than Three Million Eight Hundred Seventy-Five Thousand Dollars (\$3.875 Million), shall tender payment for this difference to LaForce et al.
 - c. If payment is not made within such time as set forth in subparagraphs 4a and 4b above, the unpaid balance of each such required payment shall bear interest at the rate of nine percent (9%) per annum until paid, plus attorney's fees, court costs, and other costs incurred in connection with the collection of unpaid amounts.
5. The percentage of the total overriding royalty interest created under GLA-66, as amended, held by LaForce et al as of August 31, 1986 is that percentage set out in Exhibit "A" hereto and LaForce et al each represent and warrant that he, she or it holds and owns such percentage, that he, she or it has good and sufficient title thereto, that such interest is free and unencumbered, and that he, she or it has the right to convey such interest. LaForce et al do further agree and covenant that each will furnish such evidence and assurance of title as may be reasonably requested by El Paso/Meridian to establish ownership in themselves of such percentage of interest as set out in said Exhibit "A" hereto.
6. If any party of LaForce et al elects not to participate in this Settlement Agreement, the total percentage of the overriding royalty to be conveyed under Paragraph 2 hereof and the amounts payable under Paragraphs 3 and 4 hereof by El Paso/Meridian to LaForce et al shall be reduced by the percentage of ownership interest attributable to such non-settling party as of September 1, 1986.
7. As of September 1, 1986, for the period prior to September 1, 1986, LaForce, et al. do hereby release, acquit, and

forever discharge El Paso/Meridian, their agents, employees, affiliates, and all persons, natural or corporate, in privity with them or any one of them, and El Paso/Meridian do hereby likewise release, acquit, and forever discharge LaForce, et al., their agents, employees, and all persons, natural or corporate, in privity with them or any one of them, from any and all claims, demands, or causes of action of any kind whatsoever arising out of or in any manner related to (i) all right, title, and interest in and to those oil and gas leases conveyed to El Paso by LaForce, et al.'s predecessors-in-interest pursuant to GLA-66, (ii) GLA-66, as amended by any documents other than the Amendment attached hereto as Appendix I, and (iii) the 1974 Settlement Agreement.

8. A. El Paso/Meridian, and LaForce et al shall execute an agreement to dismiss the cause of action in Case No. 01-84-00350-CV and file such agreement with the Court of Appeals, whereby they request the Court of Appeals to dismiss the cause of action as between them. LaForce et al shall execute a motion to dismiss and shall file such motion in the 11th Judicial District Court of Harris County, Texas, in Cause No. 83-50539-A, whereby LaForce et al shall dismiss with prejudice their causes of action against El Paso/Meridian.

B. El Paso/Meridian shall, immediately after execution of this Settlement Agreement, pay to LaForce et al attorney fees in the amount of \$71,000.00.
9. The obligations of El Paso/Meridian under paragraphs 3 and 4 hereof shall be subject to no claim of force majeure by El Paso/Meridian, and El Paso/Meridian hereby warrants its/their performance thereunder.
10. In the event the Federal Energy Regulatory Commission should undertake consideration of El Paso's filing in CI83-356, then in such event, El Paso shall immediately move to dismiss such docket as to the LaForce, et al. parties signatory hereto and the interests represented thereby, as moot.
11. This Settlement Agreement contains the complete understanding of the parties hereto concerning the subject matter hereof.
12. This Settlement Agreement shall be binding upon the parties hereto and their successors in interest.
13. This Settlement Agreement may be executed in multiple counterparts, each of which shall be deemed an original and it shall be binding upon each of the parties who execute the same regardless of whether or not it is executed by all of the LaForce et al.

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement on the date first above written.

EL PASO NATURAL GAS COMPANY

By: Donald J. MacIver, Jr.
Donald J. MacIver, Jr.

EL PASO PRODUCTION COMPANY

By: _____

D. L. BLACIE

MERIDIAN OIL, INC.

By: _____

W. Watson LaForce, Jr.
W. Watson LaForce, Jr.

Suzanne LaForce Baber

Nancy C. Bard, Co-Trustee for
Douglas W. Bard

FIRST INTERSTATE BANK OF ARIZONA

By: _____

Co-Trustee for Douglas W. Bard

James C. Bard

Ralph A. Bard, Jr.

Roy E. Bard, Jr.

Guy R. Brainard, Jr., Trustee
for Guy R. Brainard, Jr. Trust

Lola Ward Brainard, Trustee
for Guy R. Brainard, Jr. Trust

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY

By: _____

Trustee for Trust Number 23935

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY

By: _____

Trustee for Trust Number 23949

David Waller Dangler

Eleanor Isham Dunne

Charles Wells Farnham, Jr.

Robert B. Farnham

Walter B. Farnham

Elizabeth B. Farrington

Minnie A. Fitting

Ralph U. Fitting, Jr. Estate

By _____

J. Robert Jones

Robert D. Fitting

Nancy H. Gerson

John R. Grimes

Kay B. Gundlach

Ruth N. Halls

Cortland T. Hill

Elsie F. Hill

Louis W. Hill, Jr.

Albert L. Hopkins, Jr.

George S. Isham

Virginia W. Isham, Executrix of
the Estate of Henry P. Isham, Jr.

Robert T. Isham

Shaw Isham & Company

Josephine C. Jacobson

J. Robert Jones

Nancy LaForce Keyes

Frederick P. G. Lattner, Trustee
under Trust Agreement for Martha
M. Lattner, Settlor

Mary F. Love

R. S. MacDonald, Trustee for Trust
of N. S. MacDonald, Deceased

A. MacDonald, Trustee for Trust
of N. S. MacDonald, Deceased

NORTHERN TRUST CO.

By _____
Trustee for Trust of N. S.
MacDonald, Deceased

W. J. McDermott, Successor Trustee
for the William E. Simpson Revocable
Trust

NORTHERN TRUST CO.

By _____
Trustee for the John Stuart Trust

Nora R. Ranney

Catherine H. Ruml

Edward L. Ryerson, Jr.

SABINE ROYALTY TRUST

By _____

Roger D. Shaw, Trustee of the
John I. Shaw and Roger D. Shaw
Trust

Eulah P. Shaw, Trustee of the
John I. Shaw and Roger D. Shaw
Trust

John M. Simpson, Trustee for
James Simpson, Jr. Trust

William Simpson, Trustee for
James Simpson, Jr. Trust

UNITED STATES TRUST COMPANY OF
NEW YORK

By _____

Trustee of the Michael Simpson Trust

UNITED STATES TRUST COMPANY OF
NEW YORK

By _____

Trustee of the Patricia Simpson Trust

Sydney Stein, Jr.

ESTATE OF ROBERT DOUGLAS STUART

By _____

William P. Sutter

FIRST NATIONAL BANK OF DES PLAINES

By _____

Trustee for the F. F. Webster
Revocable Trust

F. F. Webster, Jr., Trustee for
the F. F. Webster Revocable Trust

Katharine I. White

Mary S. Zick

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally

appeared D. L. BLACK, known to me to be the person whose name is

subscribed to the foregoing instrument, as VICE PRESIDENT of EL PASO PRODUCTION COMPANY a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 12th day of January A. D. 19 87



JUNE JUDKINS
Notary Public, State of Texas
My Commission Expires 11-28-88

June Judkins
Notary Public in and for Midland County, Texas.

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally

appeared D. L. BLACK, known to me to be the person whose name is

subscribed to the foregoing instrument, as VICE PRESIDENT of MERIDIAN OIL INC a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.



Given under my hand and seal of office this the 12th day of January A. D. 19 87
Notary Public, State of Texas
My Commission Expires 11-28-88

June Judkins
Notary Public in and for Midland County, Texas.

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF EL PASO

BEFORE ME, the undersigned authority, on this day personally

appeared Donald J. MacIver, Jr., known to me to be the person whose name is

subscribed to the foregoing instrument, as Senior Vice President of El Paso Natural Gas Co. a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 12th day of January A. D. 19 87

BILLIE JUNE SCHWAB

Notary Public in and for STATE OF TEXAS
My Commission Expires 07-21-87

Billie June Schwab
Notary Public in and for El Paso County, Texas.

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally

appeared _____, known to me to be the person whose name is

subscribed to the foregoing instrument, as _____ of _____ a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____ A. D. 19 _____

Notary Public in and for _____ County, Texas.

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally

appeared _____, known to me to be the person whose name is

subscribed to the foregoing instrument, as _____ of _____ a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____ A. D. 19 _____

Notary Public in and for _____ County, Texas.

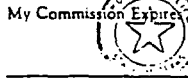
THE STATE OF TEXAS

COUNTY OF MIDLAND

Before me, the undersigned authority, on this day personally appeared W. WATSON LAFORE JR

known to me to be the person _____ whose name _____ is (are) subscribed to the foregoing instrument, and acknowledged to me that he
executed the same as his free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 12th day of _____



JUNE JUDKINS
Notary Public, State of Texas
My Commission Expires 11-28-88

January, 19 87
June Judkins
Notary Public in and for Midland County, Texas.

Notary's Printed Name: _____

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared _____

known to me to be the person _____ whose name _____ is (are) subscribed to the foregoing instrument, and acknowledged to me that _____
executed the same as _____ free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19 _____.

My Commission Expires _____

Notary Public in and for _____ County, Texas.

Notary's Printed Name: _____

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared _____

known to me to be the person _____ whose name _____ is (are) subscribed to the foregoing instrument, and acknowledged to me that _____
executed the same as _____ free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19 _____.

My Commission Expires _____

Notary Public in and for _____ County, Texas.

Notary's Printed Name: _____

SINGLE ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared _____

known to me to be the person _____ whose name _____ is (are) subscribed to the foregoing instrument, and acknowledged to me that _____
executed the same as _____ free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19 _____.

My Commission Expires _____

Notary Public in and for _____ County, Texas.

Notary's Printed Name: _____

EXHIBIT "A"
TO
SETTLEMENT AGREEMENT DATED AS OF
OCTOBER 16, 1986

W. Watson LaForce

1.486358

AMENDMENT

This amendatory agreement is entered into as of September 1, 1986, by and between EL PASO NATURAL GAS COMPANY ("El Paso"), EL PASO PRODUCTION COMPANY, and MERIDIAN OIL INC. ("Meridian"), (hereinafter sometimes collectively referred to as "El Paso/Meridian") and W. WATSON LAFORCE, JR., SUZANNE LAFORCE BABER, NANCY C. BARD and FIRST NATIONAL BANK OF ARIZONA, CO-TRUSTEES for DOUGLAS N. BARD, JAMES C. BARD, RALPH A. BARD, JR., ROY E. BARD, JR., GUY R. BRAINARD, JR. and LOLA WARD BRAINARD, TRUSTEES for GUY R. BRAINARD, JR., TRUST, CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY, TRUSTEE for TRUST NUMBER 23935, CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY, TRUSTEE for TRUST NUMBER 23949, DAVID WALLER DANGLER, ELEANOR ISHAM DUNNE, CHARLES WELLS FARNHAM, JR., ROBERT B. FARNHAM, WALTER B. FARNHAM, ELIZABETH B. FARRINGTON, MINNIE A. FITTING, RALPH U. FITTING, JR. ESTATE, J. ROBERT JONES, ROBERT D. FITTING, NANCY H. GERSON, JOHN R. GRIMES, KAY B. GUNDLACH, RUTH N. HALLS, CORLEAND T. HILL, ROGER F. HILL, LOUIS W. HILL, JR., ALBERT L. HOPKINS, JR., GEORGE S. ISHAM, VIRGINIA W. ISHAM, EXECUTRIX of the ESTATE of HENRY P. ISHAM, JR., ROBERT T. ISHAM, SHAW ISHAM & COMPANY, JOSEPHINE C. JACOBSON, J. ROBERT JONES, NANCY LAFORCE KEYES, FEDERIC P. G. LATNER, TRUSTEE under TRUST AGREEMENT for MARTHA M. LATNER, SETTLOR, MARY F. LOVE, R. S. MACDONALD and A. MACDONALD and NORTHERN TRUST CO., TRUSTEES for TRUST of N. S. MACDONALD, DECEASED, W. J. McDERMOTT, SUCCESSOR TRUSTEE for the WILLIAM E. SIMPSON REVOCABLE TRUST, NORTHERN TRUST CO., TRUSTEE for the JOHN STUART TRUST, NORA R. RANNEY, CATHERINE M. RUMML, EDWARD L. RYERSON, JR., SABINE ROYALTY TRUST, ROGER D. SHAW and EULAH P. SHAW, TRUSTEES of the JOHN I. SHAW and ROGER D. SHAW TRUST, JOHN M. SIMPSON and WILLIAM SIMPSON, TRUSTEES for JAMES SIMPSON, JR. TRUST, UNITED STATES TRUST COMPANY OF NEW YORK, TRUSTEE of the MICHAEL SIMPSON TRUST, UNITED STATES TRUST COMPANY OF NEW YORK, TRUSTEE of the PATRICIA SIMPSON TRUST, SYDNEY STEIN, JR., ESTATE of ROBERT DOUGLAS STUART, WILLIAM P. SUTTER, FIRST NATIONAL BANK OF DES PLAINES and F. F. WEBSTER, JR., TRUSTEES for the F. F. WEBSTER REVOCABLE TRUST, KATHARINE I. WHITE, and MARY S. ZICK (hereinafter sometimes collectively referred to as "LaForce, et al,").

W I T N E S S E T H

WHEREAS, El Paso entered into a Gas Rights Sale Agreement with Lucerne Corporation on March 11, 1953, under which El Paso acquired from Lucerne Corporation certain of its right, title, and interest in certain lands and leases located in the San Juan Basin of New Mexico, subject to the reservation by Lucerne Corporation of an interest denominated as an "overriding royalty interest" (the said Gas Rights Sale Agreement is hereinafter sometimes referred to as "GLA-66"); and

WHEREAS, LaForce, et al. have succeeded to or otherwise acquired the interests of Lucerne Corporation under GLA-66; and

WHEREAS, El Paso and LaForce et al (the then owners of the overriding royalty interest reserved and retained by Lucerne Corporation in GLA-66) entered into an agreement dated as of October 29, 1974 (titled "Settlement Agreement") resolving certain issues between the parties which had arisen under GLA-66, said agreement of October 29, 1974 being herein referenced as "1974 Settlement Agreement"; and

WHEREAS, the parties to this amendatory agreement desire to amend GLA-66 and the 1974 Settlement Agreement in the particulars hereinafter set forth but only in the particulars hereafter set forth:

NOW, THEREFORE, the parties agree as follows:

Amendment to GLA 66
and 1974 Settlement Agreement

1. Effective September 1, 1986 the overriding royalty interest on gas payable by El Paso/Meridian to LaForce et al shall be Eighty-Two and One-Half Percent (82.5%) of the proceeds received by El Paso/Meridian for sale and delivery of gas at the well under a gas sales agreement negotiated in good faith between Buyer and Seller which among other provisions, obligates the purchaser
 - (i) to reimburse Seller for all production and severance taxes, and ad valorem taxes; provided, however, if the Purchaser refuses to obligate itself to reimburse Seller for any or all of such taxes, Laforce et al's overriding royalty interest shall bear its proportionate part of any such taxes not reimbursed to Seller;
 - (ii) to adjust the purchase price per MCF of gas for BTU content in the usual and customary manner on the basis of 1000 BTU per cubic foot, it being understood that the overriding royalty interest owners will not receive any proceeds for the sale or value of natural gas liquids removed from the gas other than at the well, nor will such owners be charged any transportation or processing charges.
2. Effective as of September 1, 1986, the overriding royalty interest on liquid hydrocarbons, including condensate and distillate, produced with the gas and separated on the lease from which the gas is produced, shall be eighty-two and one-half percent (82.5%) of the net proceeds received by El Paso/Meridian for the sale of such liquid hydrocarbons; provided, however, LaForce et al shall have the option to take-in-kind and market on their own behalf such liquid hydrocarbons attributable to their overriding royalty interest at any time and from time to time.
3. A. The foregoing paragraphs number 1 and 2 of this agreement shall be in lieu of and a substitute for Article III, Section 2 of GLA-66, and in lieu of and a substitute for paragraphs numbered 1, 2 and 3 of the 1974 Settlement Agreement. Further, Article IV, Section 2, Article V, Section 1, all of Article VI, all of Article VIII, and all of Article X of GLA-66 shall be deleted from GLA-66 and shall no longer be of force and effect; and, further, paragraphs numbered 4, 5, and 6 of the 1974 Settlement Agreement shall be deleted from the 1974 Settlement Agreement and shall no longer be of force and effect.

B. Article I, Sections 13 and 15 of GLA-66 shall be deleted and the following shall be inserted as a new Article I, Section 13 of GLA-66:

the term "oil well" and the term "gas well" shall mean a well which is classified as an oil well or a gas well by the laws of the State of New Mexico, including rules and regulations of the New Mexico Conservation Commission."

C. Article IX, Sections 1 and 2, shall be deleted in their entirety and the following shall be

inserted as a new Article IX, Sections 1 and 2:

"Section 1. Upon request each party shall furnish to the other promptly the well logs, pressure and volume data, laboratory tests and all other technical data in connection with any well which may be drilled by either party on the subject lands.

Section 2. El Paso agrees to notify Lucerne promptly of all shows of oil in any well which may be drilled hereafter by or for El Paso on the subject lands. Lucerne, at all times, shall have access to the derrick floor of any and all wells drilled on the subject lands."

4. Payments under paragraphs 2 and 3 above for gas deliveries and sales of liquid hydrocarbons shall be made by El Paso no later than the last day of the calendar month next following the month of such gas deliveries and sales of liquid hydrocarbons.
5. Except as herein specifically amended, GLA-66 and the 1974 Settlement Agreement shall remain in full force and effect in accordance with the agreements therein contained.
6. This agreement shall be binding upon and shall inure to the benefit of El Paso/Meridian and each of LaForce et al who execute this agreement.
7. This agreement may be executed in multiple counterparts, each of which shall be deemed an original, and it shall be binding upon each of the parties who execute the same regardless of whether or not it is executed by all of the LaForce et al.

In Witness Whereof, the parties have executed this agreement effective as of the date first above written.

EL PASO NATURAL GAS COMPANY

By: Donald J. MacDermott, Jr.
Donald J. MacDermott, Jr.

EL PASO PRODUCTION COMPANY

By: D. A. Seack
D. A. Seack

MERIDIAN OIL, INC.

By: D. A. Seack
D. A. Seack
W. Watson LaForce, Jr.
W. Watson LaForce, Jr.

Bernadine LaForce Haber

CORPORATION ACKNOWLEDGMENT


THE STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally

appeared D. L. BLACK, known to me to be the person whose name is subscribed to the foregoing instrument, as PRESIDENT of THE TRINITY COMPANY, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 12th day of January, A. D. 19 87

 **BILLIE JUNE SCHWAB**
Notary Public in and for the State of Texas
My Commission Expires 07-21-87

Bobbie June Schwab
Notary Public in and for Midland County, Texas.

CORPORATION ACKNOWLEDGMENT

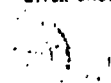
THE STATE OF TEXAS

COUNTY OF MIDLAND

BEFORE ME, the undersigned authority, on this day personally

appeared D. L. BLACK, known to me to be the person whose name is subscribed to the foregoing instrument, as PRESIDENT of MIDLAND CO. INC., a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 12th day of January, A. D. 19 87

 **BILLIE JUNE SCHWAB**
Notary Public in and for the State of Texas
My Commission Expires 07-21-87

Bobbie June Schwab
Notary Public in and for Midland County, Texas.

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF EL PASO

BEFORE ME, the undersigned authority, on this day personally

appeared Donald J. MacTernan, Jr., known to me to be the person whose name is subscribed to the foregoing instrument, as Senior Vice President of El Paso Natural Gas Co., a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 12th day of January, A. D. 19 87

BILLIE JUNE SCHWAB
Notary Public in and for the State of Texas
My Commission Expires 07-21-87

Bobbie June Schwab
Notary Public in and for El Paso County, Texas.

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally

appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, as _____ of _____ a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, A. D. 19 _____

Notary Public in and for _____ County, Texas.

CORPORATION ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF _____

BEFORE ME, the undersigned authority, on this day personally

appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, as _____ of _____ a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the _____ day of _____, A. D. 19 _____

Notary Public in and for _____ County, Texas.


THE STATE OF TEXAS

Before me, the undersigned authority, on this day personally appeared Abdullahi Yusuf Ali

I declare to me to be the person _____ whose name _____ is (are) subscribed to the foregoing instrument, and acknowledged to me that _____ executed the same as _____ free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 17th day of January, 1917

My Commission Expires

 JUNE JUDKINS
 Deputy Chief, State of Texas
 The Commission on the [illegible] *June Judkins*

Notary Public in and for Jefferson County, Texas.

Nugary's Printed Name: _____

THE STATE OF TEXAS

Before me, the undersigned authority, on this day personally appeared _____

known to me to be the person _____ whose name _____ is (are) subscribed to the foregoing instrument, and acknowledged to me that _____ executed the same as _____ free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19____

Mr Commission Expire

Notary Public in and for _____ County, Texas.

Plusey's Printed Name: _____

THE STATE OF TEXAS

Before me, the undersigned authority, on this day personally appeared _____

known to me to be the person _____ whose name _____ is (are) subscribed to the foregoing instrument and acknowledged to me that _____ executed the same as _____ free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 19____

Mr Commissioner Fepner

Name Public to and for County, Texas.

Notary's Printed Name: _____

THE STATE OF TEXAS

Before me, the undersigned authority, on this day personally appeared _____

known to me to be the person _____ whose name _____ is (are) subscribed to the foregoing instrument, and acknowledged to me that _____ executed the same as _____ free act and deed for the purposes and consideration therein expressed

Given under my hand and seal of office this _____ day of _____, 19 _____

[illegible]

Notary Public in and for _____ County, Texas.

Notary's Printed Name: _____