

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>
(1) B-11513-14	NW/4 SE/4	40.00
(2) B-11017-28	SE/4 NE/4, SE/4 SE/4	80.00
(3) E-7674	NW/4 NE/4	40.00
(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>
(1) B-11017-31	SW/4 SE/4	40.00
(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
and Secretary

By Thomas B. Scott
President

ATTEST:

DACRESA CORPORATION

Vernon F. Conrad
and Secretary

By Thomas B. Scott
President

EL PASO NATURAL GAS COMPANY

By Tom 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, 1963


Notary Public