

recorded Feb 21-52
Book 10, P 439

Susan Burdick

FARMOUT AGREEMENT

This agreement, made and entered into this 27th day of November, A. D. 1951, by and between BROOKHAVEN OIL COMPANY, a Delaware corporation (hereinafter referred to as "Brookhaven"), whose address is First National Bank Building, Albuquerque, New Mexico, and SAN JUAN PRODUCTION COMPANY, a Delaware corporation (hereinafter referred to as "San Juan"), whose address is 1010 Bassett Tower, El Paso, Texas,

W I T N E S S E T H:

WHEREAS, Brookhaven is lessee or assignee of oil and gas leases from the United States of America as lessor, or from the State of New Mexico as lessor, upon certain tracts of land located in San Juan County, New Mexico, which leases and the tracts of land covered thereby are fully described in Exhibit "A", attached hereto, and which are hereinafter referred to as "said acreage"; and,

WHEREAS, the parties desire to provide for the development of said acreage by San Juan, and the assignment of operating rights in said acreage from Brookhaven to San Juan.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, it is agreed by and between Brookhaven and San Juan as follows:

1. Within fifteen (15) days after the execution of this agreement, Brookhaven shall furnish to San Juan abstracts covering the serial records of New Mexico District Land and Survey Office, Bureau of Land Management, Santa Fe, New Mexico, as to any lease or leases executed by the United States as lessors, and abstracts covering the records of the Office of Commissioner

NMOCD Case No. 11808

NMOCD Case No. 11809

Exhibit No.

Submitted by

of Public Lands, Santa Fe, New Mexico, as to any lease or leases executed by the State of New Mexico as lessor, and, as to each character of lease, an abstract covering the records of San Juan County, New Mexico, showing good title vested in Brookhaven in and to the leasehold estate, subject only to the terms and conditions of the original leases, to the regulations under which said leases were issued, and to the overriding royalties specified in Exhibit "A".

2. San Juan shall cause its attorneys to make prompt examination of such abstracts and to point out by written opinion within ten (10) days of receipt of abstracts any defects or objections to the title. Brookhaven shall proceed to cure such defects by use of reasonable diligence. If Brookhaven's title is approved by San Juan's attorneys, the Operating Agreement attached hereto and marked Exhibit "B", which has been executed and delivered by Brookhaven and San Juan, shall become effective immediately. If curative action is required and Brookhaven cures defects in its title within ninety (90) days, or if during such period San Juan's attorneys accept the title tendered, the Operating Agreement (Exhibit "B") shall become effective immediately. If Brookhaven fails to cure any defects on the lease from the United States and San Juan does not accept the title as tendered within ninety (90) days after the date of written opinion, then this agreement shall be terminated and neither party shall be under any liability to the other by reason thereof, but if the title to lease from the United States be accepted and title to leases from the State of New Mexico be rejected, then the Operating Agreement shall become effective as to the lease from the United States. If title to one or more State of New Mexico leases be rejected, then San Juan may refuse all State of New Mexico leases.

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WITNESSETH:

WHEREAS, Brookhaven is lessee or assignee of oil and gas leases from the United States of America as lessor, or from the State of New Mexico as lessor, upon certain tracts of land located in San Juan County, New Mexico, which leases and the tracts of land covered thereby are fully described in Exhibit "A", attached hereto, and which are hereinafter referred to as "said acreage"; and,

WHEREAS, the parties desire to provide for the development of said acreage by San Juan, and the assignment of operating rights in said acreage from Brookhaven to San Juan.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, it is agreed by and between Brookhaven and San Juan as follows:

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NMOCD Case No. 11808

NMOCD Case No. 11809

Exhibit No. _____

Submitted by: Teal Mining Corp.

Feb. 10, 1957

of Public Lands, Santa Fe, New Mexico, as to any lease or leases executed by the State of New Mexico as lessor, and, as to each character of lease, an abstract covering the records of San Juan County, New Mexico, showing good title vested in Brookhaven in and to the leasehold estate, subject only to the terms and conditions of the original leases, to the regulations under which said leases were issued, and to the overriding royalties specified in Exhibit "A".

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IN WITNESS WHEREOF, this agreement has been executed by the parties hereto the day and year first above written.

ATTEST:

Gleason B. Scott
Asst. Secretary

BROOKHAVEN OIL COMPANY

By Gleason B. Scott
President

ATTEST:

A.C. Martel
Asst. Secretary

SAN JUAN PRODUCTION COMPANY

By W.L. Perkins
Vice President

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO)

On this the 29th day of November, 1951, before me personally appeared Gleason B. Scott, Inc., to me personally known, who, after being by me duly sworn did say that he is the President of BROOKHAVEN OIL COMPANY, a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Gleason B. Scott, Inc. acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

July 25, 1955

Marshall H. Lee
Notary Public, Bernalillo County,
New Mexico

STATE OF TEXAS)
COUNTY OF EL PASO)

On this the 27th day of November, 1951, before me personally appeared W.L. Perkins, to me personally known, who, after being by me duly sworn did say that he is the Vice President of SAN JUAN PRODUCTION COMPANY, a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board

of Directors, and said *J. L. Perkins* acknowledged
said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official
seal the day and year in this certificate first above written.

My commission expires:

ROBERT E. HEYSER
Notary Public for El Paso County, Texas
My commission expires June 1, 1951

Robert E. Heyser
Notary Public, El Paso County, Texas

EXHIBIT A

LEASES SUBJECT TO FARMOUT AGREEMENT DATED NOVEMBER 27th, 1951.

Federal Lease - Santa Fe Serial No. 078604

Lessee: Brookhaven Oil Company

Description: Lots 1, 2, 3, S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 3; ✓
E $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 4; N $\frac{1}{2}$ SE $\frac{1}{4}$ and SW $\frac{1}{4}$ SE $\frac{1}{4}$,
SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 8; E $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 9; ✓
NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 17,
Township 31 North, Range 10 West, N.M.P.M.
and
NE $\frac{1}{4}$, NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 29; E $\frac{1}{2}$ Sec. 31;
SW $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 32; SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 33;
E $\frac{1}{2}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 34, Township 32 North,
Range 10 West, N.M.P.M., San Juan County,
New Mexico, containing 2441.01 acres, more or less.

Date of Issue - May 1, 1948

Termination Date - May 1, 1953

Overriding Royalty Interest - 1/2 of 1% to Joseph C. Mc Clafferty

State Leases - Lessee for all of the following is Brookhaven Oil Company

Our Lease No. L-153

State Lease No. B-11313-21

Description: NW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 16, Township 31 North, Range
10 West, N.M.P.M., San Juan County, New Mexico,
containing 40 acres, more or less

Date of Issue: June 26, 1944

Termination Date: June 26, 1954

Overriding Royalty Interest - 3% to H. Rummel Anderson

Our Lease No. L-154

State Lease No. B-10405-40

Description: SE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 16, Township 31 North, Range
10 West, N.M.P.M., San Juan County, New Mexico
containing 40 acres, more or less.

Date of Issue: June 24, 1943

Termination Date: June 24, 1953

Overriding Royalty Interest - 3% to Sam Swift and Vivian Swift

Our Lease No. L-156

State Lease No. B-11124-18

Description: SE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 16, Township 31 North, Range
10 West, N.M.P.M., San Juan County, New Mexico
containing 40 acres, more or less.

Date of Issue: March 21, 1944

Termination Date: March 21, 1954

Overriding Royalty Interest - 3% to Stanley Pencoske and
Genevieve Pencoske

67037

67003

67004

67007

EXHIBIT A
LEASES SUBJECT TO FARMOUT AGREEMENT DATED NOVEMBER 27th, 1951.
Page 2.

State Leases (Continued)

Our Lease No. L-157

State Lease No. B-10405-42

Description: SW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 16, Township 31 North, Range
10 West, N.M.P.M., San Juan County, New Mexico
containing 40 acres, more or less.

Date of Issue: June 24, 1943

Termination Date: June 24, 1953

Overriding Royalty Interest - 3% to George B. Radeackar and
Margaret Radeackar

Our Lease No. L-159

State Lease No. E-70-14

Description: SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 16, Township 31 North, Range
10 West, N.M.P.M., San Juan County, New Mexico,
containing 40 acres, more or less.

Date of Issue: February 1, 1945

Termination Date: February 1, 1955

Overriding Royalty Interest - 3% to Herman F. Schrage

Our Lease No. L-161

State Lease No. E-286-13

Description: NW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 16, Township 31 North, Range
10 West, N.M.P.M., San Juan County, New Mexico
containing 40 acres, more or less.

Date of Issue: April 26, 1945

Termination Date: April 26, 1955

Overriding Royalty Interest - 3% to Oliver Griffin

Our Lease No. L-180

State Lease No. E-286-14

Description: NW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 16, Township 31 North, Range
10 West, N.M.P.M., San Juan County, New Mexico
containing 40 acres, more or less.

Date of Issue: April 26, 1945

Termination Date: April 26, 1955

Overriding Royalty Interest - 3% to Estate of Lewis Samuel
Ulmer, deceased

67005

67009

67011

67020

EXHIBIT "B"

OPERATING AGREEMENT

This agreement, made and entered into this 27th day of November, A. D. 1951, by and between BROOKHAVEN OIL COMPANY, a Delaware corporation (hereinafter referred to as "Brookhaven") whose address is First National Bank Building, Albuquerque, New Mexico, and SAN JUAN PRODUCTION COMPANY, a Delaware corporation (hereinafter referred to as "San Juan"), whose address is 1010 Bassett Tower, El Paso, Texas,

W I T N E S S E T H:

WHEREAS, Brookhaven is lessee or assignee of oil and gas leases from the United States of America as lessor or from the State of New Mexico as lessor upon certain tracts of land located in San Juan County, New Mexico, which leases and the tracts of land covered thereby are fully described in Exhibit "A" attached hereto, and which are hereinafter referred to as "said acreage"; and,

WHEREAS, Brookhaven desires to assign operating rights upon said acreage to San Juan and to make provision for division of oil, gas and minerals produced pursuant to the provisions hereof, and to provide for exploration and development of said acreage by San Juan.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, it is agreed by and between Brookhaven and San Juan as follows:

1. Assignment of Operating Rights. Brookhaven hereby transfers and assigns to San Juan operating rights on and designates San Juan as Operator of said acreage.

2. Additional Assignments.

a. Upon the written request of San Juan, Brookhaven shall execute and deliver such appropriate requests, bonds or other agreements as may be required by the Bureau of Land Management, to enable San Juan to proceed with drilling operations hereunder as to any part of said acreage covered by lease from the United States of America. Until Brookhaven shall have been relieved from the liability of such bond, San Juan shall save, hold and protect Brookhaven harmless on account of all liability arising from or growing out of such bond or from liability on said bond for carrying on exploration and development operations thereunder, and San Juan shall initially pay all premiums in connection therewith and furnish an Indemnity Agreement to the Bonding Company. The liability of San Juan under the Indemnity Agreement specified in this paragraph shall include court costs, expenses and attorneys' fees incurred by Brookhaven in defending any action under the bond or in enforcing the Indemnity Agreement against San Juan.

b. Brookhaven shall execute, deliver, file and request approval of assignments to San Juan and Brookhaven jointly as lessees as to any part of said acreage covered by lease from the State of New Mexico. A copy of this Operating Agreement shall be filed in the Office of the Commissioner of Public Lands of the State of New Mexico to evidence the respective interests owned by the assignee in said leases.

c. In the event, pursuant to the terms of this agreement, San Juan is required to reassign any of said acreage covered by lease from the State of New Mexico, San Juan shall execute, deliver and make request for approval of all instruments required to revest title to the reassigned acreage in Brookhaven.

d. Insofar as the Federal lease is concerned, this agreement shall not be construed as an assignment of the lease, but only as an operating agreement and contract.

3. Operator's Obligations to Lessors. San Juan agrees to perform all terms and conditions required to be performed by the lessee under the terms of each of said leases and to pay before delinquency (to be included in operating costs) all rentals required to be paid to the lessor under the terms of each of said leases, and to comply with all applicable and lawful requirements of the lessors or of governmental agencies having jurisdiction of operations conducted upon said acreage; provided that San Juan may relieve itself of further obligations under this section as to any part of said acreage by executing and delivering to Brookhaven a reassignment or relinquishment of all San Juan's right, title or interest in or to such part of said acreage prior to any default or delinquency and at least ninety (90) days prior to termination of the primary term of any lease.

4. Operator's Drilling Obligations.

a. San Juan shall select a drilling site upon said acreage and shall commence and prosecute diligently drilling operations thereon for a Mesa Verde well, as hereinafter defined, within sixty (60) days from the effective date hereof (which well is hereinafter termed "first well").

b. San Juan shall complete drilling a minimum of four (4) Mesa Verde wells (including the first well) during the first twelve (12) months' period beginning with the effective date of this Operating Agreement, and, thereafter, San Juan shall complete drilling a minimum of four (4) Mesa Verde wells in each twelve (12) months' period until all drilling sites have been drilled. Any well completed as a producing well in a formation lying above or below the Mesa Verde formation shall be deemed a

well complying with the provisions of Subsection 4a and of this Subsection 4b. If San Juan obtains production in a formation lying above or below the Mesa Verde formation which San Juan desires to develop, San Juan may postpone drilling to the Mesa Verde formation as long as San Juan shall complete drilling a minimum of four (4) wells to the other formation in each twelve (12) months' period. After San Juan has drilled all available drilling sites which it deems desirable to the other formation, then San Juan shall resume drilling of any wells or deepening or plugging back existing wells to test the Mesa Verde formation, and shall complete drilling four (4) wells to the Mesa Verde formation in each twelve (12) months' period until a total of eighteen (18) Mesa Verde wells have been drilled, or shall reassign or relinquish the undrilled locations or the rights to all formations undrilled or non-producing on those locations. A well drilled upon a communitized tract to which a part of said acreage has been committed shall be deemed to be drilled upon said acreage whether actually located upon said acreage or upon other tracts committed to the communitization agreement. The drilling obligations specified in this Subsection 4b shall not be suspended or excused by San Juan's inability to obtain casing and other drilling and producing equipment.

c. If no drilling site is available, and, after using good faith efforts, San Juan is unable to obtain execution of a communitization agreement by adjoining leasehold owners in order to provide a drilling site, then San Juan's obligation to drill as specified in Subsection 4b shall be suspended for such time as no drilling site is available, and the period of such suspension shall be added to the twelve (12) months' period for drilling a minimum of four (4) wells.

d. In addition to the drilling obligation provided in Subsection 4b, San Juan agrees to commence the actual drilling of an offset well (as soon as a communitization agreement can be obtained when communitization is necessary to provide a drilling site) within 90 days after a producing well is completed upon a drilling site which adjoins such undrilled drilling site on said acreage. This obligation to drill offset wells in excess of 4 wells required by Subsection 4b is further subject to San Juan's obtaining sufficient allocation of casing to drill the wells required by this Subsection 4d. Any well drilled as an offset well shall be included and credited as a well drilled pursuant to the provisions of Subsection 4b.

e. Any wells drilled in excess of four (4) in any twelve (12) months' period shall be credited to San Juan on its obligations under Subsections 4b and 4d in any subsequent twelve (12) months' period.

f. In the event San Juan fails to drill any well required by this Section 4, and the drilling of which is not excused as provided herein, then San Juan shall reassign or relinquish to Brookhaven all of said acreage except the rights in and to the formation on each drilling site upon which San Juan has commenced or completed drilling operations. The drilling site in the formation drilled upon which a producing well has been completed shall be retained unless abandoned as herein provided. In the event Brookhaven be entitled to reassignment or relinquishment of any tract or tracts hereunder, Brookhaven shall notify San Juan in writing specifying the tract or tracts and the formations, upon which Brookhaven claims San Juan is in default. If San Juan has failed to comply with the drilling obligations of this Operating Agreement, then San Juan shall execute and deliver to Brookhaven a release of this Operating Agreement as

to such tract or tracts and formations, which shall constitute a reassignment thereof, and shall reassign to Brookhaven any lease which Brookhaven has assigned to San Juan covering such tract or tracts and formations. San Juan shall notify Brookhaven of its intention not to drill an offset and reassign or relinquish as above provided within forty-five (45) days after completion of a producing well requiring an offset.

g. If, as a result of the failure of San Juan to drill an offset well or wells, the Federal or State governments shall require the payment of compensatory royalty, it shall be paid by San Juan for its own account.

5. Ownership of Production and Apportionment of Costs.

a. All oil, gas and/or other hydrocarbon substances produced, saved and marketed from said acreage shall be owned by Brookhaven and San Juan in equal shares. The royalties due lessors, the overriding royalties to which the leases are subject as shown in Exhibit "A", and all taxes upon the production or severance shall be paid by San Juan as Operator and apportioned one-half (1/2) to each party. Brookhaven shall reimburse San Juan for Brookhaven's share thereof. The production remaining after payment of royalties, overriding royalties and taxes is hereinafter termed "net working interest".

b. San Juan shall furnish rig, labor, equipment and materials necessary for drilling operations conducted hereunder and, as Operator, shall have authority to determine the location, depth, manner and methods of drilling, completing and equipping each well. Brookhaven shall have access to the derrick floor of any well drilled by San Juan for the purpose of observing drilling operations and shall be furnished promptly with copies of all well logs, tests and reports including production reports obtained by San Juan on each well.

c. Each of the parties reserves the right to receive in kind its respective share of oil, gas and/or other hydrocarbon substances, produced from said acreage, together with right, individually, to sell or direct the sale thereof for its benefit, and, in the event all parties hereto sell or dispose of their respective share of production to the same purchaser, each party hereto shall be entitled to receive directly from the purchaser thereof its respective share of the proceeds of sale of such production; subject, however, to repayment of drilling costs as provided herein. Any oil and/or gas used in drilling, operating or reworking wells on said acreage shall be considered as furnished equally by the parties hereto.

d. Out of the proceeds of sale of the net working interest production from each well, Brookhaven shall pay to San Juan one-half (1/2) of Brookhaven's share of such production (25% of net working interest) until Brookhaven has repaid to San Juan one-half (1/2) of the actual drilling costs of each such well, but production from one well shall not be used to repay drilling costs of another well. Brookhaven's share is further defined as follows:

1. Brookhaven's obligations to pay drilling costs upon a Mesa Verde well out of production shall not exceed Twenty-two Thousand Five Hundred Dollars (\$22,500.00), or one-half (1/2) the estimated cost of Forty-five Thousand Dollars (\$45,000.00) per Mesa Verde well. The drilling costs of each well shall include drilling, installation of casing, shooting or acidizing, installation of field separator, pipe line connections and separator, lease tanks on oil, tubing, production head, lease production lines,

pumping equipment, if necessary, and all other equipment and labor necessary for a completed well ready to produce; but shall not include casing, which shall be furnished by San Juan without reimbursement from Brookhaven. The attached Exhibit "C" governs the accounting procedures to be followed by the parties in accounting for drilling and operating costs.

2. In the event any well be drilled upon said acreage to a greater or lesser depth than a Mesa Verde well, the drilling costs (except casing to be furnished by San Juan) to be paid out of production by Brookhaven shall be determined proportionately with the parties agreeing upon a maximum cost comparable to the maximum cost of a Mesa Verde well, as defined in Section 5d1 above.

e. San Juan agrees to maintain any producing well so as to obtain maximum production therefrom in accordance with the best recognized procedure in the industry. All costs of operating and reworking wells shall be paid equally by the parties; provided that San Juan shall consult with and obtain consent of Brookhaven before incurring any job expenditure in excess of Five Hundred Dollars (\$500.00).

f. Except as herein expressly provided, San Juan shall pay all of the costs of drilling and equipping said wells without any liability or responsibility on the part of Brookhaven.

6. Abandonment of Wells. In the event San Juan desires to abandon any drilling or producing well, San Juan shall notify Brookhaven of such desire, and Brookhaven shall thereafter have a period of ten (10) days in which to take over said well and pay San Juan the salvage value

of any casing in the well and the salvage value of any other equipment present on the drilling site required for production of said well if it has produced, and thereby acquire the complete interest in all such equipment, development, and production from said well. If Brookhaven takes over said well and has reimbursed San Juan for any portion of the drilling costs of said well, Brookhaven's payment shall be reduced by the proportionate fraction of such total drilling costs hereof, as defined and limited by Subsection 5dl for which Brookhaven has reimbursed San Juan. San Juan shall also execute a release of this Operating Agreement or reassignment of any leasehold interest assigned to San Juan. If Brookhaven does not desire to acquire San Juan's interest in said well, then San Juan, as Operator, shall plug said well, complying with all applicable regulations. If said well has not produced, then the expense of plugging shall be borne by San Juan and San Juan shall have complete ownership in all of the casing, equipment and materials thereof. If said well has produced, then Brookhaven shall bear that proportionate part of the cost of plugging that Brookhaven's reimbursement to San Juan for drilling costs bears to the total drilling costs, as defined and limited by Subsection 5dl, and the casing, equipment and materials recovered shall be divided in the same proportions.

7. San Juan shall carry the following insurance in favor of both parties to cover operations on the lease area and the equipment used in connection therewith:

a. Workmen's Compensation Insurance and Employer's Liability Insurance as required by the laws of the State of New Mexico.

b. Public Liability Insurance in not less than the amount of \$100,000.00 for injuries to one person and not less than the amount of \$500,000.00 for injuries in one accident, and \$50,000.00 for property

c. Automotive Public Liability Insurance, for each automotive vehicle used in connection herewith, in not less than the amount of \$100,000.00 for injuries to one person and not less than the amount of \$500,000.00 for injuries in one accident, and not less than the amount of \$50,000.00 for property damage.

All of such insurance so carried shall be at the original expense of San Juan, who shall keep all such insurance in force and effect at all times while operations are conducted on the lease area. San Juan will furnish Brookhaven with certificates of all such insurance so carried. In addition to the above, San Juan shall require contractors to carry additional insurance as described in a, b and c above, and will require such contractors to furnish certificates thereof to it of all such insurance so carried.

8. Fair Employment Practices. As to any Federal leases upon said acreage, San Juan shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin and shall require that an identical provision be included in all sub-contracts.

9. Communitization. Brookhaven shall cooperate with San Juan in obtaining consent of owners of leasehold interest on adjoining tracts of land for the purpose of complying with spacing regulations. If San Juan so requests, Brookhaven shall assign to San Juan, and, if required, to other community participants an undivided interest in the state leasehold interests, which assignment shall be subject to the terms of this Operating Agreement and shall not be assigned by San Juan and the others, except as necessary to communitization unless Brookhaven's consent be obtained. As to Federal leasehold interests, Brookhaven shall take whatever steps are necessary subject to the terms of this Operating Agreement, to effect such communitization.

10. Non-partnership Provision. This agreement shall not create a partnership between the parties, and San Juan, as Operator, shall comply

with all applicable laws and regulations of the State of New Mexico and of the United States in operating said leases. As to Brookhaven, San Juan shall be an independent contractor hereunder.

11. Approval of Governmental Authority. This agreement is subject to the approval of the Secretary of the Interior, or his duly authorized subordinate, as to any Federal lease. Unless disapproved by final administrative action by either the Federal or State government, and until such disapproval, this agreement shall be binding upon the parties. In the event of any decision disapproving of this agreement or of any provision or any part thereof, the parties agree that the intent of this contract shall prevail so that neither party shall be denied the intended rights described herein, and to that end, they will use their best efforts to agree on the necessary modifications hereof to cure the causes of disapproval.

12. Definitions.

Mesa Verde Well. By "Mesa Verde well" is meant a well drilled to test the deepest horizon of the Mesa Verde formation or a well producing from any horizon of the Mesa Verde formation unless impenetrable substances be encountered which, in the opinion of San Juan, prevent testing the Mesa Verde formation.

Other Formations. Where wells to other formations are provided herein the same standards shall apply.

Drilling Site. "Drilling site" means such quantity of acreage and legal subdivision as may be designated a drilling site by the New Mexico Oil Conservation Commission, for a well to be drilled to a specified formation.

13. Notice. All notices to be given hereunder shall be deemed sufficient when notice is deposited, postage paid, in first class, United States mail, addressed to the parties as follows:

Brookhaven Oil Company
Post Office Box 644
Albuquerque, New Mexico

San Juan Production Company
Post Office Box 1492
El Paso, Texas

Either party may, from time to time, by notice in writing to the other designate another address for the giving of any such notices.

14. Force Majeure. Time shall be of the essence of this agreement. Except as herein otherwise expressly provided, if either party be prevented from performing the obligations of this agreement by causes beyond the control of such party, including but not limited to acts of the elements, fires, floods, earthquakes, war, riots, civil commotion, acts of the public enemy, regulations of governmental authority, embargoes, strikes, labor disputes, weather conditions, and unavoidable casualties, then such party shall not be liable for such failure so long as it results from any one or more of such causes.

15. San Juan may assign this agreement to any of its parent or subsidiary corporations but no such assignment shall relieve San Juan of its obligations hereunder. Otherwise, neither San Juan nor any assignee shall assign this agreement without the prior written consent of Brookhaven. It shall not be considered a breach of this subsection for San Juan to include its interest herein under any mortgage or indenture given by it to secure a bond issue of San Juan or its affiliated company, El Paso Natural Gas Company.

16. This agreement contains the entire contract of the parties. All prior negotiations, understandings, representations and warranties are merged herein. Any modification, amendment or change of this agreement shall be in writing, executed with the same formalities as this instrument.

17. This contract is to be performed in New Mexico. All questions regarding its validity, construction, interpretation, performance and all other questions arising hereunder shall be determined by the law of said state.

18. This agreement may be executed in any number of counterparts, each of which shall be and constitute an original.

IN WITNESS WHEREOF, this instrument is executed the day and year first above written.

BROOKHAVEN OIL COMPANY

By Thos B. Scott
President

ATTEST:

Wleanor B. Scott
asst. Secretary

SAN JUAN PRODUCTION COMPANY

By C. L. Perkins
Vice President

ATTEST:

A. C. Mutch
asst. Secretary

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

On this the 29th day of November, 1951, before me personally appeared Phas. B. Scott, Jr. to me personally known, who, after being by me duly sworn did say that he is the President of BROOKHAVEN OIL COMPANY, a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Phas. B. Scott, Jr. acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

July 25, 1955

Margaret H. Seal
Notary Public, Bernalillo County,
New Mexico

STATE OF TEXAS)
) ss
COUNTY OF EL PASO)

On this the 27th day of November, 1951, before me personally appeared C. L. Perkins to me personally known, who, after being by me duly sworn did say that he is the Vice President of SAN JUAN PRODUCTION COMPANY, a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said C. L. Perkins acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

Michael P. Gannon
Notary Public, El Paso County, Texas

ROBERT E. HEYSER
Notary Public in and for El Paso County, Texas
My commission expires June 1, 1953

San Juan is a wholly owned subsidiary of El Paso Natural Gas Company, a Delaware corporation. As a part of the consideration hereof and for the purpose of inducing Brookhaven to execute this agreement, the undersigned hereby unconditionally guarantees the performance of each and every term, covenant and condition hereof by SAN JUAN PRODUCTION COMPANY.

EL PASO NATURAL GAS COMPANY

ATTEST:

[Signature]
Assistant Secretary

By *[Signature]*
Vice President

STATE OF TEXAS)
) ss
COUNTY OF EL PASO)

On this the 27th day of November, 1951, before me personally appeared *[Signature]*, to me personally known, who, after being by me duly sworn did say that he is the Vice President of EL PASO NATURAL GAS COMPANY, a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said *[Signature]* acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

My commission expires:

[Signature]
Notary Public, El Paso County, Texas

EL PASO NATURAL GAS COMPANY

EXHIBIT "C"

Attached to and made a part of Farmout Agreement
dated November 27, 1951, by and between Brookhaven
Oil Company and San Juan Production Company

ACCOUNTING PROCEDURE
(Unit and Joint Lease Operations)

I. GENERAL PROVISIONS

1. DEFINITIONS

The term "joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.

The term "Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the leased premises for the joint account.

The term "Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

2. STATEMENTS AND BILLINGS

Operator shall bill Non-Operator on or before 45 days after the last day of each month for its proportionate share of costs and expenditures during the month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Sub-Paragraph B below:

A. Statement in detail of all charges and credits to the joint account.

B. Statement of all charges and credits to the joint account, summarized by appropriate classifications indicative of the nature thereof.

C. Statements, as follows:

(1) Detailed statement of material ordinarily considered controllable by Operators of oil and gas properties;

(2) Statement of all other charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and

(3) Statement of any other receipts and credits.

3. PAYMENTS BY NON-OPERATOR

Each party shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

4. AUDITS

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. All statements rendered to Non-Operator by Operator during any calendar year shall be conclusively presumed to be true and correct after eighteen months following the close of any such calendar year, unless within said eighteen months period Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or the making of claims for adjustment thereon. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder, within eighteen months next following the close of any calendar year. Non-Operator shall have six months next following the examination of the Operator's records within which to take written exception to and make any and all claims on Operator. The provisions of this paragraph shall not prevent adjustments resulting from the physical inventory of property as provided for in Section VI, Inventories, hereof.

II. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

1. **RENTALS AND ROYALTIES**
Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid direct to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.
2. **LABOR, TRANSPORTATION, AND SERVICES**
Labor, transportation, and other services necessary for the development, maintenance, and operation of the joint property.
3. **MATERIAL**
Material, equipment, and supplies purchased or furnished by Operator, for use of the joint property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the joint property as required for immediate use, and the accumulation of surplus stocks shall be avoided.
4. **MOVING MATERIAL TO JOINT PROPERTY**
Moving material to the joint property from Vendor's or from Operator's warehouse in the district or from the other properties of Operator, but in either of the last two events no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available, except by special agreement with Non-Operator.
5. **MOVING SURPLUS MATERIAL FROM JOINT PROPERTY**
Moving surplus material from the joint property to outside vendees, if sold f.o.b. destination, or minor returns to Operator's warehouse or other storage point. No charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.
6. **USE OF OPERATOR'S EQUIPMENT AND FACILITIES**
Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 4, of Section III, "Basis of Charges to Joint Account."
7. **DAMAGES AND LOSSES**
Damages or losses incurred by fire, flood, storm, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damage or losses incurred by fire, storm, flood, or other natural or accidental causes as soon as practicable after report of the same has been received by Operator.
8. **LITIGATION, JUDGMENTS, AND CLAIMS**
All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the joint account or the subject matter of this agreement; actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.
 - A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto, and a charge commensurate with the services rendered may be made against the joint account, but no such charge shall be made until approved by the legal department of or attorneys for the respective parties hereto.
 - B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.
9. **TAXES**
All taxes of every kind and nature assessed upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

10. INSURANCE

Premiums paid for insurance carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.

11. DISTRICT AND CAMP EXPENSE

A proportionate share of the salaries and expenses of Operator's District Superintendent and other general district or field employees serving the joint property, whose time is not allocated direct to the joint property, and a proportionate share of maintaining and operating a district office and all necessary camps, including housing facilities for employees if necessary, in conducting the operations on the joint property and other leases owned and operated by Operator in the same locality. Such charges shall be apportioned to all leases served on some equitable basis consistent with Operator's accounting practice.

12. OVERHEAD

Overhead charges, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employees of Operator, including the division superintendent, the entire staff and expenses of the division office located at Farmington, New Mexico, and any portion of the office expense of the principal business office located at El Paso, Texas, but which are not in lieu of district or field office expenses incurred in operating any such properties, or any other expenses of Operator incurred in the development and operation of said properties; and Operator shall have the right to assess against the joint property covered hereby the following overhead charges:

- A. During the period of drilling, pluggingback or deepening such amounts as may be allocated to each well from "Overheads during Construction" as recorded on the books of the Operator.
- B. \$ 25.00 per well per month for the first five (5) producing wells.
- C. \$ 20.00 per well per month for the second five (5) producing wells.
- D. \$ 15.00 per well per month for all producing wells over ten (10).
- E. In connection with overhead charges, the status of wells shall be as follows:
 - (1) In-put or key wells shall be included in overhead schedule the same as producing gas wells.
 - (2) Producing oil wells shall be included in overhead schedule the same as producing gas wells.
 - (3) Wells permanently shut down but on which plugging operations are deferred, shall be dropped from overhead schedule at the time the shut-down is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
 - (4) Various wells may be shut down temporarily and later replaced on production. If and when a well is shut down (other than for proration) and not produced or worked upon for a period of a full calendar month, it shall not be included in the overhead schedule for such month.
 - (5) Salt water disposal wells shall not be included in overhead schedule.
- F. The above overhead schedule on producing wells shall be applied to individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project in the interest of economic development, the schedule shall be applied to the total number of wells, irrespective of individual leases.
- G. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. WAREHOUSE HANDLING CHARGES

A warehouse handling charge not to exceed eight per cent (8%) of cost of materials. This charge shall apply only to materials issued from Operator's warehouses and/or storerooms.

14. OTHER EXPENDITURES

Any other expenditure incurred by Operator for the necessary and proper development, maintenance, and operation of the joint property.

III. BASIS OF CHARGES TO JOINT ACCOUNT

1. PURCHASES

Material and equipment purchased and service procured shall be charged at price paid by Operator, after deduction of all discounts actually received.

2. MATERIAL FURNISHED BY OPERATOR

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

A. New Material

- (1) New material transferred from Operator's warehouse shall be priced f.o.b. the issuing warehouse. This will include material such as tanks, rigs, pumps, sucker rods, boilers, engines and tubular goods.
- (2) Material transferred from other properties of the Operator shall be priced at original cost as recorded on books of the Operator.

B. Used Material

- (1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be priced as under A(2) above.
- (2) Material which after reconditioning will be in sound and serviceable condition and suitable for reuse shall be priced at original cost of such material as recorded on books of the Operator but shall not include any cost of reconditioning.
- (3) Tanks, derricks, buildings, and other equipment involving erection costs shall be charged at original cost as recorded on books of Operator but shall not include erection costs not applicable to joint account.

3. WARRANTY OF MATERIAL FURNISHED BY OPERATOR

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and, in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

4. OPERATOR'S EXCLUSIVELY OWNED FACILITIES

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

- A. Water service, fuel gas, power, and compressor service: At rates commensurate with cost of providing and furnishing such service to the joint account as recorded on books of Operator.
- B. Automotive Equipment: Rates commensurate with cost of ownership and operation. Such rates should generally be in line with schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations.
- C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located.
- D. Whenever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.
- E. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. Derricks, tanks, buildings, and other major items shall not be removed by Operator from the joint property without the approval of Non-Operator. Operator shall not sell major items of material

to an outside party without giving Non-Operator an opportunity either to purchase same at the price offered or to take Non-Operator's share in kind.

1. MATERIAL PURCHASED BY OPERATOR

Material purchased by Operator shall be credited to the joint account and included in the monthly statement of operations for the month in which the material is removed from the joint property.

2. MATERIAL PURCHASED BY NON-OPERATOR

Material purchased by Non-Operator shall be invoiced by Operator and paid for by Non-Operator to Operator immediately following receipt of invoice. The Operator shall pass credit to the joint account and include the same in the monthly statement of operations.

3. DIVISION IN KIND

Division of material in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party and corresponding credits will be made by the Operator to the joint account, and such credits shall appear in the monthly statement of operations.

4. SALES TO OUTSIDERS

Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected by Operator from Vendee. Any claims by Vendee for defective material or otherwise shall be charged back to the joint account, if and when paid by Operator.

V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

1. NEW PRICE DEFINED

New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Charges to Joint Account."

2. NEW MATERIAL

New material, being new material procured for the joint account but never used thereon, at original cost as recorded on books of Operator.

3. GOOD USED MATERIAL

Good used material, being used material in sound and serviceable condition, suitable for reuse without reconditioning, at original cost as recorded on books of Operator.

4. OTHER USED MATERIAL

Used material, being used material which after reconditioning will be serviceable for original function, at original cost as recorded on books of Operator. Any costs incurred in restoring material to serviceable condition shall be charged to the joint account.

5. JUNK

Junk, being obsolete and scrap material, shall carry no value.

6. TEMPORARILY USED MATERIAL

When the use of material is of a temporary nature and its service to the joint account does not justify the charge to joint account as provided in Paragraph 4 above, such material shall be priced at original cost as recorded on books of Operator.

VI. INVENTORIES

1. PERIODIC INVENTORIES

Periodic inventories shall be taken by Operator of the joint account material, which shall include all such material as is ordinarily considered controllable by operators of oil and gas properties.

2. NOTICE

Notice of intention to take inventory shall be given by Operator at least ten days before any inventory is to begin, so that Non-Operator may be represented when any inventory is taken.

3. FAILURE TO BE REPRESENTED

Failure of Non-Operator to be represented at the physical inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

4. RECONCILIATION OF INVENTORY

Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

5. ADJUSTMENT OF INVENTORY

Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall only be held accountable to Non-Operator for shortages due to lack of reasonable diligence.

6. SPECIAL INVENTORIES

Special inventories may be taken, at the expense of the purchaser, wherever there is any sale or change of interest in the joint property, and it shall be the duty of the party selling to notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases both the seller and the purchaser shall be represented and shall be governed by the inventory so taken.

**SUPPLEMENT TO OPERATING AGREEMENT
DATED NOVEMBER 27, 1951**

THIS AGREEMENT, made and entered into effective as of the 30th day of November, 1962, by and between BROOKHAVEN OIL COMPANY, a Delaware corporation, whose address is P. O. Box 1267, Scottsdale, Arizona, (hereinafter referred to as "Brookhaven"), DACRESA CORPORATION, a New Mexico corporation, whose address is P. O. Box 1267, Scottsdale, Arizona, (hereinafter referred to as "Dacresa") and EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is P. O. Box 1492, El Paso, Texas, (hereinafter referred to as "El Paso");

W I T N E S S E T H:

WHEREAS, by written Agreement dated November 27, 1951, Brookhaven entered into an Operating Agreement with San Juan Production Company and the interest of San Juan Production Company has been assigned to El Paso and El Paso has assumed the obligations thereunder of San Juan Production Company, and

WHEREAS, a number of Supplements and Amendments have been subsequently made to the Agreement of November 27, 1951, and

WHEREAS, Brookhaven assigned certain of the hereinafter referred to lands and leases to Dacresa subject to the above mentioned agreement dated November 27, 1951, as amended, and

WHEREAS, pursuant to the above referenced Agreement, as amended, Brookhaven and El Paso own an undivided 50% each in the working interest in the following State of New Mexico Oil and Gas Leases located in Section 16, Township 31 North, Range 11 West, N.M.P.M., San Juan County, New Mexico:

	<u>Serial Number</u>	<u>Description</u>	<u>Acres</u>
172	(1) B-11513-14	NW/4 SE/4	40.00
183	(2) B-11017-28	SE/4 NE/4, SE/4 SE/4	80.00
229	(3) E-7674	NW/4 NE/4	40.00
230	(4) E-3150-3	SW/4 NE/4	40.00

WHEREAS, pursuant to the above referenced Agreement, as amended, Dacresa and El Paso own an undivided 50% each in the working interest in the following State of New Mexico Oil and Gas Leases located in Section 16, Township 31 North, Range 11 West, N.M.P.M., San Juan County, New Mexico:

	<u>Serial Number</u>	<u>Description</u>	<u>Acres</u>
171	(1) B-11017-31	SW/4 SE/4	40.00
183	(2) B-11017-27	NE/4 NE/4, NE/4 SE/4	80.00,

and

WHEREAS, Section 5d2 of said Agreement of November 27, 1951, as amended, provides in substance that in the event any well be drilled upon said acreage to a greater depth than a Mesaverde well, the maximum drilling costs (except casing to be furnished by San Juan) to be paid out of production by Brookhaven shall be agreed upon by the parties in a manner comparable to the maximum cost of a Mesaverde well, as defined in Section 5d1 of subject Agreement, and

WHEREAS, the parties hereto desire to amend Sections 5d and 5d2 referenced above as to only those lands and leases described herein, and only insofar as such lands and leases pertain to the Dakota Formation, by agreeing upon the drilling and operating costs for a Dakota well to be located on said lands and leases, and the substitution of an overriding royalty interest for the working interest participation in production by Brookhaven and Dacresa prior to recovery of their share of drilling and operating costs;

NOW, THEREFORE, for and in consideration of the hereinafter contained covenants and agreements and other consideration, the receipt and sufficiency of which are hereby mutually acknowledged, it is agreed by and between the parties hereto with regard to the above described lands and leases only, and only insofar as such lands and leases pertain to the Dakota Formation. as follows:

1. El Paso shall drill a Dakota Formation well in the E/2 of Section 16, Township 31 North, Range 11 West, N.M.P.M., San Juan County, New Mexico, and El Paso shall pay all costs of drilling, completing, equipping, testing and operating said well.
2. Brookhaven and Dacresa do each hereby reserve a one-eighth (1/8) of eight-eighths (8/8) overriding royalty from total production from said Dakota well allocated to the particular lands wherein they respectively own an interest. Said overriding royalty interest shall bear one-half (1/2) of any presently existing overriding royalty interest applicable to those lands, with the exception of the SW/4 NE/4 of Section 16, wherein Brookhaven shall bear only 30% of the existing 5% overriding royalty interest, El Paso bearing the remaining 70% thereof. The overriding royalty interest described hereinabove shall remain unchanged until such time as El Paso has recovered the full costs of drilling, completing, equipping, testing, operating, and any remedial work charged against said well. Upon recovery of said costs the overriding royalty provided for herein and retained by Brookhaven and Dacresa shall terminate and thereafter Brookhaven and Dacresa shall each own an undivided 50% working interest in the particular lands in which they respectively own an interest as set forth above, subject to one-half of any presently existing overriding royalty interest applicable to those lands, with the exception of the SW/4 NE/4 of Section 16 wherein Brookhaven shall bear only 30% of the existing 5% overriding royalty interest and El Paso shall bear the remaining 70% thereof.

3. The overhead costs applicable to the subject well shall be Forty-five (\$45.00) per month as a producing well and Two Hundred and Fifty Dollars (\$250.00) per month during the period the well is being drilled.
4. Except as hereby modified, the Operating Agreement of November 27, 1951, as amended and supplemented, shall continue in full force and effect.

EXECUTED as of the day and year first hereinabove written.

ATTEST:

BROOKHAVEN OIL COMPANY

Vernon F. Conrad
Asst Secretary

By Thomas B. Scott
President

ATTEST:

DACRESA CORPORATION

Vernon F. Conrad
Asst Secretary

By Thomas B. Scott
President

EL PASO NATURAL GAS COMPANY

By Sam Smith
Attorney in Fact

STATE OF Arizona
COUNTY OF Maricopa

The foregoing instrument was acknowledged before me this 11th day of February, 1963, by THOMAS B. SCOTT, JR., President of BROOKHAVEN OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:

My Commission Expires Sept. 19, 1966

Pat Copeland
Notary Public

STATE OF Arizona
COUNTY OF Maricopa

The foregoing instrument was acknowledged before me this 11th day of February, 1963, by THOMAS B. SCOTT, JR., President of DACRESA CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:

My Commission Expires Sept. 19, 1966

Pat Copeland
Notary Public

STATE OF TEXAS)
)
COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this 6th day
of February, 1963, by SAM SMITH, Attorney in Fact for EL PASO
NATURAL GAS COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:

NATALIE TAYLOR

~~Notary Public in and for El Paso County, Texas~~
My Commission Expires June 1, 1968


Notary Public



NMOCD Case No. 11808

NMOCD Case No. 11809

Exhibit No. _____

Submitted by: Total Minatome Corp.

July 10, 1997

UNITED STATES
DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

LAND OFFICE
P. O. Box 1251
Santa Fe, New Mexico

SF 078604 dated: 5-1-48

Oil and Gas

4.10h

May 17, 1962

DECISION

Lessee: Brookhaven Oil Company

Oil and Gas

Operator: El Paso Natural Gas Company

Supplement to Operating Agreement
of November 27, 1951 Approved

The following Supplement to Operating Agreement of November 27, 1951 involving oil and gas lease Santa Fe 078604 is hereby approved.

By decision dated January 8, 1953 this office approved an operating agreement executed November 27, 1951 by and between Brookhaven Oil Company and San Juan Production Company and an assignment thereof to El Paso Natural Gas Company. The operating agreement covered all of the lands which issued under Santa Fe 078604 with the exception of certain canceled lands namely the SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 8, T. 31 N., R. 10 W., NMPM. On August 31, 1959 lease Santa Fe 078604 was reinstated from the date of its inception, May 1, 1948, as to the SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 8, T. 31 N., R. 10 W., NMPM.

On February 23, 1960 there was filed a Supplement entered into on April 20, 1959 by and between Brookhaven Oil Company and El Paso Natural Gas Company. The purpose of this instrument is to amend the operating agreement of November 27, 1951, to include the SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 8, T. 31 N., R. 10 W., NMPM. Brookhaven acknowledges El Paso's operating rights as provided by said agreement in and to the above described land and designates El Paso as operator thereof, and El Paso assumes the obligations prescribed by the operating agreement as to the above land.

The supplement is hereby accepted and approved, and except as hereby modified and supplemented, the operating agreement of November 27, 1951 shall continue in full force and effect.

El Paso is maintaining a nationwide bond.

Howard M. Grotberg
Howard M. Grotberg, Chief
Mineral Adjudication Section

O&G Supv. (3) Farmington

El Paso Natural Gas Company

El Paso, Texas

September 27, 1962

Mr. Thomas B. Scott,
President
Brookhaven Oil Company
P. O. Box 1267
Scottsdale, Arizona

Re: Farmout Agreement dated
November 27, 1951

Dear Mr. Scott:

El Paso Natural Gas Company would like to schedule the drilling of a Dakota well in the E/2 of Section 16, Township 31 North, Range 11 West, N.M.P.M., San Juan County, New Mexico. However, before we can proceed with any Dakota development on acreage subject to the captioned agreement, we will have to reach an agreement on the allocation of costs as required by Section 5-d (2) of Operating Agreement dated November 27, 1951.

I will be most happy to meet with you at your convenience in order to discuss this situation and, therefore, request that you advise when would be most convenient for you.

Very truly yours,



Harry Gevertz
Regional Landman
Land Department

HG:js

NMOCD Case No. 11808
NMOCD Case No. 11809
Exhibit No. 4
Submitted by: Total Minatome Corp.
July 10, 1997



TOTAL Minatome Corporation

Jean-Pierre Donnet
President
Chief Executive Officer

June 14, 1991

Meridian Oil
3535 East 30th Street
P. O. Box 4289
Farmington, New Mexico 87401

RE: Scott #1R
Scott #5R
Atlantic Com "A" #7R
Brookhaven Com "B" #3R
San Juan County, New Mexico

Gentlemen:

Please be advised that TOTAL Minatome Corporation elects to participate in the drilling of the above captioned wells under the terms of that certain Operating Agreement dated November 27, 1951 between Brookhaven Oil Company and San Juan Production Company.

Yours very truly,

TOTAL MINATOME CORPORATION

J. P. Donnet

JPD:JRA/mc

NMOCD Case No. 11808
NMOCD Case No. 11809
Exhibit No. 5
Submitted by: Total Minatome Corp.
July 10, 1997

TOTAL

42010501

10727

TOTAL MINATOME CORPORATION

May 23, 1997

Burlington Resources, Inc.
3535 East 30th St.
P.O. Box 4289
Farmington, New Mexico 87499-4289
Attention: James J. Strickler

MAY 30 1997

PRODUCTION ACCTG.

Re: Marcotte #2
Pennsylvanian formation
Section 8, T31N-R10W
San Juan County, New Mexico

Gentlemen:

Total Minatome Corporation (TMC) agrees to participate in the above referenced well per the terms and conditions of the Farmout and Operating Agreement dated November 27, 1951, between Brookhaven Oil Company and San Juan Production Company, as amended and supplemented.

Enclosed is one fully executed copy of your participation letter dated April 22, 1997 on behalf of TMC.

Sincerely,



Deborah J. Gilchrist
Landman

NMOCD Case No. 11808
NMOCD Case No. 11809
Exhibit No. 6
Submitted by: Total Minatome Corp.
July 10, 1997



vpc 6/9/97

BURLINGTON RESOURCES

SAN JUAN DIVISION

April 22, 1997

LB 4-25
PS

CERTIFIED MAIL-RETURN RECEIPT

RECEIVED

APR 25 1997

LAND ADMINISTRATION

To Working Interest Owners
(see list below)

RE: Marcotte #2 Well
Pennsylvanian formation
Proposed depth 14,000'
ALL Section 8, T31N-R10W
639.78 acres, more or less
San Juan County, New Mexico

Gentlemen:

Burlington Resources Oil & Gas Company (Burlington) proposed to drill and complete the captioned well in the Pennsylvanian formation. The approximate location is 1540' FSL, 935' FEL (NE/SE) Section 8, T31N-R10W, with a proposed depth of 14,000'. Attached for your consideration and approval is one (1) copy of our Well Cost Estimate to drill and complete the subject well for \$2,316,973.00. Our records indicate the ownership of the well and AFE share to be as follows:

<u>Company</u>	<u>GW</u>	<u>AFE Share</u>
Burlington	9.310450%	\$ 215,721.00
Conoco Inc.	9.310450%	\$ 215,720.00
Amoco Production Company	68.073400%	\$1,577,242.00
Total Minatome Corp.	4.652200%	\$ 107,790.00
Cross Timbers Oil Co., LP	3.374700%	\$ 78,191.00
Lee Wayne Moore and JoAnn Montgomery Moore, Trustees	2.251700%	\$ 52,171.00
George William Umbach	1.416600%	\$ 32,822.00
Robert Warren Umbach	1.416600%	\$ 32,822.00
Lowell White Family Trust	.048460%	\$ 1,123.00
Walter A. Steele	.048460%	\$ 1,123.00
Estate of G. W. Hannett	.040380%	\$ 936.00
T. G. Cornish	.032300%	\$ 748.00
Patricia Hueter	.008100%	\$ 188.00
Mary Emily Voller	.008100%	\$ 188.00
A. T. Hannett	.008100%	\$ 188.00
	<u>100.000000%</u>	<u>\$2,316,973.00</u>

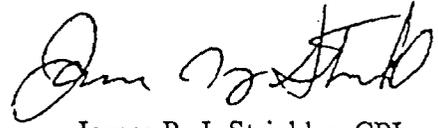
An Operating Agreement is enclosed for your review and approval.

If you wish to participate in the drilling of the above referenced well, please verify your interest and return the following within thirty (30) days to the undersigned:

- 1. One (1) executed copy of this letter
- 2. One (1) executed copy of the Well Cost Estimate
- 3. One (1) executed signature page for the Operating Agreement dated April 1, 1997

Your prompt attention to this proposal is requested as we plan to begin operations in the near future. Please advise in writing if you do not wish to participate.

Very truly yours,

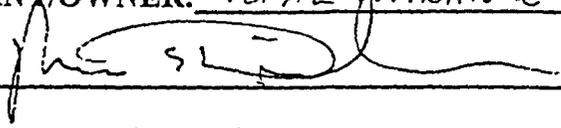


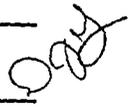
James R. J. Strickler, CPL
Senior Staff Landman
(505) 326-9756

JRS:ll

The undersigned hereby elects this 23 day of MAY, 1997, to participate in ~~and pay its proportionate share of the well costs for the drilling and completion of the Marcotte #2, as correctly shown above,~~ under the terms of the Farmout and Operating Agreement dated November 27, 1951, between Brookhaven Oil Company and San Juan Production Company as amended and supplemented.

COMPANY/OWNER: TOTAL MINATOMI CORPORATION

BY: 

TITLE: Vice President 

TOTAL

W. Gilchrist

TOTAL MINATOMI CORPORATION

*See - F45
was done 6/21/97*

May 30, 1997

Burlington Resources, Inc.
3535 East 30th St.
P.O. Box 4289
Farmington, New Mexico 87499-4289
Attention: James J. Strickler

Re: Scott #24
Pennsylvanian formation
Section 9, T31N-R10W
San Juan County, New Mexico

Gentlemen:

Total Minatome Corporation (TMC) agrees to participate in the above referenced well per the terms and conditions of the Farmout and Operating Agreement dated November 27, 1951, between Brookhaven Oil Company and San Juan Production Company, as amended and supplemented.

Enclosed is one fully executed copy of your participation letter dated April 29, 1997 on behalf of TMC.

Sincerely,



Deborah J. Gilchrist
Landman

NMOCD Case No. 11808
NMOCD Case No. 11809
Exhibit No. 7
Submitted by: Total Minatome Corp.
July 10, 1997



SAN JUAN DIVISION

April 29, 1997

CERTIFIED MAIL-RETURN RECEIPT

To Working Interest Owners
(see attached Exhibit "A")

RE: Scott # 24 Well
Pennsylvanian formation
Proposed depth 14,000'
ALL Section 9, T31N-R10W
636.01 acres, more or less
San Juan County, New Mexico

Gentlemen:

Burlington Resources Oil & Gas Company (Burlington) proposed to drill and complete the captioned well in the Pennsylvanian formation at a legal location in the NW/4 (SE/4 NW/4) of Section 9, T31N-R10W, with a proposed depth of 14,000'. Attached for your consideration and approval is one (1) copy of our Well Cost Estimate to drill and complete the subject well for \$2,316,973.00.

The ownership schedule for the subject well is listed on the attached Exhibit "A".

An Operating Agreement is enclosed for your review and approval.

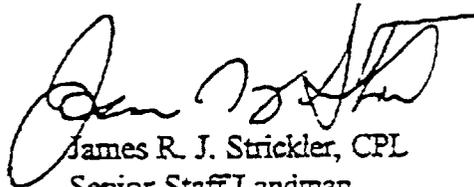
If you wish to participate in the drilling of the above referenced well, please verify your interest and return the following within thirty (30) days to the undersigned:

1. One (1) executed copy of this letter
2. One (1) executed copy of the Well Cost Estimate
3. One (1) executed signature page for the Operating Agreement dated April 1, 1997.

Scott #24 Well
April 29, 1997
Page 2

Your prompt attention to this proposal is requested as we plan to begin operations in the near future. Please advise in writing if you do not wish to participate.

Very truly yours,



James R. J. Strickler, CPL
Senior Staff Landman
(505) 326-9756

JRS:dg
scott24

The undersigned hereby elects this 30 day of MAY, 1997, to participate in ~~and pay its proportionate share of the actual well costs for the~~ drilling and completion of the Scott #24, as correctly shown on Exhibit "A". subject to the terms of the November 27, 1951 Farmout and Operating Agreement by and between Brookhaven Oil Company and San Juan Production Company as amended and supplemented.

COMPANY/OWNER: _____

BY: _____

TITLE: _____

BURLINGTON RESOURCES

May 22, 1997

RECEIVED

MAY 27 1997

SAN JUAN DIVISION

VIA FACSIMILE

LAND ADMINISTRATION

Total Minatome Corporation
Attn: Ms. Deborah Gilchrist, Land Manager
2 Houston Center, Suite 2000
P.O. Box 4326
Houston, TX 77210-4326

**RE: GLA-46 - AMENDMENT
MARCOTTE 2
SECTION 8, T32N, R10W
ARCH ROCK PROSPECT
SAN JUAN COUNTY, NEW MEXICO**

Dear Ms. Gilchrist:

This is in reference to Burlington Resources Oil & Gas Company's (Burlington) acreage support request letter to Total Minatome Corporation (Total), dated February 7, 1997, and GLA-46 amendment letter dated April 1, 1997. So far, GLA-46 owners, with the exception of Total, have agreed to support the subject well by either farming out their interest or participating and executing our proposed JOA. Burlington requests that Total proceed along with the other GLA-46 owners to either:

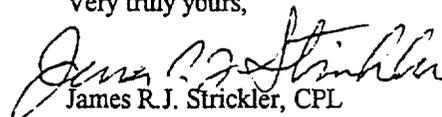
1. Participate in the subject well and execute our proposed JOA submitted to you on April 1, 1997, said JOA shall be limited in depths below the Dakota formation, or
2. Farmout your interest in the Arch Rock prospect as outlined in Exhibit "A" to the April 1, 1997 letter.

Historically, it is clear the November 27, 1951, farmout/operating agreement, known as GLA-46, covered the Pictured Cliffs and Mesaverde formations. All other formations were handled by amendment on a Ad Hoc basis. This agreement was never intended to cover deep gas exploration as indicated by past experience. The agreement incidentally has been amended over thirty (30) times to illustrate this point. Burlington and the other GLA-46 owners consistent with a spirit of cooperation and historic practice have amended the GLA accordingly.

Burlington does not agree with your interpretation of the agreement which allows you to be carried or effectively bring down the project on the subject well. A reasonable industry participation is evidenced by the 81.25% of the GLA-46 owners who have entered the amendment to the agreement. Burlington has worked diligently for over one year in putting together this extremely complex land area to drill this well. We hope that your management will support us in the drilling of a very speculative and expensive project by agreeing to either options one or two above.

We look forward to hearing from you soon, since time is of the essence to go forward with the drilling of this well. If you should have any questions, please call me at (505) 326-9756.

Very truly yours,


James R.J. Strickler, CPL
Senior Staff Landman

JRS:mt
Total_2.doc

NMOCD Case No. 11808
NMOCD Case No. 11809
Exhibit No. 8
Submitted by: Total Minatome Corp.
July 10, 1997

**BURLINGTON
RESOURCES**

SAN JUAN DIVISION

April 1, 1997

Total Minatome Corporation
Attn: Ms. Deborah Gilchrist, Land Manager
2 Houston Center, Suite 2000
P.O. Box 4326
Houston, TX 77210-4326

RECEIVED

APR 8 1997

LAND ADMINISTRATION

**RE: GLA-46
Amendment
San Juan County, New Mexico**

Dear Ms. Gilchrist:

On November 27, 1951, Brookhaven Oil Company and San Juan Production Company entered into an Operating Agreement pertaining to certain lands in San Juan County, New Mexico. Said Agreement, as amended, provided for the drilling of Mesaverde wells by San Juan Production Company and the recovery of Brookhaven's share of the cost of drilling such wells subject to the limitations and in accordance with the provisions of said Agreement.

Total Minatome Corporation (Total) in consideration for Burlington Resources Oil & Gas Company (Burlington) showing Total proprietary geology, 2D and 3D seismic for the purpose of exploring and drilling for a deep gas Pennsylvanian well located in the SE/4 of Section 8, T31N, R10W, (Arch Rock Prospect) San Juan County, New Mexico, agrees to amend the November 27, 1951 Operating Agreement. Total and Burlington shall set a mutually agreeable time and place to show Total management the Arch Rock prospect geology and seismic which will include a data and well package, on or before April 19, 1997. Total, after said prospect review shall have a fifteen (15) day election period to either 1) participate in the drilling and completion of a Pennsylvanian well in Section 8, T31N, R10W, San Juan County, New Mexico, or 2) Farmout its interest in the Arch Rock Prospect on those certain terms and conditions outlined on Exhibit "A" to this Letter Agreement.

By this Letter Total Minatome Corporation as successors in interest to Lear Petroleum Partners Operating Company, L.P. (formerly Brookhaven Oil Company) and Burlington Resources Oil & Gas Company (formerly El Paso Gas Company) as successor in interest to San Juan Production Company, do hereby evidence the Amendment to the Operating Agreement dated November 27, 1951 as amended to provide for the following:

NMOCD Case No. 11808

NMOCD Case No. 11809

Exhibit No. 9

Submitted by: Total Minatome Corp.
July 10, 1997

Total Minatome
April 1, 1997
Page 2

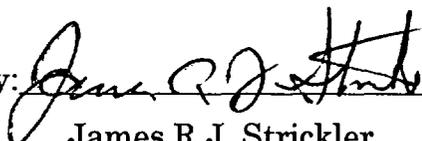
Total agrees to amend the Operating Agreement dated November 27, 1951, by deleting paragraphs 5-14, Exhibit "C" (Accounting Procedure) and the August 8, 1986 Letter Agreement (Gas Balancing Agreement) in its entirety, and replacing with the attached Exhibit "B", AAPL Model Form 610 1982 Operating Agreement. Said Operating Agreement provides among other things with the following:

1. 400% Non-Consent Penalty
2. \$25,000 Limitation of Expenditure
3. 1984 COPAS Accounting Procedure
4. The Preferential Right to Purchase Provision deleted
5. Gas Balancing Agreement.
6. Effective Date, April 1, 1997

Please evidence your acceptance of the foregoing by signing and returning a copy of this letter to the undersigned within fifteen (15) days of your receipt.

Yours very truly,

Burlington Resources Oil & Gas Company

By: 

James R.J. Strickler
Senior Staff Landman

JRS/dg
amend_27

Agreed to and Accepted this _____ day of _____, 1997.

TOTAL MINATOME CORPORATION

By: _____

Title: _____

EXHIBIT "A"

**TOTAL MINATOME CORPORATION
ARCH ROCK PROSPECT**

	GROSS ACRES	NET ACRES
<u>Township 31 North, Range 10 West, N.M.P.M.</u>		
Section 3: Lot 4 North and West of River	1.00	0.429
Lot 4 South and East of River	39.00	6.673
Lots 5 thru 9, S/2 NW/4	259.51	48.658
Section 4: Lot 5, E/2 SW/4,	118.64	22.245
NW/4 SW/4 and Part SW/4 NW/4	50.00	8.856
Section 8: Lots 1,2,4 and 5	158.74	29.764
Section 9: Lots 1,2, NE/4 NW/4	120.55	22.603
Section 13: Lots 3 and 4	69.21	11.537
Section 14: Lot 10,	40.51	6.753
SW/4 NW/4, NW/4 SW/4, E/2SW/4	160.00	30.000
Section 15: SE/4 NW/4	40.00	7.500
Section 16: NW/4 NE/4, SE/4 NE/4, SE/4 NW/4	280.00	47.836
NW/4 SW/4, SE/4 SW/4, NW/4 SE/4,		
SE/4 SE/4,		
SW/4 SE/4,	40.00	40.00
SW/4 SE/4		
Section 17: Lots 1 thru 10	404.63	75.868
Section 23: NW/4 NE/4,	40.00	14.835
NE/4 NW/4,	40.00	6.834
NE/4 SE/4	40.00	7.500
Section 24: NW/4 SW/4	40.00	7.500
<u>Township 31 North, Range 11 West, N.M.P.M.</u>		
Section 2: SE/4 SW/4	40.00	10.000
<u>Township 32 North, Range 10 West, N.M.P.M.</u>		
Section 31: Lots 5,6,11,12,13,14,19 and 20	318.46	59.711
San Juan County, New Mexico		
Total Gross Acres	2,300.25	
	Gross Acres, More or Less	
Total Net Acres	429.102	
	Net Acres, More or Less	

*Insofar and only insofar as said lands and leases covers depths below the base of the Mesaverde Formation.

*It is the intent of Total Minatome Corporation (Total) to Farmout all their Leasehold, Right, Title and interest of Total's in the described Lands and Leases in this Exhibit "A", whether such Exhibit "A" fails to include or inaccurately sets forth the description of Lands or interest under the subject Lands and Leases.

NY - 36002

RECEIVED
NOS Format

97 FEB 21 PM 1:28

Lease Number
SF-078604

070 FARMINGTON, NM

If Indian, Allottee or
Tribe Name

NOTICE OF STAKING
(Not to be used in place of
Application for Permit to Drill Form 3160-3)

1. Oil Well () Gas Well (X) Other ()
Specify

2. Name of Operator
MERIDIAN OIL INC.

8. Unit Agreement Name

3. Name of Specific Contact Person
Peggy Bradfield

9. Farm or Lease Name
Marcotte

4. Address & Phone No. of Operator or Agent
PO Box 4289, Farmington, NM 87499 (505) 326-9727

10. Well No.
2

5. Surface Location of Well
SE/4

11. Field or Wildcat Name

- Attach
- a) Sketch showing road entry onto pad, pad dimensions, and reserve pit.
 - b) Topographical or other acceptable map showing location, access road, and leases boundaries.

12. Sec., T--N, R--W
Sec 8, T-31-N, R-10-W

15. Formation Objective

16. Estimated Well
Depth

13. County 14. State
San Juan NM

17. Additional Information (as appropriate; must include surface owners name, address and telephone number) - Bureau of Land Management

18. Signed



Title: Regulatory Admin.

Date: 02-21-97

Note: Upon receipt of this Notice, the Bureau of Land Management (BLM) will schedule the date of the on predrill inspection and notify you accordingly. The location must be staked and access road must be flagged prior to the onsite.

Operators must consider the following prior to the onsite:

- a) H₂S potential
- b) Cultural Resources (archaeology)
- c) Federal Right of Way or Special Use Permit

Special lease stipulations, as applicable, are available elsewhere in this office and will be made available upon request.

ADMINISTRATIVE COPY

NMOCD Case No. 11808

NMOCD Case No. 11809

Exhibit No. 11

Submitted by: Total Minatome Corp.

July 10, 1997

Project Location: Numerous wellties within the Ratherford Unit

EA Log # NM-070-97-3112

Lease/Serial # SF-078604

File Code _____

FINDING OF NO SIGNIFICANT IMPACT AND DECISION OF RECORD

Project: Deep Drilling Test of the Pennsylvania/Mississippian Formations

Applicant: Burlington Resources

Address: P.O. Box 4289 Farmington, NM 87499

BLM Office Farmington District Office Phone # (505) 599-8900

FINDING OF NO SIGNIFICANT IMPACT

Impact identification and analysis of approving the project and/or alternative(s) have been completed. A complete and comprehensive environmental analysis has been conducted. Completion of the environmental assessment, and the implementation of required stipulations and/or mitigating measures will result in (projected) impacts to resource values being restored to pre-project conditions and/or acceptable post-project standards. Further analysis in an environmental impact statement is not needed at this time. Prior to full field development, an environmental impact statement may be required.

RECORD OF DECISION

DECISION: Based upon the analysis, it is my decision to approve the proposed action for Burlington Resources to build a well pad, drill and complete the Marcotte # 2 gas well. This decision incorporates mitigation and stipulations as addressed in the Environmental Analysis which will mitigate unavoidable long and short term impacts of this action.

RATIONAL: This determination is made considering the following factors:

1. The effects on the human environment have not been controversial in the past and the public has not voiced opposition to new wells being drilled in this area. There is a high probability of encountering H₂S during the drilling and completion of the well, which will be mitigated according to Oil and Gas Order #6.
2. Cumulative or secondary effects on soil erosion, cultural resources, wildlife resources and habitat, air quality, and visual impacts were considered and found acceptable with mitigation. Partial reclamation will occur during the production phase of this well. If the well proves to be productive, full reclamation will occur after final abandonment.
3. Federal and State of New Mexico Threatened and Endangered species have been considered. There are no known Federal or State listed species in the area of the proposed action.
4. A cultural and historic resource level 3 inventory has been conducted on the area that was identified as the proposed action. Impacts to cultural and historic resources will be avoided and/or mitigated. This will be done under the direction of the Farmington District's Cultural Resources Staff.

5. The scope of this action, alternatives, and impacts have been considered in relation to 40 CFR 1508.25. The direct, indirect, and cumulative impacts have been considered in relation to 40 CFR 1508.8 and will not affect the quality of the human environment.

Reviewed by Don Ellsworth Date 6/2/97
Senior Technical Specialist, Environmental Compliance

Approved by Just. Sumner Date 4/3/97
Associate DM for L&RR

FIELD INSPECTION SHEET

Operator Burlington
 Well Name & # Mascotte #2
 Lease # SF-078604
 OIL GAS CO2 WC DEV
 Formation PCMA
 Pool _____ Depth 14000
 Circulation Med. (mud Gas Air)
 Road Length N/A
 Width _____ Cut _____
 NEW REHAB W/W P/L
 New Road on lease length _____
 New Road off lease R/W length _____
 Existing Road R/W Needed? _____
 Length _____
 Inspected P/L on lease: Yes (No)
 Length _____ Width _____
 SURFACE UNDERGROUND
 HIGH LOW pressure _____
 Inspected off Lease/Unit Pipeline: Yes No
 Length _____ Width _____
 Surface Ownership BLM
 Topography Rolling hills
 Existing Vegetation PT, Sage
galleta
 Soil clay
 Slope North
 Drainage North and west
 Land Use Grazing & minerals
 Special Stipulations:

Date 3-3-97
 By DE
 CER 97-291
 County, State San Juan, NM
 Location 1540 FSH 935 FEL
 S. 8 T. 31 N. R. 10 W.
 Location moved? Yes (No)
 From: _____ To: _____
 Laydown S 22° E Pit East
 Pad Size 400' x 340'
 Paint Green Seed II
 Start Date 5/1/97 Drill Time 2nd
 CUT 3' DIRECTION SE
 FILL 23' DIRECTION 41050
 WATER SOURCE Brownie Atchbury di
 DWELLING None
 WELL Scott #14

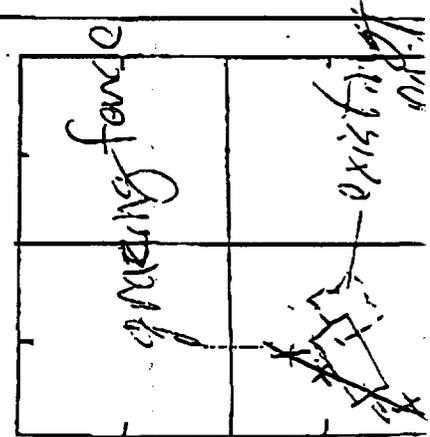
UTILITY ROW _____
 WATER _____
 ARCH _____ PALEO _____
 RMP _____ T&E _____
 SMA _____

NAMES OF INDIVIDUALS ON JOINT INSPECTION
Mike Fitzgerald - Eco sphere

Compact in 1 foot lifts for fill material
Stackpile trees to cut and chip, use for fill rehab, terrace slope.
Re-site fence
Construct pit, then determine how to seal bottom
Barricade existing well
Stackpile six inches of top soil for rehab

48 hour notification for construction

check w/ Terry for storm water discharge
OK



BLM CONDITIONS OF APPROVALOperator Burlington Resources O&G Co.Well Name 2 MarcotteLegal Location 1540' FSL/ 935' FELSec. 8 T. 31 N. R. 10 W.Lease Number SF-078604Field Inspection Date 3/3/97

The following conditions of approval will apply to this well unless a particular Surface Managing Agency or private surface owner has supplied to BLM and the operator a contradictory environmental stipulation. The failure of the operator to comply with these requirements may result in the assessment of liquidated damages or penalties pursuant to 43 CFR 3163.1 or 3163.2. A copy of these conditions of approval shall be present on the location during construction, drilling and reclamation activity.

An agreement between operator and fee land owner will take precedence over BLM surface stipulations unless (In reference to 43 CFR Part 3160) 1) BLM determines that the operator's actions will affect adjacent Federal or Indian surface, or 2) the operator does not maintain well area and lease premises in a workmanlike manner with due regard for safety, conservation and appearance, or 3) no such agreement exists, or 4) in the event of well abandonment, minimal Federal restoration requirements will be required.

1. Upgrade existing access road leading to proposed well pad.
2. Cut and chip all trees to be used as mulch for the fill slope rehab.
3. The reserve pit will be constructed then it will be determined how to line this pit.
4. The allotment boundary fence will be rerouted around the pad on the west side, this will be constructed on the top of the fill slope.
5. The operator or his contractor will contact the BLM Farmington District Office, Environmental Compliance Staff, at (505) 599-8900, approximately 48 hours prior to construction activities.
6. The top 6 inches of soil material will be stripped and stockpiled on the north side of the location for reserve pit reclamation.
7. Pits and/or pad will be constructed long and narrow, or to conform to natural contour of terrain, so as to avoid the hill side on the east and the hazard of pit failure.
8. The final cut slope shall not exceed a 3:1 ratio. The final fill slope shall not exceed a 2:1 ratio. The fill slope on the west side will be terraced and compacted in one foot lifts. To obtain this ratio, pits and slopes shall be backsloped into the pad upon completion of drilling and prior to setting production equipment. Construction slopes can be much steeper during drilling, but will be contoured to the above final slopes upon reclamation.
9. All above ground structures shall be painted to blend with the natural color of the landscape. The paint used shall be: *Federal 595a-34127 (Juniper Green)*.

LOCATION AND ACCESS ROAD

1. Well area and lease premises will be maintained in a workmanlike manner with due regard to safety, conservation and appearance. All liquid waste, completion fluids and drilling products associated

#2 Marcotte Gas Well/SF-078604

2

with oil and gas operations will be contained and then buried in place, or removed and deposited in an approved disposal site.

2. Surface disturbance and vehicular traffic will be limited to the approved location and approved access road.

3. Mud pits and blow pits will be constructed so as not to leak, break or allow discharge of liquids or produced solids. At least half of the capacity of the reserve pit must be in cut. The top of the outside wall of reserve pit should be smoothed-off with a minimum of one blade width. The pit should have adequate capacity to maintain 2 feet of free board. Pits are not to be located in natural drainages. Pit walls are to be "walked down" by a crawler type tractor following construction and prior to usage. Any plastic material used to line pits must be removed to below-ground level before pits are covered. The final grade of reserve pit (after reclamation) shall allow for drainage away from pit area.

4. All unguarded pits (reserve/production/blow pits) containing liquids will be fenced with woven wire. Drilling pits will be fenced on three sides and once the rig leaves location, the fourth side will be fenced. All fencing must be a legal fence in accordance with New Mexico State Law. Liquids in pits will be allowed to evaporate, or be properly disposed of, before pits are filled and recontoured. (This office will be notified 24 hours prior to fluid hauling). Under no circumstances will pits be cut and drained. Aeration of pit fluids must be confined within pit area. Upon completion of the well the reserve pit will be covered with screening or netting and remained covered until the pit is reclaimed. All production pits 16 feet in diameter or larger will be covered with screening or netting.

5. No gravel or other related minerals from new or existing pits on Federal land will be used in construction of roads, well sites, etc., without prior approval from the Surface Managing Agency.

6. Berms or firewalls will be constructed around all storage facilities sufficient in size to contain the storage capacity of tanks, or the combined capacity of tanks if a rupture could drain more than one tank. Berm walls will be compacted with appropriate equipment to assure proper construction.

7. All roads on public land must be maintained in good passable condition.

8. Use of pesticides and herbicides shall comply with the applicable Federal and State laws. Pesticides and herbicides shall be used only in accordance with their registered uses and within limitations imposed by the Secretary of the Interior. Prior to the use of pesticides, Holder shall obtain from the Authorized Officer (AO) written approval of a plan showing the type and quantity of material to be used, pest(s) to be controlled, method of application, location of storage and disposal of containers, and any other information deemed necessary by the AO. Emergency use of pesticides shall be approved in writing by the AO prior to use.

9 Holder shall be responsible for weed control on disturbed areas within the limits of the well pad and associated road. Holder is responsible for consultation with the AO and/or local authorities for acceptable weed control methods within limits imposed in the conditions of approval.

II. CULTURAL RESOURCES (ARCHAEOLOGY)

1. **DISCOVERY OF CULTURAL RESOURCES IN THE ABSENCE OF MONITORING:** If, in its operations, *operator/holder* discovers any previously unidentified historic or prehistoric cultural resources, then work in the vicinity of the discovery will be suspended and the discovery promptly reported to BLM District Manager. BLM will then specify what action is to be taken. If there is an approved "discovery

plan" in place for the project, then the plan will be executed. In the absence of an approved plan, BLM will evaluate the significance of the discovery and consult with the State Historic Preservation Officer in accordance with 36 CFR Section 800.11. Minor recordation, stabilization, or data recovery may be performed by BLM or a permitted cultural resources consultant. If warranted, more extensive treatment by a permitted cultural resources consultant may be required of the *operator/holder* prior to allowing the project to proceed. Further damage to significant cultural resources will not be allowed until any required treatment is completed. Failure to notify the BLM about a discovery may result in civil or criminal penalties in accordance with the Archeological Resources Protection Act of 1979 (as amended).

2. DISCOVERY OF CULTURAL RESOURCES DURING MONITORING: If monitoring confirms the presence of previously unidentified cultural resources, then work in the vicinity of the discovery will be suspended and the monitor will promptly report the discovery to BLM District Manager. BLM will then specify what action is to be taken. If there is an approved "discovery plan" in place for the project, then the plan will be executed. In the absence of an approved plan, BLM will evaluate the significance of the discovery and consult with State Historic Preservation Officer in accordance with 36 CFR Section 800.11. Minor recordation, stabilization, or data recovery may be performed by BLM or a permitted cultural resources consultant. If warranted, more extensive treatment by a permitted cultural resources consultant may be required of *operator/holder* prior to allowing the project to proceed. Further damage to significant cultural resources will not be allowed until any required treatment is completed.

3. DAMAGE TO SITES: If, in its operations, *operator/holder* damages, or is found to have damaged any previously documented or undocumented historic or prehistoric cultural resources, excluding "discoveries" as noted above, the *operator/holder* agrees at his/her expense to have a permitted cultural resources consultant prepare and have executed a BLM approved data recovery plan. Damage to cultural resources may result in civil or criminal penalties in accordance with the Archeological Resources Protection Act of 1979 (as amended).

III. RESEEDING AND ABANDONMENT

SEED MIX NO. 2--BLM

Crested Wheatgrass(<u>Agropyron desertorum</u>)	3 lbs
Fourwing Saltbush (dewinged)(<u>Atriplex canescens</u>)	2 lbs
Russian Wildrye (<u>Elymus junceus</u>)	2 lbs
Indian Ricegrass(<u>Oryzopsis hymenoides</u>)	2 lbs
Western Wheatgrass(<u>Agropyron smithii</u>)	2 lbs

Species shall be planted in pounds of pure live seed per acre:

Present Pure Live Seed (PLS) = Purity X Germination/100

Two lots of seed can be compared on the basis of PLS as follows:

<u>Source No. One (poor quality)</u>		<u>Source No. two (better quality)</u>	
Purity	50 percent	Purity	80 percent
Germination	40 percent	Germination	63 percent
Percent PLS	20 percent	Percent PLS	50 percent
5 lb. bulk seed required to make 1 lb. PLS.		2 lb. bulk seed required to make 1 lb. PLS.	

The seed mixture used must be *certified*. There shall be NO primary or secondary noxious weeds in the seed mixture.

Seed labels from each bag shall be available for inspection while seeding is being accomplished.

#2 Marcotte Gas Well/SF-078604

4

Seeding shall be accomplished between July 1 and September 15 (later date may be extended on a case-by-case basis with Authorized Officer approval). Seeding shall be repeated if a satisfactory stand is not obtained as determined by the Authorized Officer upon evaluation after the second growing season.

Compacted areas shall be ripped to a depth of *12 inches* and disked to a depth of six inches before seeding. Seed with a disk-type drill with two boxes for various seed sizes. Drill rows shall be eight to ten inches apart. Seed shall be planted at not less than one-half inch deep or more than one inch deep. Seeder shall be followed with a drag, packer, or roller to ensure uniform coverage of the seed, and adequate compaction. Drilling shall be done on the contour where possible, not up and down the slope.

Where slopes are too steep for contour drilling a "cyclone" hand seeder or similar broadcast seeder shall be used. Seed shall then be covered to the depth described above by whatever means is practical, i.e. hand raked. If the seed is not covered, the prescribed seed mixture amount (pounds/acre/PLS) will be doubled.

If, upon abandonment of wells, the retention of access road is not considered necessary for the management and multiple use of the natural resources, it will be ripped a minimum of 12" in depth. After ripping, water bars will be installed. All ripped surfaces are to be protected from vehicular travel by construction of a dead end ditch and earthen barricade at the entrance to these ripped areas. (Reseeding of affected areas may be required.)

BLM REPORT NO: 97(111) 071F
JOB CODE: 1310

UNITED STATES
DEPARTMENT OF THE INTERIOR
FARMINGTON DISTRICT

RECORD OF REVIEW - CULTURAL RESOURCE REPORT COVER SHEET

(The National Historic Preservation Act of 1966, as amended)
(The National Environmental Policy Act of 1969, as amended)
(The Federal Land Policy and Management Act of 1976)

1. Description of Report:

Date of Inventory 2/16/97 Institution Arboles
Date of Report 2/21/97 Institution Ref. # 1037
Date Received by BLM 6/3/97 Antiquities Permit # 97-2920-96-G
Author John Kershner Project Sponsor Burlington

Undertaking (list each action with T, R, Sec., Map, report recommendations, etc.)

Marcott #2

Cedar Hill

Sec 8, T31N R10W

1540 FSL 935 FEL

Area Surveyed: 620 x 700'

No Cultural Resources

Report Summary:

	<u>BLM Land</u>	<u>Other</u>	<u>Total</u>
Acres Inventoried	<u>10</u>	<u>/</u>	<u>10</u>
Sites Recorded	<u>/</u>	<u>/</u>	<u>/</u>
Prev. Recorded Sites	<u>/</u>	<u>/</u>	<u>/</u>
Sites Avoided	<u>/</u>	<u>/</u>	<u>/</u>
Sites Treated	<u>/</u>	<u>/</u>	<u>/</u>

BLM Report No. 97(111) 021E

2. Results of Review: Reviewer: Capland

Field Check: Date _____ Results: _____

Date Accepted by BLM 6/3/97 Date Not Accepted by BLM _____

Date Revisions Accepted _____ Date Recommendations Changed _____

3. Consultation with Multiple Use Staff

Specialist _____ Date _____

4. Consultation with the State Historic Preservation Officer

SHPO Comments: _____

5. Action Summary

Stipulations attached

PROCEED with action

WITHOLD action until:

- applicant responds to changes
- non-Federal lands are surveyed
- SHPO comments are received

APPLICANT abandoned project

6. [Signature] Date 6/3/97
Archeologist

7. [Signature] Date 6/3/97
District Manager

8. _____ Date _____
State Historic Preservation Officer



United States Department of the Interior

BLM

FISH AND WILDLIFE SERVICE

97 APR 21 10 11 AM
New Mexico Ecological Services Field Office
2105 Osuna NE

070 FARMINGTON, NM
Albuquerque, New Mexico 87113
Phone: (505) 761-4525 Fax: (505) 761-4542

April 17, 1997

Cons. #2-22-97-I-214

Mike Fitzgerald, Projects Manager
Ecosphere Environmental Services, Inc.
5850 East Main Street, Suite B
Farmington, New Mexico 87402

Dear Mr. Fitzgerald:

This responds to your March 17, 1997, letter requesting a species list for the Burlington Resources proposed Marcotte #2 Natural Gas Well Pad Project in San Juan County, New Mexico. The proposed project involves construction of a well pad on 4.59 acres in an area adjacent to an existing well pad site, on public lands managed by the Bureau of Land Management, Farmington District. Due to staffing constraints, we are unable to provide a species list specific to your immediate project area. However, a list of endangered, threatened, and candidate species, and species of concern that may be found in San Juan County where the proposed project is located is enclosed. Under the Endangered Species Act (Act), it is the responsibility of the Federal action agency or its designated representative to determine whether the proposed action "may affect" any listed or proposed species.

Candidates are those species for which the U.S Fish and Wildlife Service (Service) has sufficient information on their biological status and threats to propose them as endangered or threatened, but for which issuance of a proposed rule is precluded by work on higher priority species. Species of concern include those for which further biological research and field study are needed to resolve their conservation status. Candidate species and species of concern have no legal protection under the Act and are included in this document for planning purposes only. However, the Service is concerned and would appreciate receiving any status information that is available or gathered on these species.

Wetlands, riparian vegetation, and the above listed species' sensitive habitats on or near the site should be protected. If adverse impacts cannot be avoided, we would appreciate discussing your project in more detail. We suggest you contact the New Mexico Department of Game and Fish and the New Mexico Energy, Minerals, and Natural Resources Department, Forestry and Resources Conservation Division for information concerning fish, wildlife, and plants of State concern.



United States Department of the Interior



BUREAU OF LAND MANAGEMENT

Farmington District Office
1235 La Plata Highway
Farmington, New Mexico 87401

IN REPLY REFER TO:
3162.3-1 (070)

Burlington Resources O&G Company
2 Marcotte
Santa Fe 078604
NE1/4SE1/4 Sec. 8, T. 31 N., R. 10 W.
San Juan County, New Mexico

Above Data Required on Well Sign

GENERAL REQUIREMENTS FOR OIL AND GAS OPERATIONS ON FEDERAL AND INDIAN LEASES

In addition to those requirements set forth in the laws, regulations and Onshore Orders, these requirements apply generally to all oil and gas operations on Federal and Indian leases. They apply specifically to the above-described well. Special requirements that apply and are effective for this well, if any, are check-marked in Section VII of these General Requirements. The failure of the operator to comply with these requirements and the filing of required reports will result in strict enforcement of 43 CFR 3163.1 or 3163.2.

I. GENERAL

- A. Full compliance with all applicable laws, regulations, and Onshore Orders, with the approved Permit to Drill, and with the approved Surface Use and Operations Plan is required. Lessees and/or operators are fully accountable for the actions of their contractors and subcontractors.
- B. Each well shall have a well sign in legible condition from spud date to final abandonment. The sign should show the operator's name, lease serial number, or unit name, well number, location of the well, and whether lease is Tribal or allotted, (see 43 CFR 3162.6(b)).
- C. A complete copy of the approved Application for Permit to Drill, along with any conditions of approval, shall be available to authorized personnel at the drill site whenever active drilling operations are under way.
- D. For Wildcat wells only, a drilling operations progress report is to be submitted, to the BLM-District Office, weekly from the spud date until the well is completed and the Well Completion Report (Form 3160-4) is filed. The report should be on 8 1/2 x 11 inch paper, and each page should identify the well by; operator's name, well number, location and lease number.
- E. As soon as practical, notice is required of all blowouts, fires and accidents involving life-threatening injuries or loss of life. (See NTL-3A).

F. Prior approval by the BLM-Authorized Officer (Drilling and Production Section) is required for variance from the approved drilling program and before commencing plugging operations, plug back work, casing repair work, corrective cementing operations, or suspending drilling operations indefinitely. Emergency approval may be obtained orally, but such approval is contingent upon filing of a notice of intent (on a Sundry Notice, Form 3160-5) within three business days (original and three copies on Federal leases and an original and four copies on Indian leases).

G. The Area Manager's Office (Inspection and Enforcement Section, phone number (505) 599-8907) is to be notified at least 24 hours in advance of any cementing or plugging operations so that a BLM representative may witness the operations.

H. Unless drilling operations are commenced within one year, approval of the Application for Permit to Drill will expire. A written request for a six month extension may be granted if submitted prior to expiration.

I. From the time drilling operations are initiated and until drilling operations are completed, a member of the drilling crew or the toolpusher shall maintain rig surveillance at all times, unless the well is secured with blowout preventers or cement plugs.

II. REPORTING REQUIREMENTS

A. For reporting purposes, all leases, communitization agreements or unit agreements are to be referenced by the numbers and prefixes affixed to the respective contract documents by the issuing agency at the time of issue.

B. The following reports shall be filed with the BLM-Authorized Officer within 30 days after the work is completed:

1. Original and three copies on Federal and Original and four copies on Indian leases of Sundry Notice (Form 3160-5), giving complete information concerning:

a. Setting of each string of casing. Show size and depth of hole, grade and weight of casing, depth set, depth of any and all cementing tools that are used, amount (in cubic feet) and types of cement used, whether cement circulated to surface and all cement tops in the casing annulus, casing test method and results, and the date work was done. Show spud date on first report submitted.

b. Intervals tested, perforated (include: size, number and location of perforations), acidized, or fractured; and results obtained. Show date work was done (a Sundry Notice is not required if a Completion Report is submitted within 30 days of the operation).

c. Subsequent Report of Abandonment, showing the manner in which the well was plugged, including depths where casing was cut and pulled, intervals (by depths) where cement plugs were placed, and dates of the operations.

2. Well Completion Report (Form 3160-4) will be submitted within 30 days after well has been completed.

a. Initial Bottom Hole Pressure (BHP) for the producing formations. Show the BHP on the completion report. The pressure may be: 1) measured with a bottom hole bomb, or; 2) calculated based on shut in surface pressures (minimum seven day buildup) and fluid level shot.

3. A cement evaluation log if cement is not circulated to surface.

III. DRILLER'S LOG

A. The following shall be entered in the daily driller's log: 1) Blowout preventer pressure tests, including test pressures and results. 2) Blowout preventer tests for proper functioning. 3) Blowout prevention drills conducted. 4) Casing run, including size, grade, weight, and depth set. 5) How pipe was cemented, including amount of cement, type, whether cement circulated to surface, location of cementing tools, etc.. 6) Waiting on cement time for each casing string. 7) Casing pressure tests after cementing, including test pressure and results and 8) Estimated amounts of oil and gas recovered and/or produced during drillstem tests.

IV. GAS FLARING

A. Gas produced from this well may not be vented or flared beyond an initial, authorized test period of * days or 50 MMcf following its (completion) (recompletion), whichever first occurs, without the prior, written approval of the authorized officer. Should gas be vented or flared without approval beyond the test period authorized above, you may be directed to shut-in the well until the gas can be captured or approval to continue venting or flaring as uneconomic is granted, and you shall be required to compensate the lessor for that portion of the gas vented or flared without approval which is determined to have been avoidably lost.

* 30 days, unless a longer test period specifically is approved by the authorized officer. The 30-day period begins when the casing is first perforated for cased holes, and when Total Depth (TD) is reached for open hole completion.

V. SAFETY

- A. All rig heating stoves are to be of the explosion-proof type.
- B. Rig safety lines are to be installed.
- C. Hard hats must be utilized.

VI. CHANGE OF PLANS OR ABANDONMENT

A. Any change of plans required in order to mitigate unanticipated conditions encountered during drilling operations, will require approval as set forth in Section I.F..

B. If the well is dry it is to be plugged in accord with 43 CFR 3162.3-4, approval of the proposed plugging program is required as set forth in Section I.F.. The report should show the total depth reached, the reason for plugging, and the proposed intervals, by depths, where cement plugs are to be placed, type of plugging mud, etc. A Subsequent Report of Abandonment is required as set forth in Section II.B.1.c..

C. Unless a well has been properly cased and cemented, or properly plugged, the drilling rig must not be moved from the drillsite without prior approval from the BLM-Authorized Officer

VII. SPECIAL STIPULATIONS

The following special requirements apply and are effective when checked:

A. A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the Bureau of Land Management, Farmington District Office, Branch of Reservoir Management, 1235 La Plara Highway, Farmington, New Mexico 87401. The effective date of the agreement must be Prior to any sales.

B. The Branch Chief for the FDO Branch Of Drilling & Production (the Authorized Officer) requires testing all components of well control systems at the pressure requirements set forth in Onshore Oil and Gas Order No. 2, Section III. A. 1., plus a 30% safety factor, and does not elect to utilize the discretionary authority for requiring the testing of selected components at the A. P. L working pressures.

C. Note Attachments.

Please Note: The BOP AND RELATED EQUIPMENT CHECK LISTS for the required items that were omitted in the drilling plan.