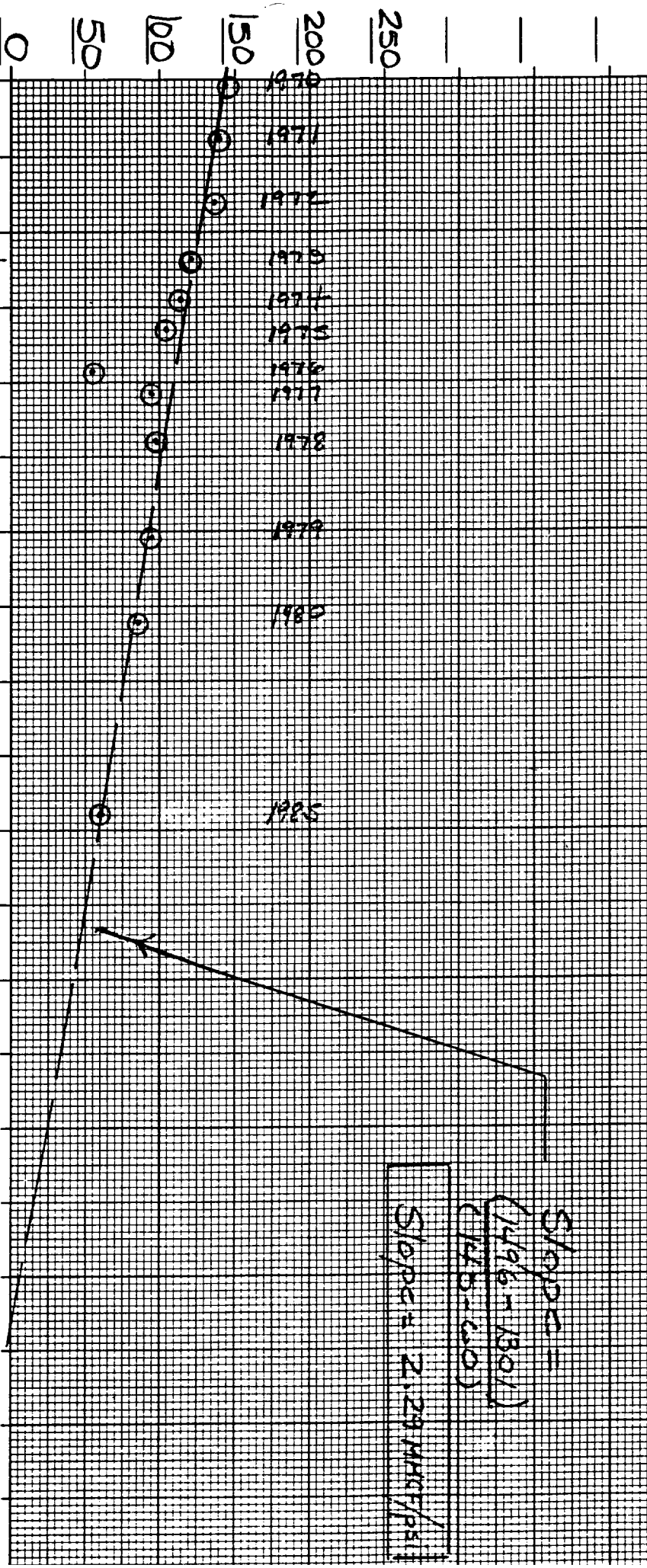


4-30-85 CUM: 1496 MMCF

Field: Langlie Mattix
 Operator: Doyle Hartman (Sun)
 Well: Carlson No. 3
 Location: P-23-25-37 Acres: 40
 County: Lea State: N.M.
 Date Prod. Began: _____ Type Plot: P ☐ P/Z ☒

BEFORE EXAMINER QUINTANA
 OIL CONSERVATION DIVISION
 EXHIBIT NO. 2
 CASE NO. 2448

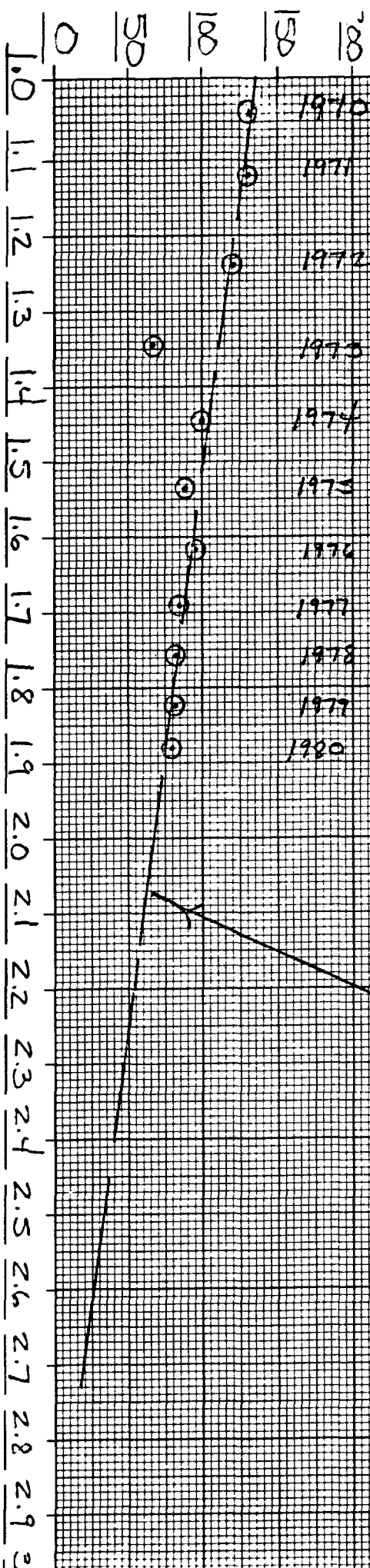


Cumulative Gas Production - (BCF)

4-30-85 CUM: 2057 MMCF

Field: Langlie Mathis
 Operator: Amerada
 Well: Ida Winbury No. 13
 Location: M-24-25-37 Acres: 40
 County: Lea State: N.M.
 Date Prod. Began: _____ Type Plot: P ☐ P/Z ☒

Pressure or P/Z - (psia)



Slope = $\frac{(2057-1039)}{(130-87)}$

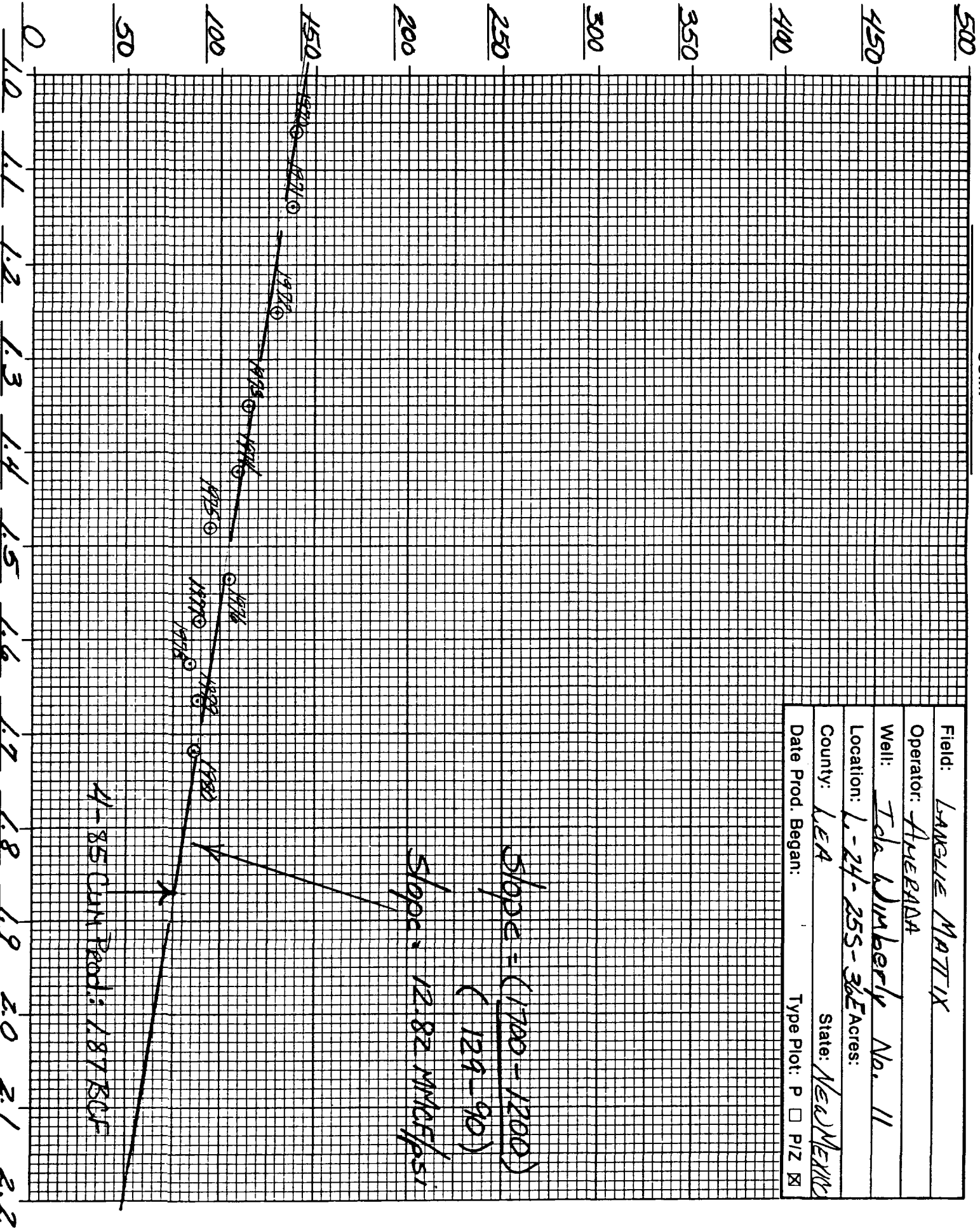
Slope = 16.16 MMCF/psi

Cumulative Gas Production - (BCF)

CUM:

Field: LAUREL MATIX
Operator: AMEBAA
Well: Eda Kimberly No. 11
Location: L-24-255-36E Acres:
County: LEA State: New Mexico
Date Prod. Began: Type Plot: P ☐ P/Z ☒

Pressure or P/Z - (psia)



GAS PRODUCTION HISTORY

Date 12-28-79

Page 1 of 2

Operator: Cities Service Oil Co. (Mobil)
 Well: Dabbs No.1 (LMQU No. 31)
 Location: D-23-25-37

BEFORE EXAMINER QUINTANA
 OIL CONSERVATION DIVISION
~~HARTMAN~~ EXHIBIT NO. 5
 CASE NO. 8668

Pool: Langlie Mattix

Spud Date: _____ Original Completion Date: _____

Completion Interval (Gas): _____

Completion Date (Gas): _____ First Production (Gas): _____

Remarks: Last Production 9-69

Converted to water injection in Mobil LMQU

Year	No. of Mos.	Annual Gas Production (MCF)	Avg. Gas Rate (MCF/MO.)	Cum. Gas Production (MMCF)	Annual SIP (psia)	P/Z
1969	9	10122	1125	6370.1	128.2	130
1968	11	14674	1334	6360.0	N/A	N/A
1967	12	19765	1647	6345.3	125.2	130
1966	12	16720	1393	6325.5	85.2	90
1965	12	12927	1077	6308.8	144.2	150
1964	10	3244	324	6295.9	115.2	120
1963	12	15892	1324	6292.7	135.2	140
1962	12	25167	2097	6276.8	149.0	160
1961	6	4885	814	6251.6	224.2	235
1960	2	3704	1852	6246.7	222.2	235
1959	11	37241	3386	6243.0	274.2	295
1958	12	69225	5769	6205.8	327.0	350
1957	12	82385	6865	6136.5	300.0	317
1956	12	87352	7279	6054.2	N/A	N/A
1955	12	150152	12513	5966.8	N/A	N/A
1954	12	112344	9362	5861.7	377.0	405
1953	12	142661	11888	5749.3	420.0	460
1952	12	175433	14619	5606.6	443.0	480
1951	12	148126	12344	5431.2	459.0	500
1950	12	66894	5575	5364.3	489.0	535

19 68 Detail Summary

Jan.	1413	July	1393
Feb.	1308	Aug.	1412
March	1370	Sept.	1235
April	1306	Oct.	1298
May	1378	Nov.	0
June	1371	Dec.	1190

19 69 Detail Summary

Jan.	1178	July	1182
Feb.	1071	Aug.	1075
March	1124	Sept.	924
April	1150	Oct.	
May	1213	Nov.	
June	1205	Dec.	

Production (Y-T-D) 10122MCF

Avg. Rate (Y-T-D) 1125 MCF/Mo.

Days or Months (Y-T-D) 9 Mo.

GAS PRODUCTION HISTORY

Date 12-28-79

Page 2 of 2

Operator: Cities Service Oil Co.

Well: Dabbs No. 1

Location: D-23-25-37

Pool: Jalmat (Gas)

Spud Date: _____ Original Completion Date: _____

Completion Interval (Gas): _____

Completion Date (Gas): _____ First Production (Gas): _____

Remarks: _____

[illegible]

19_____ Detail Summary

Jan. _____ July _____

Feb. _____ Aug. _____

March _____ Sept. _____

April _____ Oct. _____

May _____ Nov. _____

June _____ Dec. _____

Production (Y-T-D) _____

Days or Months (Y-T-D) _____

19_____ Detail Summary

Jan. _____ July _____

Feb. _____ Aug. _____

March _____ Sept. _____

April _____ Oct. _____

May _____ Nov. _____

June _____ Dec. _____

Avg. Rate (Y-T-D) _____

Gas Production - MCF/month

10-1-69

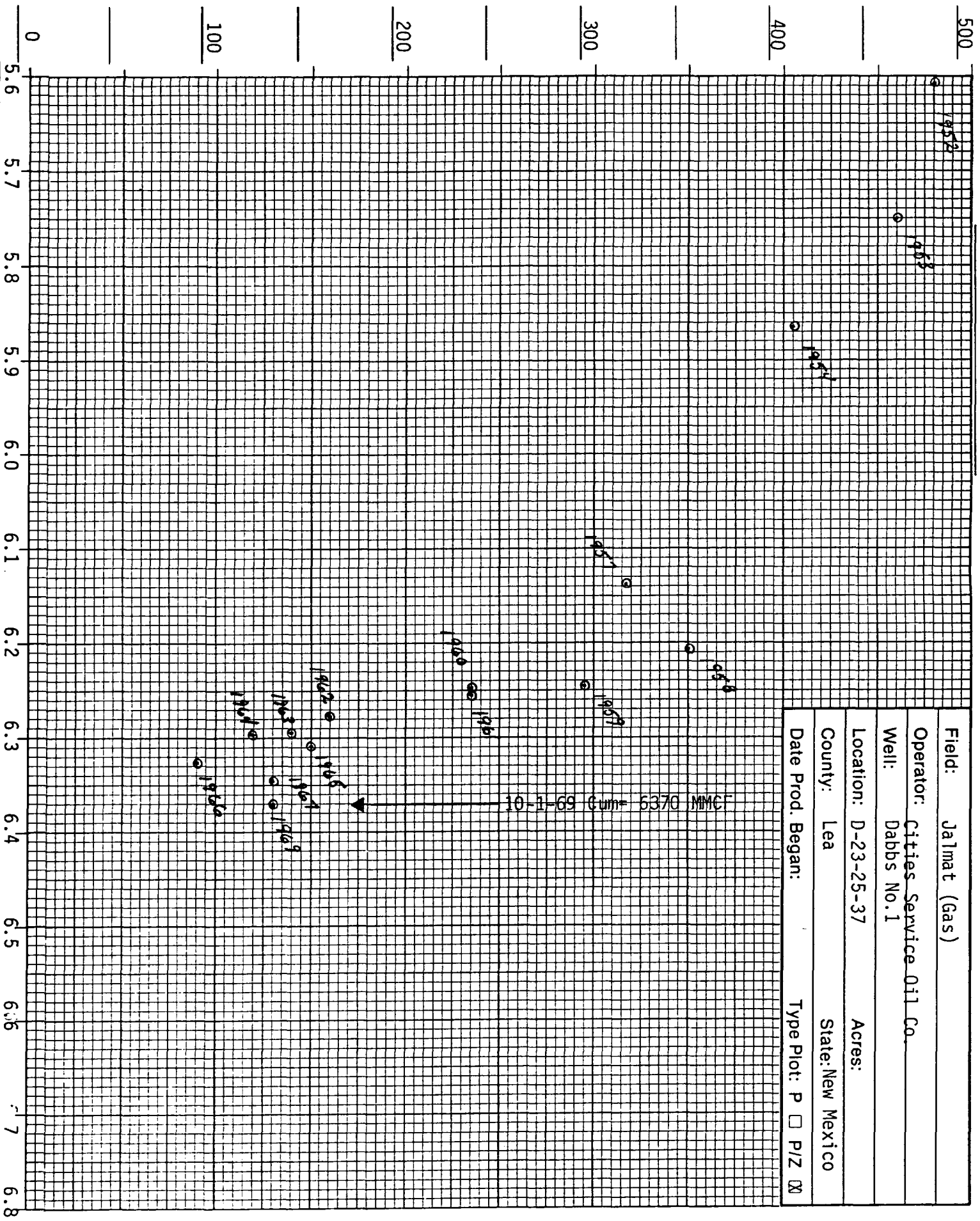
Cum: 6370 MMCF

Field:	Langlie Mattix
Operator:	Cities Service Oil Co. (Mobil)
Well:	Dabbs No. 1 (LMQU No. 31)
Location:	D-23-25-37
County:	Lea
Date Prod. Began:	State New Mexico
	Acres:



10-1-69 CUM: 6370 MMCF

Field:	Jalmat (Gas)
Operator:	Cities Service Oil Co.
Well:	Dabbs No.1
Location:	D-23-25-37
County:	Lea
Date Prod. Began:	
State:	New Mexico
Type Plot:	P <input type="checkbox"/> P/Z <input checked="" type="checkbox"/>



GAS PRODUCTION HISTORY

Date 1-7-80

Page 1 of 1

Operator: Mobil (Cities Service Oil Co.)

Well: _____ LMQU No. 35 (Dabbs No. 2)

Location: E-23-25-37

Pool: Langlie Mattix

Spud Date: _____ Original Completion Date: _____

Completion Interval (Gas): _____

Completion Date (Gas): _____ First Production (Gas): _____

Remarks: No gas production available prior to 1-1-59.

*Cumulative total from 1-1-59 to 10-1-69.

Converted to water injector.

[illegible]

19 68 Detail Summary

Jan.	<u>6270</u>	July	<u>2597</u>
Feb.	<u>5398</u>	Aug.	<u>1139</u>
March	<u>5762</u>	Sept.	<u>930</u>
April	<u>6293</u>	Oct.	<u>149</u>
May	<u>6245</u>	Nov.	<u>57</u>
June	<u>4386</u>	Dec.	<u>9</u>

19 69 Detail Summary

Jan.	<u>1247</u>	July	<u>60</u>
Feb.	<u>118</u>	Aug.	<u>175</u>
March	<u>97</u>	Sept.	<u>1</u>
April	<u>133</u>	Oct.	<u>0</u>
May	<u>101</u>	Nov.	<u>0</u>
June	<u>109</u>	Dec.	<u>0</u>

Production (Y-T-D) 2041 MCF

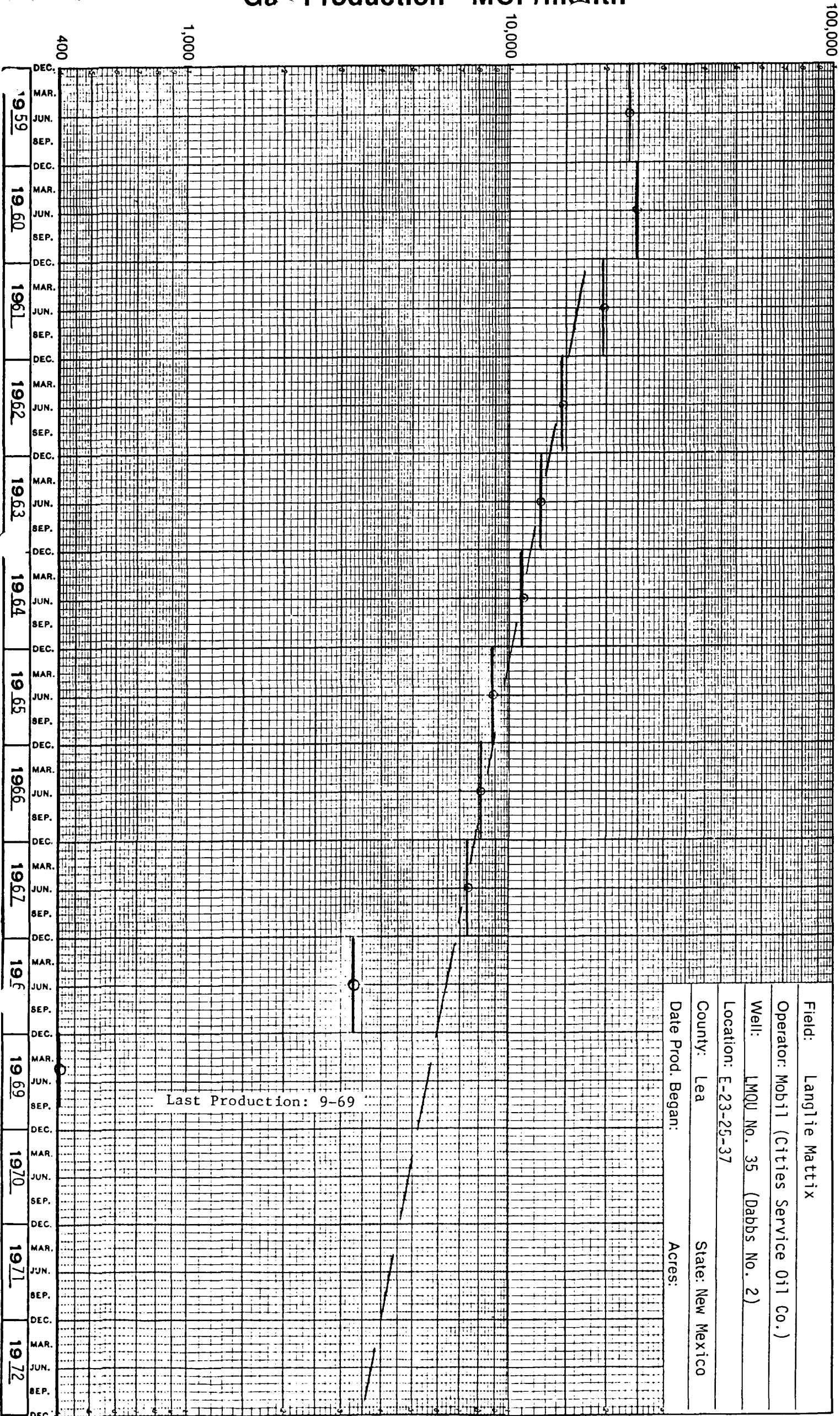
Avg. Rate (Y-T-D) 227 MCF/mo.

Days or Months (Y-T-D) 9 mos.

E-23-25-37

Gas Production - MCF/month

1-1-59 to 10-1-69Cum: 1613.4 MMCF



Last Production: 9-69

Field: Langlie Mattix
Operator: Mobil (Cities Service Oil Co.)
Well: LMOU No. 35 (Dabbs No. 2)
Location: E-23-25-37
County: Lea
State: New Mexico
Date Prod. Began:
Acres:

LEASE NAME CAPLSON FEDERAL LOCATION 28-25S 37E WRIGHTS ID # 30225SITE230001 FIELD - JALANI TRANSILL Y1 7 RINGS (PROD GAS) Y1 PRODUCTION UNIT # - 52323

WELL
2
ORDER EL PASO NATURAL GAS CO

DATE RATES - LIQUID 0/6/9/12 GASES - LIQUID 0/6/9/12 0 LID GATHERER
GAS 0/6/1/12 GAS 611265 GAS GATHERER EL PASO NATURAL GAS COMPANY

SELECTION
FROM-10
70-85

PRODUCTION DATA

YR	WELLS	PROD	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AVG
70 FLOW	LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
		OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		GAS	2264	1303	3153	3110	3162	2016	1020	2419	2643	3198	3093	3005	30386	641651	2332
71 FLOW	LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
		OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		GAS	2813	2453	1765	2676	3168	2964	3278	1824	2953	2726	2929	3303	32852	674503	2738
72 FLOW	LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
		OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		GAS	2628	2452	1407	3094	3484	3244	3890	3615	3401	3165	3241	2687	36308	710811	3026
73 FLOW	LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
		OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		GAS	2872	2701	3510	2933	2424	3736	3246	3318	2978	3762	3376	3548	38404	749215	3200
74 FLOW	LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
		OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		GAS	3434	2977	3317	2896	3393	3325	3301	3376	3030	2466	2952	2665	37332	786547	3111
75 FLOW	LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
		OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		GAS	2332	1558	3038	2577	2096	2463	2251	2873	2117	2722	2549	2594	29170	815717	2431

UNIT2042
JOYLE HARTMAN, OIL OPERATOR
MIGHTS ENERGY SYSTEM RUN DATE 7/24/85 TIME 11:23:11

PAGE 2

LEASE NAME CARLSON FEDERAL LOCATION 23W25S 37E MIGHTS ID # 3022537E23N00T FIELD - JALPAT TANGILL YI 7 KWRS (FRO GAS) YI PRODUCTION UNIT # - 52323

WELL 2
OPER EL PASO NATURAL GAS CO

CUMED DATES - LIQUID 0/69/12 CUMES - LIQUID 0 LIO GATHERER
GAS 0/69/12 GAS 611265 GAS GATHERER EL PASO NATURAL GAS COMPANY

SELECTION
FROM-10
70-85

PRODUCTION DATA

NR NR WELLS PROD	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AVG
76 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0		
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0		0
OIL	0	0	271	0	102	98	0	0	70	0	130	0	671	671	134
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0		0
GAS	1897	3473	3054	2631	1174	2534	1999	688	2531	3073	2747	2539	28340	844057	2362
77 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0		0
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0		0
OIL	132	114	0	122	0	128	0	0	145	65	52	57	815	1486	102
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0		0
GAS	2506	2306	2228	1588	2274	2805	2758	2476	3276	2876	3007	2736	30836	874893	2570
78 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0		0
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0		0
OIL	44	54	57	53	50	50	53	141	0	0	25	104	631	2117	63
WATER	0	0	0	0	0	0	0	0	35	32	32	57	156		39
GAS	4	2046	0	0	0	0	0	0	2378	2015	2781	3047	12271	887164	2045
79 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0		0
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0		0
OIL	60	8	0	0	0	0	0	0	0	0	0	0	68	2185	34
WATER	62	56	62	60	58	54	62	62	60	62	60	62	720		60
GAS	3305	2550	2555	2312	2301	1938	2109	1928	1679	1623	1429	1370	25099	912263	2092
80 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0		0
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0		0
OIL	0	0	0	0	20	42	0	0	0	0	0	0	197	2382	49
WATER	54	73	62	0	50	47	36	29	25	8	24	10	381		32
GAS	1341	1040	798	574	765	794	754	750	568	169	602	207	8362	920625	697
81 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0	0		0
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0		0
OIL	0	0	0	0	1	6	0	0	0	0	0	0	7	2389	4
WATER	1	0	0	0	0	0	0	0	0	0	0	0	1		1
GAS	18	9	6	0	0	0	0	0	0	4	0	19	56	920681	11

LEASE NAME CARLSON FEDERAL LOCATION 234235 JTE DIGNITY ID # 302253JTE3M00YT FIELD - JALANI TANSILL VT 7 RACS (PRO GAS) YT PROPRATION UNIT # - 52323
WELL 2 OPER EL PASO NATURAL GAS CO CUMES DATES - LIQUID 0/69/12 CUMES - LIQUID 0 LIQ GATHERER
SELECTION FROM-TO 70-85 GAS 0/69/12 GAS 611265 GAS GATHERER EL PASO NATURAL GAS COMPANY

PRODUCTION DATA

YR NR WELLS PRODIN	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AVG
82 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0		0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	60	2449	60
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0		0
GAS	30	20	25	51	38	38	15	11	15	18	21	10	292	920973	24
83 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	105		9
OIL	31	1	2	30	1	1	4	1	30	2	1	1	0	2449	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0		0
GAS	23	23	25	20	21	27	65	22	24	33	21	16	320	921293	27
84 FLOW LIFT	1	1	1	1	1	1	0	1	1	1	1	1			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	145		13
OIL	1	1	13	21	30	30	0	1	2	22	6	18	0	2449	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0		0
GAS	21	20	38	29	319	0	0	20	18	20	9	18	512	921805	51
85 FLOW LIFT	1	1	1	0	0	0	0	0	0	0	0	0			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	56		19
OIL	1	24	31	0	0	0	0	0	0	0	0	0	0	2449	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0		0
GAS	17	237	20	0	0	0	0	0	0	0	0	0	274	922079	91

LEASE NAME CARLSON FEDERAL

LOCATION 23W25S 37E

DWIGHTS ID # 30225S37E23W00T

FIELD - JALPAT TANSILL YR 7 RUNS (PRO 0

WELL 2
OPER EL PASO NATURAL GAS CO

CUM DATE - LIQUID 0/69/12 CUMES - LIQUID GAS 0/69/12

0 LIQ GATH
611265 GAS GATH

SELECTION
FROM-TO
70-85

TEST DATA

TEST DATE	WELLHEAD S/I PRESS	ROT HOLE PRESSURE	Z-FACTOR	P/Z	TEST DATE GAS CUM
70/06/29	851	907	.868	1045	626,206
71/08/05	793	845	.876	965	661,062
72/06/26	805	857	.874	981	690,380
73/05/08	788	839	.877	957	723,453
74/04/30	774	824	.879	937	758,943
75/04/29	795	847	.876	967	795,966
76/04/20	795	847	.876	967	825,895
77/05/17	357	376	.941	402	853,932
79/06/20	472	501	.924	542	901,479
80/04/01	421	447	.932	480	915,461
81/03/24	393	417	.936	446	920,657
82/04/13	384	407	.937	434	920,778
83/03/15	394	418	.936	447	921,031

LEASE NAME CARLSON FEDERAL

LOCATION 23N23S 37E

DAUGHTS ID # 3022557E23N00SR

FIELD - LANGLEY MATRIX 7

PROBATION UNIT - 9

OPER EL PASO NATURAL GAS CO

CUNE DATES - LIQUID 0/00/00 CUNES - LIQUID

0 LIO GATHERER EL PASO NATURAL GAS COMPANY

SELECTION

70-85

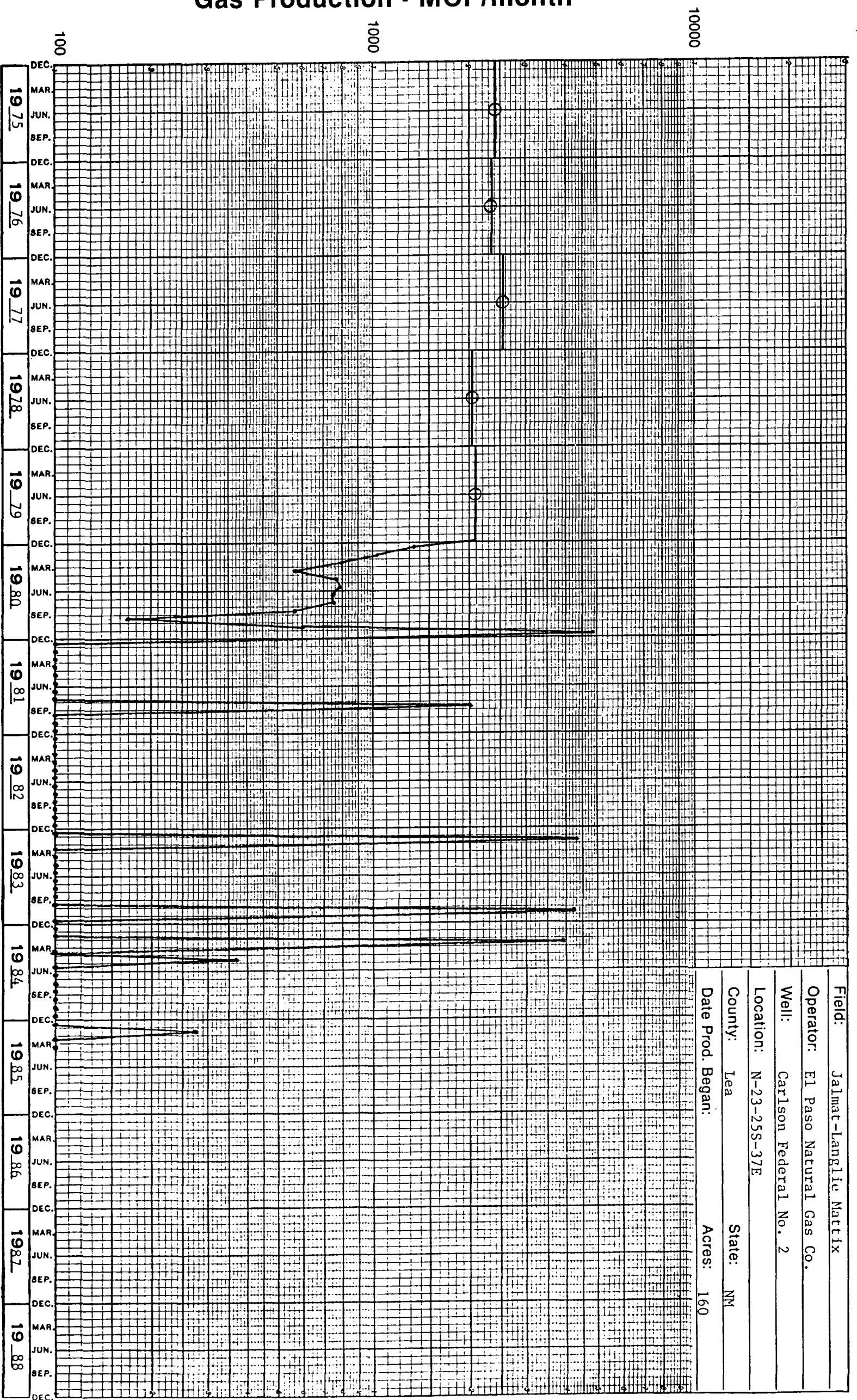
70-85

PRODUCTION DATA

[illegible]

Gas Production - MCF/month

Cum:



LEASE NAME CARLSON
WELL 3
OPER HARTMAN DOYLE

LOCATION 287253 SITE
WRIGHTS ID # 302253SITE23P0088

FIELD - LAMARIE MATIIX 7 KINS 0 GRAMMUS SR PRODUCTION UNIT # - 17950

COMPLETION DATE 0/00/00

DATE DATES - L10010 0/69/12

DATE DATES - L10010 0/69/12

0 L10 GATHERER

1285294 GAS GATHERER CL PASO NATURAL GAS COMPANY

SELECTION FROM-TO 70-85

YR NR WELLS PRODIN		PRODUCTION DATA												PSIA		
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	1TD	AVG
70 FLOW LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
	OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	GAS	1538	1483	1575	1440	1413	1291	1417	1327	1336	1133	1024	1171	16148	1301442	1346
71 FLOW LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
	OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	GAS	1115	1030	795	1044	1310	1351	1303	1244	1096	1243	1174	1173	13878	1315320	1157
72 FLOW LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
	OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	GAS	1226	1159	1386	1494	1479	1260	1525	1536	1495	1455	1313	1393	16721	1332041	1393
73 FLOW LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
	OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	GAS	1259	1211	1316	1233	1208	1347	1260	1253	1142	1247	1007	1088	14571	1346612	1214
74 FLOW LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
	OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	GAS	984	816	982	878	1154	932	944	877	858	908	666	1468	11467	1350079	926
75 FLOW LIFT	DAYS	1	1	1	1	1	1	1	1	1	1	1	1			
	OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	GAS	728	722	924	895	644	689	637	388	485	593	243	657	7796	1365875	650
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LEASE NAME CARLSON
WELL 3
OPER HARTMAN DOYLE
LOCATION 28235 3YE
MIGHTS ID # 3022537E24-005R
FIELD - LANGLE MATIIX 7 RIMS 0 GRAYBURG SR PRODUCTION UNIT # - 17950
COMPLETION DATE 0/00/00
CUM DATE - LIQUID 0/68/12
CUMES - LIQUID 0
LID GATHERER
1285294 GAS GATHERER EL PASO NATURAL GAS COMPANY
SELECTION FROM-TO 70-85

PRODUCTION DATA															
YR NR WELLS PROD	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AVG
76 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
	0	0	0	0	0	0	0	0	0	0	0	0			
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	31	30	31	92	0	31
GAS	959	939	965	1099	933	890	763	928	962	988	806	647	10879	1376754	907
77 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
	0	0	0	0	0	0	0	0	0	0	0	0			
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	477	484	565	452	717	584	653	621	275	338	506	670	6342	1383096	529
78 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
	0	0	0	0	0	0	0	0	0	0	0	0			
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	652	579	660	771	744	632	401	207	86	147	970	6620	12471	1395567	1039
79 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
	0	0	0	0	0	0	0	0	0	0	0	0			
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	2231	2200	2324	1560	1884	2342	2855	2117	2042	2024	1610	1788	24977	1420544	2081
80 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
	0	0	0	0	0	0	0	0	0	0	0	0			
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	2172	2144	2190	2376	2715	1990	1776	1636	1597	1788	1498	1366	23190	1443742	1933
81 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
	0	0	0	0	0	0	0	0	0	0	0	0			
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	1166	772	989	1266	1332	1220	1201	1153	1186	1117	1195	1258	13909	1457651	1159
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LEASE NAME CARLSON

WELL 3

DEEK HASTMAN MOYLE

LOCATION 234255 37E

WRIGHT ID # 30225537E23F0056

FIELD - LANGLE MATTHEW 7 KURS D GRAYBURG SR PROKATION UNIT 4 - 1782A

COMPLETION DATE 0/00/00

CUME DATES - LIQUID 0/69/12

CUMES - LIQUID

0 LIO GATHERER

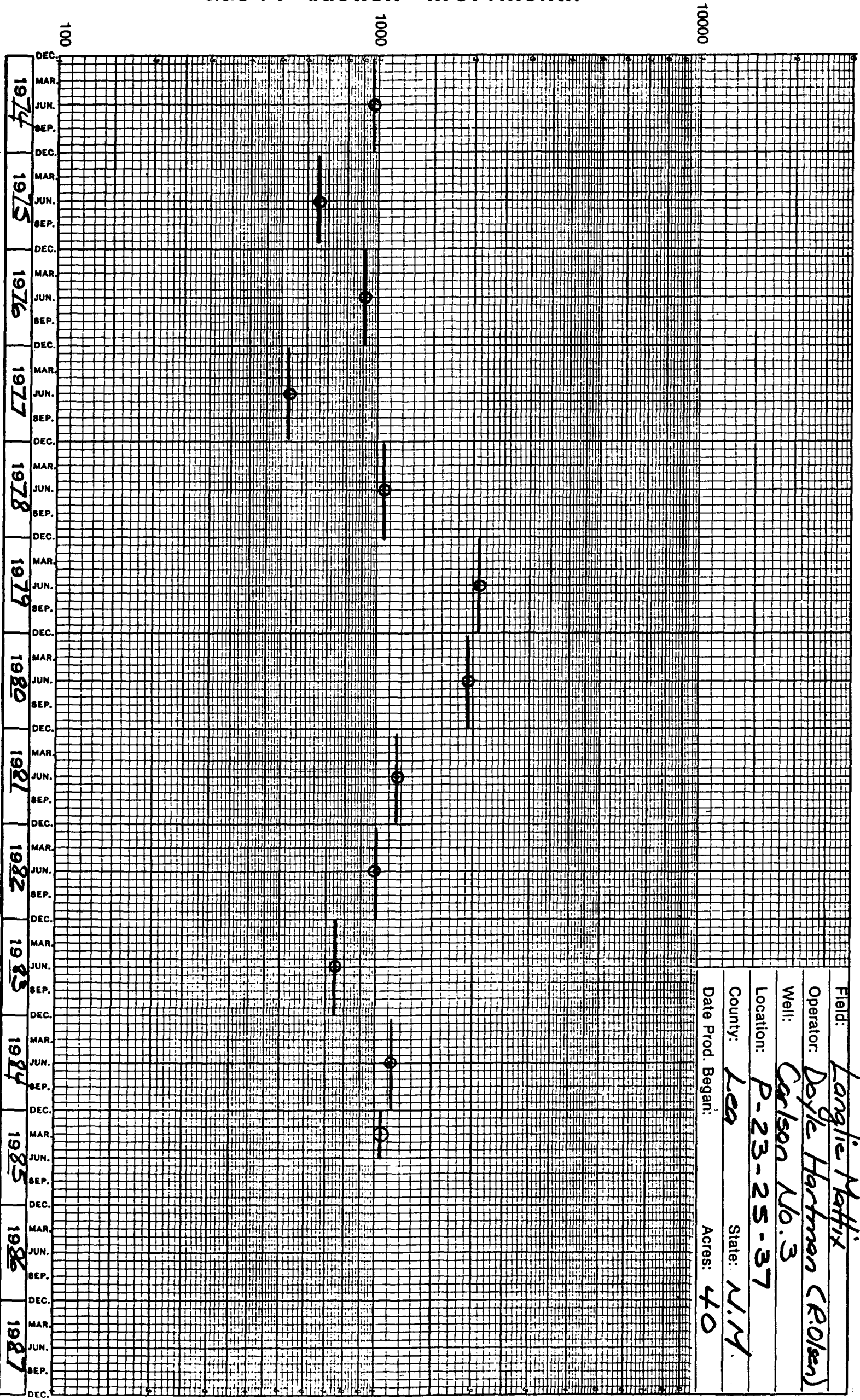
SELECTION

PRODUCTION DATA

RR NR WELLS PROD	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AVG
82 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0		0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	1321	1139	1214	1092	1226	1241	1269	1102	1074	20	297	904	11899	1469530	992
83 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS	7	1	2	30	31	30	31	31	30	31	30	31	285	0	24
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	364	53	88	187	77	448	1282	1137	982	1398	1402	1513	8931	1478481	744
84 FLOW	1	1	1	1	1	1	1	1	1	1	1	1			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS	31	29	31	30	31	0	31	31	30	31	30	31	336	0	31
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	1297	1279	1057	904	1304	1228	986	1097	1097	1092	1020	1000	13361	1491842	1113
85 FLOW	1	1	1	1	0	0	0	0	0	0	0	0			
LIFT	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS	31	28	31	26	0	0	0	0	0	0	0	0	116	0	29
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	927	960	1300	1014	0	0	0	0	0	0	0	0	4201	1496043	1050

Gas Production - MCF/month

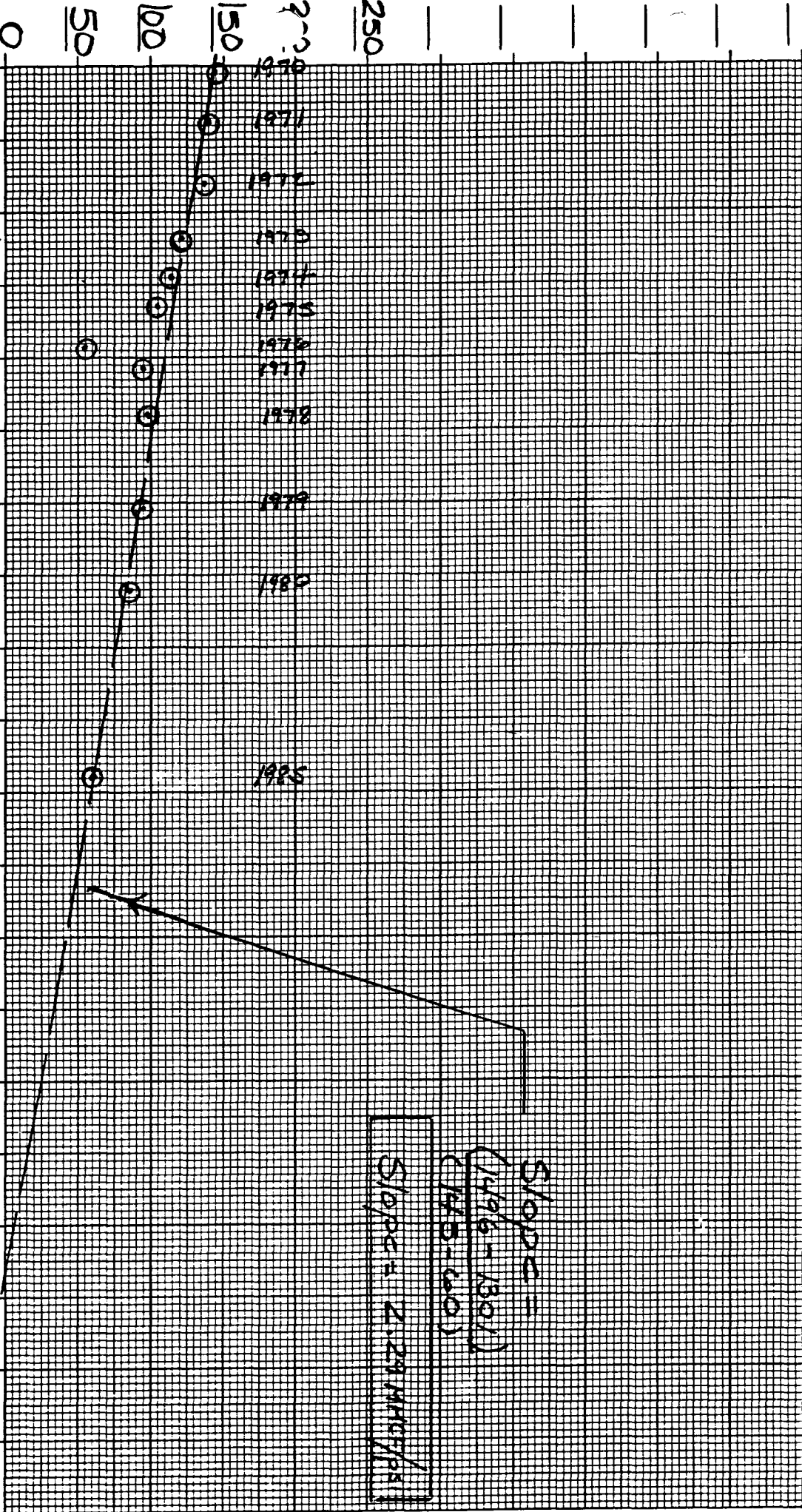
4-30-85 Cum: 1496 MMCF



Field: Langlie North
Operator: Doyle Hartman (R.Olsen)
Well: Carlson No. 3
Location: P-23-25-37
County: Lea State: N.M.
Date Prod. Began: Acres: 40

4:30-85 CUM: 1496 MMCF

Field:	Langhe Mattix		
Operator:	Doyle Hartman (Sun)		
Well:	Carlson No. 3		
Location:	P-23-25-37	Acre:	40
County:	Lea	State:	N.M.
Date Prod. Began:		Type Plot:	P <input type="checkbox"/> P/Z <input checked="" type="checkbox"/>

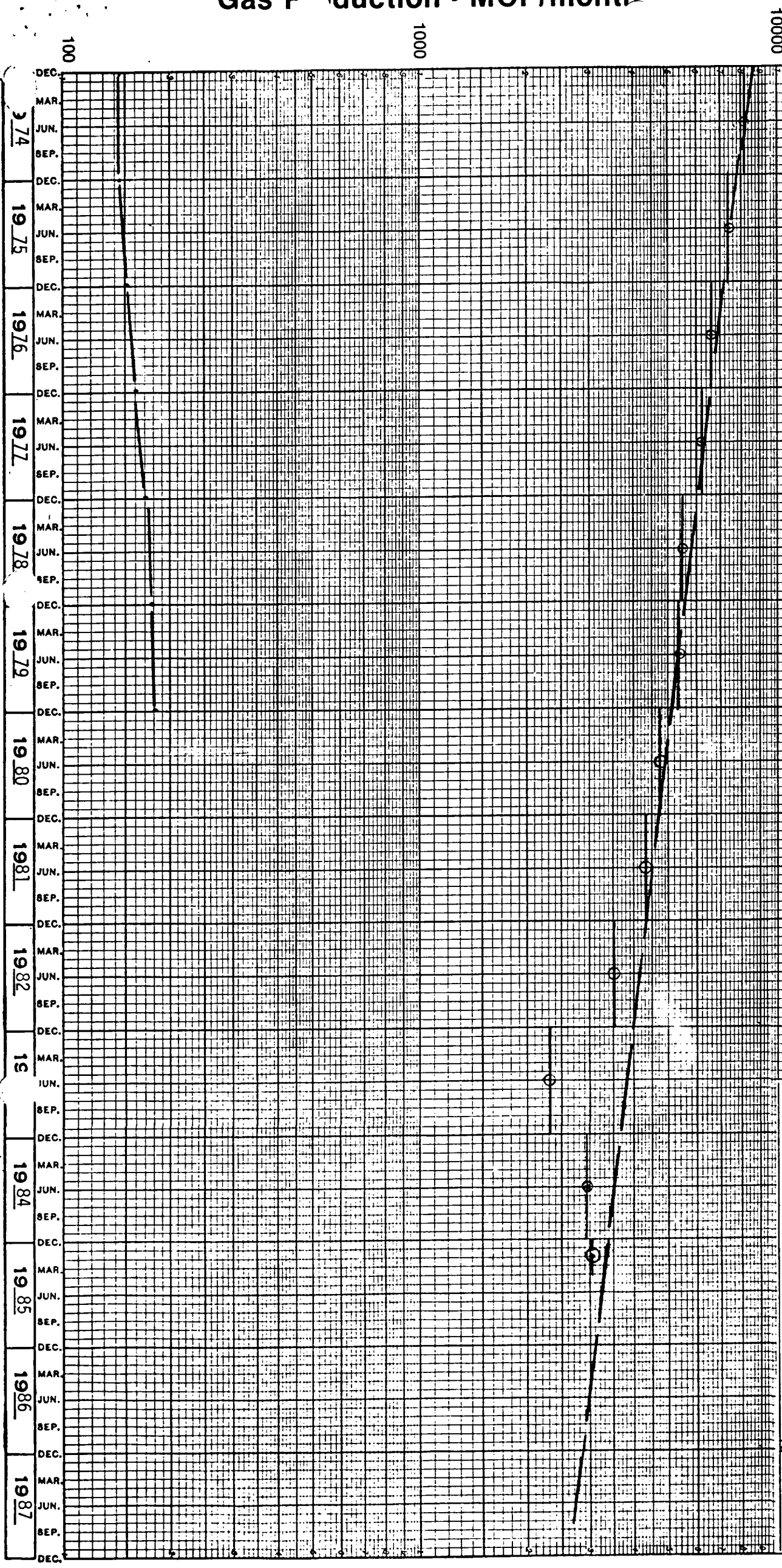


Cumulative Gas Production - (BCF)

Gas Production - MCF/month

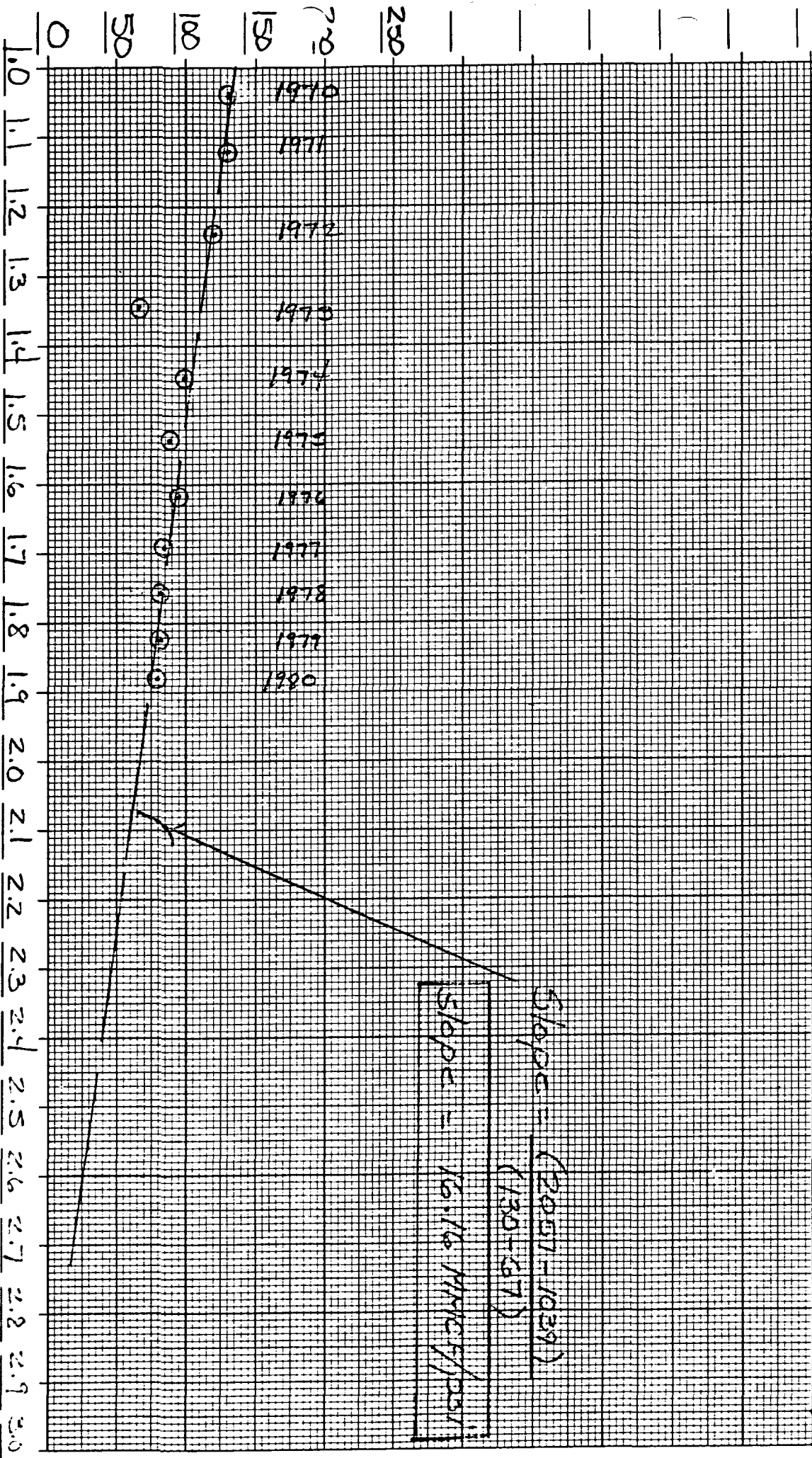
Cum: _____

Field:	Langlie Mattix
Operator:	Amerada-Hess
Well:	Ida Wimberly No. 13
Location:	M-24-25-37
County:	Lea
Date Prod. Began:	State: New Mexico
	Acres: 40



4-30-85 CUM: 2057 MMCF

Field: Langlie Mattix
 Operator: Andrada
 Well: Ida Winderly No. 13
 Location: M-24-25-37 Acres: 40
 County: Lea State: N.M.
 Date Prod. Began: Type Plot: P ☐ P/Z ☒



Cumulative Gas Production - (BCF)

LEASE NAME 10A WINBERLEY

LOCATION 24/25S 37E

FIELD - LAMBLE MATIIX 7 RWS 0 GRAYBARGS SR PRODUCTION UNIT # - 14475

WELL 11

CLINE DATES - LIQUID 0/6/9/12 CLINES - LIQUID

0 LTD GATHERER
954711 GAS GATHERER EL PASO NATURAL GAS COMPANY

SELECTION FROM-TO 70-85

PRODUCTION DATA

YR NR WELLS PROD	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	1TD	AVG
70 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	10816	10454	9165	9157	8901	8251	9038	8453	8768	7656	7382	7998	105639	1040350	8803
71 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	7843	8894	6235	7045	8938	8075	6467	6487	5703	6324	5772	6621	82624	1142974	4885
72 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	8477	7167	8292	10753	10506	8917	10433	9509	9490	10081	8873	9213	111711	1254685	9209
73 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	8876	8522	9281	8219	8524	8542	8351	8489	8103	8128	6585	7930	99540	1354225	8295
74 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	7847	6678	6044	4787	6132	5235	5719	5348	5363	5367	5221	5147	68888	1423113	5741
75 FLOW LIFT	1	1	1	1	1	1	1	1	1	1	1	1			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	5334	4832	4920	4724	5364	5081	4424	5153	4960	5043	4167	5069	59271	1482384	4939

73/4 P/2

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1. LAST NAME: TIMOTHY EV

LOCATION ON THE

INTEGRATE IN A WORKSHEET

FIG 1 - LARGE TACTIC 7 PARS D COVERAGE

DEPARTAMENT INTY A - 16475

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**SELECTION
FROM-TO
70-85**

TR NR	WELLS	PROD	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AMS
76 FLOW	LIFT		1	1	1	1	1	1	1	1	1	1	1	1			
			0	0	0	0	0	0	0	0	0	0	0	0			
	DAYS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	OIL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	WATER		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS		5017	4094	4388	4275	4688	4529	4461	4702	4521	3808	4349	4272	53124	1535508	4427	
77 FLOW	LIFT		1	1	1	1	1	1	1	1	1	1	1	1			
			0	0	0	0	0	0	0	0	0	0	0	0			
	DAYS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	OIL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	WATER		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS		3811	3853	3943	4119	4100	3709	3980	3611	3528	4056	3921	4034	46667	1582175	3889	
78 FLOW	LIFT		1	1	1	1	1	1	1	1	1	1	1	1			
			0	0	0	0	0	0	0	0	0	0	0	0			
	DAYS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	OIL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	WATER		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS		3924	3480	3801	3813	4110	3848	3368	2954	3452	3949	3886	3734	44539	1626714	3712	
79 FLOW	LIFT		1	1	1	1	1	1	1	1	1	1	1	1			
			0	0	0	0	0	0	0	0	0	0	0	0			
	DAYS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	OIL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	WATER		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS		3118	3084	3384	3783	3963	3480	4134	3256	3209	3497	3324	2933	41165	1667879	3430	
80 FLOW	LIFT		1	1	1	1	1	1	1	1	1	1	1	1			
			0	0	0	0	0	0	0	0	0	0	0	0			
	DAYS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	OIL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	WATER		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS		3547	3301	3086	2929	3408	3233	13205	3419	3252	3767	3693	3763	50603	1718482	4217	
81 FLOW	LIFT		1	1	1	1	1	1	1	1	1	1	1	1			
			0	0	0	0	0	0	0	0	0	0	0	0			
	DAYS		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	OIL		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	WATER		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS		3691	3006	3275	3965	3828	3451	3214	0	3309	3019	3564	3802	38124	1756606	3466	
102.2																	
105																	
87.2																	
87																	
83.2																	
84																	
87.2																	
88																	
55.2																	
86																	

LEASE NAME IDA WIMBERLEY

WELL 11

OPER AMERADA HESS CURF

LOCATION 24L255 37E

DWIGHTS ID # 30225537E24L005R

FIELD - LANGLEY MATIX 7 RVRS 0 GRAYBURG SR

PREPARATION UNIT 0 - 1

CUNE DATES - LIQUID 0/69/12 CUNES - LIQUID

0 LIO GATHERER
954711 GAS GATHERER EL PASO NATURAL GAS COMPANY

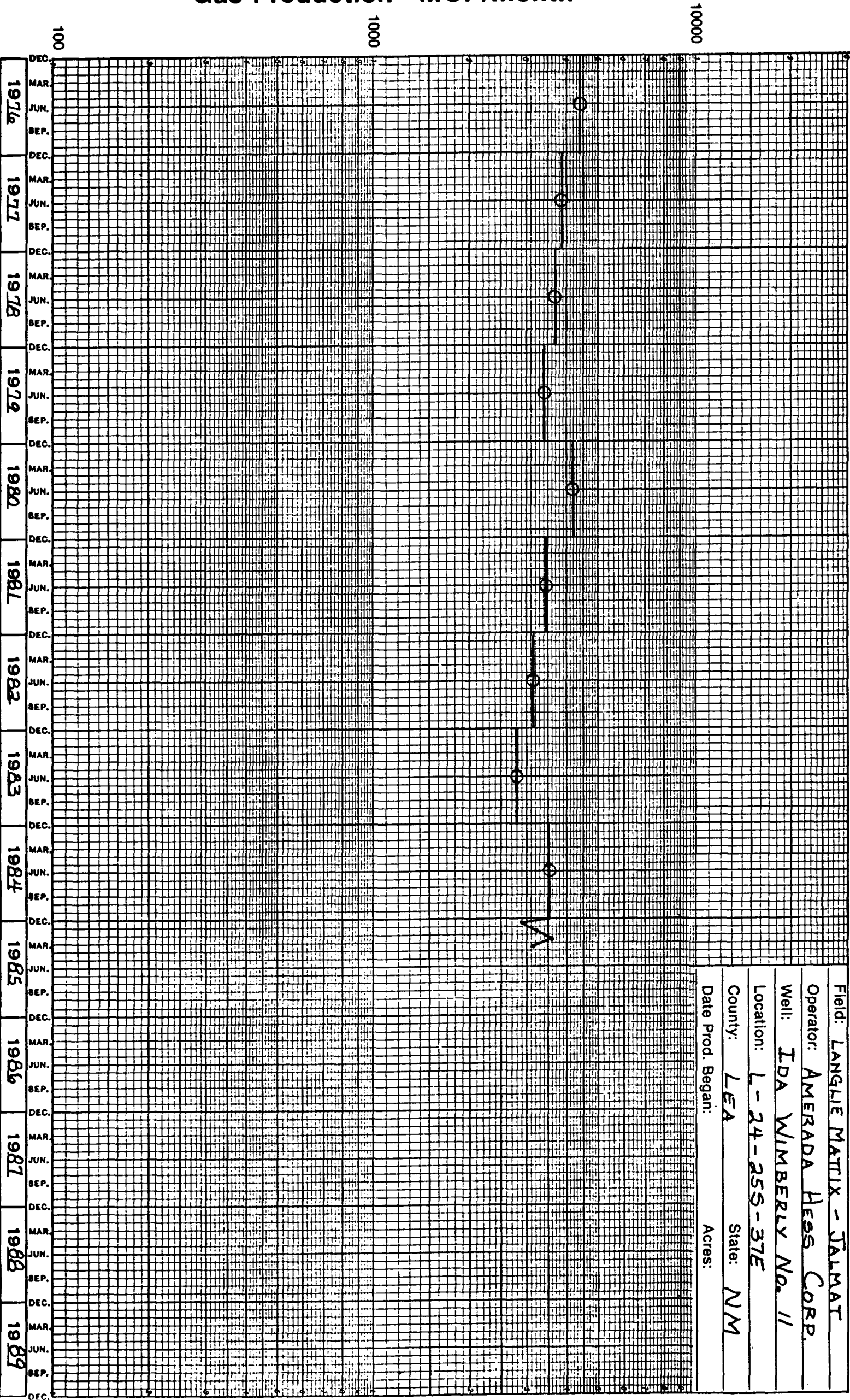
**SELECTION
FROM-TO
70-85**

PRODUCTION DATA

RR NR WELLS PRODUM	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ITD	AMT
82 FLOW LIFT	1	1	1	1	1	1	1	1	1	0	1	1			
DAYS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OIL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	3746	3430	3616	3092	3839	3844	4219	3838	1390	0	1291	2201	34806	1791412	3164
83 FLOW LIFT	1	0	0	0	0	0	0	0	0	0	0	0			
DAYS	0	0	1	1	0	0	1	1	1	1	1	1	166		24
OIL	10	0	0	3	0	0	0	31	30	31	30	31	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	188	0	641	604	0	0	478	4039	5656	5309	4356	4077	25348	1816760	2816
84 FLOW LIFT	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS	1	1	1	1	1	1	1	1	1	1	1	1	328		30
OIL	31	29	28	30	31	26	31	31	30	31	30	30	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	4106	3901	3221	3163	3743	3576	3391	3801	3535	3466	3301	3164	42368	1839128	3533
85 FLOW LIFT	0	0	0	0	0	0	0	0	0	0	0	0			
DAYS	1	1	1	1	0	0	0	0	0	0	0	0	120		34
OIL	31	28	31	30	0	0	0	0	0	0	0	0	0	0	0
WATER	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GAS	2926	3232	3575	3154	0	0	0	0	0	0	0	0	12887	1872015	322

Gas Production - MCF/month

4-85 Cum: 1872.0 MMCF

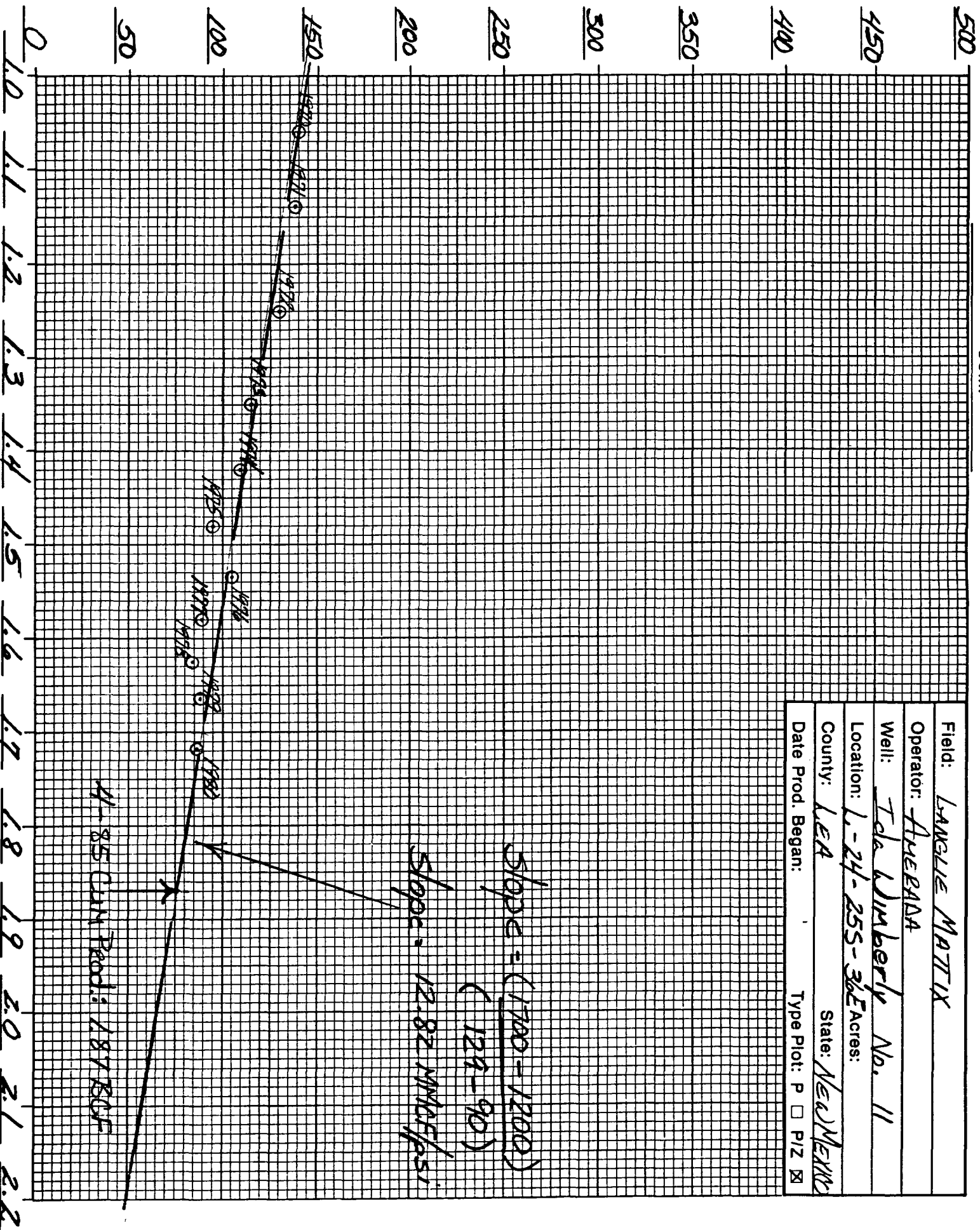


Field: LANGLE MATIX - TALMAT
Operator: AMERADA HESS CORP.
Well: IDA WIMBERLY No. 11
Location: L - 24 - 255 - 37E
County: LEA State: NM
Date Prod. Began: Acres:

CUM:

Field: LAUREL MATIX
 Operator: AMERADA
 Well: Ida Kimberly No. 11
 Location: L-24-255-36E Acres:
 County: LEA State: NEO Mexico
 Date Prod. Began: Type Plot: P ☐ P/Z ☒

Pressure or P/Z - (ps.)



Cumulative Gas Production - (BCF)

CAMPBELL & BLACK, P.A.

LAWYERS

JACK M. CAMPBELL
 BRUCE D. BLACK
 MICHAEL B. CAMPBELL
 WILLIAM F. CARR
 BRADFORD C. BERGE
 J. SCOTT HALL
 PETER N. IVES
 LOURDES A. MARTINEZ

JEFFERSON PLACE
 SUITE 1 - 110 NORTH GUADALUPE
 POST OFFICE BOX 2208
 SANTA FE, NEW MEXICO 87501
 TELEPHONE: (505) 988-4421
 TELECOPIER: (505) 983-6043

July 22, 1985

CERTIFIED MAIL
 RETURN RECEIPT REQUESTED

Mr. R. Howard Olson
 Post Office Box 32279
 Phoenix, Arizona 85018

BEFORE EXAMINER QUINTANA	
OIL CONSERVATION DIVISION	
HARTMAN	EXHIBIT NO. <u>6</u>
CASE NO. <u>8668</u>	

Re: Case 8668: Application of Doyle Hartman for
 Compulsory Pooling, Lea County, New Mexico.

Dear Mr. Olson:

Enclosed is a copy of the docket for the Oil Conservation
 Division Examiner hearings scheduled for Wednesday, July 31,
 1985. You have an interest which may be affected by the
 above-referenced case.

Very truly yours,

William F. Carr

William F. Carr

PS Form 3811, July 1983 447-845

<p>● SENDER: Complete items 1, 2, 3 and 4.</p> <p>Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.</p>	
1. <input type="checkbox"/> Show to whom, date and address of delivery.	
2. <input type="checkbox"/> Restricted Delivery.	
3. Article Addressed to:	
R. Howard Olson P. O. Box 32279 Phoenix, Arizona 85018	
4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Insured <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 456 364 608
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature of Addressee	
X	
6. Signature - Agent	
X	
7. Date of Delivery	
7-25-85	
8. Addressee's Address (ONLY if requested and fee paid)	

Sent to	R. Howard Olson
Street and No.	P. O. Box 32279,
P. O. State and ZIP Code	Phoenix, Arizona 85018
Postage	\$.80
Certified Fee	
Special Delivery Fee	

P 456 364 608
 RECEIPT FOR CERTIFIED MAIL
 NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL
 (See Reverse)

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

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

October 3 , 19 83 ,

OPERATOR Doyle Hartman

CONTRACT AREA E/2 SE/4 Section 19; E/2 NW/4 and E/2 Section 30,

T-25-S, R-37-E

COUNTY ~~OR PARISH~~ OF Lea STATE OF New Mexico

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Doyle Hartman, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators".

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided,

NOW, THEREFORE, it is agreed as follows:

ARTICLE I. DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II. EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

☒ A. Exhibit "A", shall include the following information:

- (1) Identification of lands subject to this agreement,
- (2) Restrictions, if any, as to depths, formations, or substances,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

☒ B. Exhibit "B", Form of Lease.

☒ C. Exhibit "C", Accounting Procedure.

☒ D. Exhibit "D", Insurance.

☐ E. Exhibit "E", Gas Balancing Agreement.

☐ F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities

☐ G. Exhibit "G", Tax Partnership.

If any provision of any exhibit, except Exhibits "E" and "G", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail

1
2
3
4 ARTICLE III.
5 INTERESTS OF PARTIES

6
7
8 A. Oil and Gas Interests:

9
10 If any party owns an oil and gas interest in the Contract Area, that interest shall be treated for all purposes of this agreement
11 and during the term hereof as if it were covered by the form of oil and gas lease attached hereto as Exhibit "B", and the owner thereof
12 shall be deemed to own both the royalty interest reserved in such lease and the interest of the lessee thereunder.

13
14 B. Interests of Parties in Costs and Production:

15 Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and
16 paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set
17 forth in Exhibit "A". In the same manner, the parties shall also own all production of oil and gas from the Contract Area subject to the
18 payment of royalties to the extent of one-eighth (1/8) which shall be borne as hereinafter set forth.

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

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

27 C. Excess Royalties, Overriding Royalties and Other Payments:

28
29 Unless changed by other provisions, if the interest of any party in any lease covered hereby is subject to any royalty,
30 overriding royalty, production payment or other burden on production in excess of the amount stipulated in Article III.B., such party so
31 burdened shall assume and alone bear all such excess obligations and shall indemnify and hold the other parties hereto harmless from any
32 and all claims and demands for payment asserted by owners of such excess burden.

33
34 D. Subsequently Created Interests:

35
36 If any party should hereafter create an overriding royalty, production payment or other burden payable out of production
37 attributable to its working interest hereunder, or if such a burden existed prior to this agreement and is not set forth in Exhibit "A", or
38 was not disclosed in writing to all other parties prior to the execution of this agreement by all parties, or is not a jointly acknowledged and
39 accepted obligation of all parties (any such interest being hereinafter referred to as "subsequently created interest" irrespective of the
40 timing of its creation and the party out of whose working interest the subsequently created interest is derived being hereinafter referred
41 to as "burdened party"). and:

42
43 1. If the burdened party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion
44 of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or
45 production free and clear of said subsequently created interest and the burdened party shall indemnify and save said other party,
46 or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created interest;
47 and.

48
49 2. If the burdened party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be
50 enforceable against the subsequently created interest in the same manner as they are enforceable against the working interest of
51 the burdened party.

52
53 ARTICLE IV.
54 TITLES

55
56 A. Title Examination: Title is presently being examined and a copy will be
57 furnished on request.

58 Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if
59 the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be includ
60 ed, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding
61 royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and
62 gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including federal lease status
63 reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or
64 made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall
65 cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party
66 hereto. The cost incurred by Operator in this title program shall be borne as follows:

67
68 ~~Operator shall bear the cost incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental,~~
69 ~~curative, and division order title opinions) shall be a part of the administrative overhead provided in Exhibit "C",~~
70 ~~and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.~~

ARTICLE IV
continued

Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

~~1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest shall have ninety (90) days from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisition will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests: and,~~

~~(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid or incurred, but there shall be no additional liability on its part to the other parties hereto by reason of such title failure;~~

~~(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Contract Area by the amount of the interest lost;~~

~~(c) If the proportionate interest of the other parties hereto in any producing well theretofore drilled on the Contract Area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interest (less costs and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well;~~

~~(d) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, such amount shall be paid to the party or parties who bore the costs which are so refunded;~~

~~(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the party or parties whose title failed in the same proportions in which they shared in such prior production; and,~~

~~(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.~~

~~2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:~~

~~(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis up to the amount of unrecovered costs;~~

~~(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and,~~

~~(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.~~

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1 and IV.B.2 above, shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.

OPERATOR

A. Designation and Responsibilities of Operator:

Doyle Hartman

shall be the

Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature.

ARTICLE VI.

DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the _____ day of _____, 19____, Operator shall commence the drilling of a well for oil and gas at the following location:

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

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall ~~thoroughly log, but not core or DST~~ ^{evaluate.} all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to ~~evaluate.~~

ARTICLE VI

continued

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

B. Subsequent Operations:

1. Proposed Operations: Should any party hereto desire to drill any well on the Contract Area ~~either then the well provided for in Article VI.A.,~~ or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the party wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday and legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

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

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VII.D.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Parties' interests, and failure to advise the proposing party shall be deemed an election under (a). In the event a drilling rig is on location, the time permitted for such a response shall not exceed a total of forty-eight (48) hours (inclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is insufficient participation and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk,

ARTICLE VI

continued

and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold, (after deducting production taxes, excise taxes, royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and 300 % of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

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

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.D.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unrecovered costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

ARTICLE VI

continued

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

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

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

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

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

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

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

C. TAKING PRODUCTION IN KIND:

Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be

ARTICLE VI

continued

required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled or deepened pursuant to Article VI.B.2., any well which has been drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit

ARTICLE VI

continued

"B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

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

ARTICLE VII.

EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling or deepening shall include:

ARTICLE VII

continued

~~Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.~~

☒ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the reworking or plugging back of a well shall include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Fifteen thousand Dollars (\$ 15,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of Five thousand Dollars (\$ 5,000.00) but less than the amount first set forth above in this paragraph.

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

ARTICLE VII

continued

G. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation law of the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C". Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workmen's compensation law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event automobile public liability insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

ARTICLE VIII.

ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such oil and gas interest for a term of one (1) year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leased acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

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

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

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

C. Acreage or Cash Contributions:

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

ARTICLE VI

continued

and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold, (after deducting production taxes, excise taxes, royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(b) 300% of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and 300% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

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

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.D.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

ARTICLE VI

continued

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

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

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

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

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

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

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

C. TAKING PRODUCTION IN KIND:

Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be

ARTICLE VI

continued

required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole cost and risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled or deepened pursuant to Article VI.B.2., any well which has been drilled or deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or deepening such well. Any party who objects to plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the interval(s) of the formation(s) then open to production shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one (1) year and so long thereafter as oil and/or gas is produced from the interval or intervals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit

ARTICLE VI

continued

"B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

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

ARTICLE VII.

EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling or deepening shall include:

ARTICLE VII

continued

☐ Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

☒ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the reworking or plugging back of a well shall include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Fifteen thousand Dollars (\$ 15,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of Five thousand Dollars (\$ 5,000.00) but less than the amount first set forth above in this paragraph.

E. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

F. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

ARTICLE VII

(continued)

G. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation law of the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C". Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workmen's compensation law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event automobile public liability insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

ARTICLE VIII.

ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such oil and gas interest for a term of one (1) year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leased acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

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

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

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

C. Acreage or Cash Contributions:

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

ARTICLE VIII

continued

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

5
6 If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such
7 consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

8 9 D. Maintenance of Uniform Interest:

10
11 For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, no
12 party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Contract Area and in wells,
13 equipment and production unless such disposition covers either:

- 14
15 1. the entire interest of the party in all leases and equipment and production; or
16
17 2. an equal undivided interest in all leases and equipment and production in the Contract Area.

18
19 Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement
20 and shall be made without prejudice to the right of the other parties.

21
22 If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may
23 require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for
24 and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such
25 party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter
26 into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract
27 Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

28 29 E. Waiver of Rights to Partition:

30
31 If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an
32 undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided
33 interest therein.

34 35 ~~F. Preferential Right to Purchase:~~

36
37 ~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and interests in the Contract~~
38 ~~Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the~~
39 ~~name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms~~
40 ~~of the offer. The other parties shall then have an optional prior right for a period of ten (10) days after receipt of the notice, to purchase~~
41 ~~on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchas-~~
42 ~~ing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing par-~~
43 ~~ties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to~~
44 ~~dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent com-~~
45 ~~pany or to a subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.~~

46 47 ARTICLE IX.

48 INTERNAL REVENUE CODE ELECTION

49
50 This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association
51 for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several
52 and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax
53 purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded
54 from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as per-
55 mitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to ex-
56 ecute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the
57 United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements,
58 and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further
59 evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the
60 Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other
61 action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract
62 Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1,
63 Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is per-
64 mitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing elec-
65 tion, each such party states that the income derived by such party from operations hereunder can be adequately determined without the
66 computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Ten thousand Dollars (\$ 10,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure", as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

ARTICLE XII.
NOTICES

All notices authorized or required between the parties and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by mail or telegram, postage or charges prepaid, or by telex or telecopier and addressed to the parties to whom the notice is given at the addresses listed on Exhibit "A". The originating notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the mail or with the telegraph company, with postage or charges prepaid, or sent by telex or telecopier. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease or oil and gas interest contributed by any other party beyond the term of this agreement.

☐ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise.

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 90 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

This agreement and all matters pertaining hereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state of New Mexico shall govern.

C. Regulatory Agencies:

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

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

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

ARTICLE XV.
OTHER PROVISIONS

A. Creation of Subsequent Interest

Notwithstanding the provisions of Article VIII. D. hereof, the parties hereto agree that if any party shall hereafter create any Overriding Royalty, Production Payment, or other burden against its working interest production and if any party or parties shall conduct non-consent operations pursuant to any provision of this agreement, and, as a result, become entitled to receive the working interest production otherwise belonging to the non-participating party, the party or parties entitled to receive the working interest production of the non-participating party shall receive such production free and clear of burdens against such production which may have been created subsequent to this agreement. In this regard, any such interest which may have been created subsequent to this agreement shall ipso facto terminate and vest in the consenting parties.

B. Hearings Before Regulatory Agencies

All costs and expenses incurred in connection with the employment of counsel and/or technical experts for the purpose of preparing for and conducting any hearing before any State Regulatory Agency are hereby authorized and shall be charged to the joint account as an item of operating expense. In the case of a Forced Pooling action, such costs and expenses shall be born and paid by the party or parties who have previously agreed to share same or whose interest is increased as a result of such action. Such costs and expenses shall be born on the basis of the relative participation of such parties as set forth on Exhibit "A". The costs and expenses of services performed by Operator or its regularly employed personnel shall not be charged to the joint account but shall be covered by Operator's overhead charge.

C. Natural Gas Price Rules

1. Operator shall file all Applications for Determination of Price Category required by the Natural Gas Policy Act (NGPA). Operator shall give notice of the filing of such Applications to all Non-Operators. If for any reason the Application for Determination of Price Category filed by the Operator is unsatisfactory to a Non-Operator, then such Non-Operator shall

notify Operator of his dissatisfaction and the reasons therefore. If Operator and the dissatisfied Non-Operator are unable to reach an agreement as to the disputed Application for Determination of Price Category, then, if allowed by the appropriate jurisdictional agency such Non-Operator may file a separate application for Determination of Price Category. The Non-Operator shall mail a copy of this application to Operator and to all Non-Operators in the Contract Area.

2. Operator is hereby authorized to make any and all filings under the NGPA which can be made on behalf of the Non-Operators under the NGPA and the regulations promulgated thereunder. Said filings shall include, but not be limited to, "interim collection" filings under Part 273 of the regulations implementing the NGPA.
3. Operator is authorized to employ counsel and technical experts which, in the Operator's discretion, are reasonably necessary for the preparation of any and all NGPA filings. All costs incurred in the employment of such counsel and technical experts shall be deemed a cost and expense incurred in the operation of the Contract Area and shall be charged to the joint account as an item of operating expense. Costs of services performed in connection with such filings by Operator's regularly employed personnel shall not be charged to the joint account but shall be covered by Operator's overhead charge.

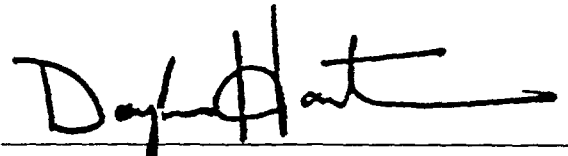
ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees,
legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 3rd day of October 19 83.

OPERATOR

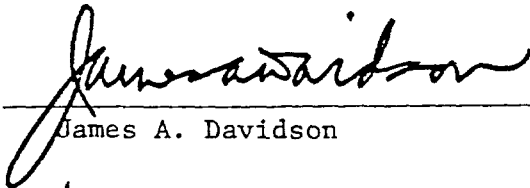
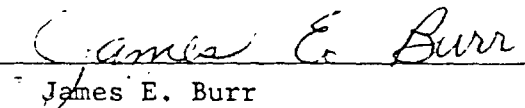
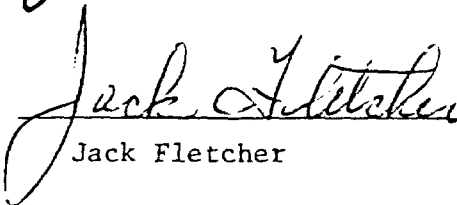
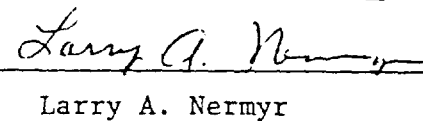
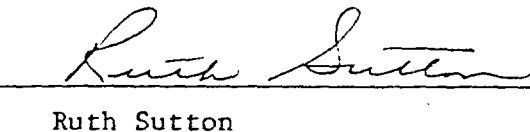


Doyle Hartman

NON-OPERATORS

Cities Service Oil and Gas Corporation

By: _____


James A. Davidson
James E. Burr
Jack Fletcher
Larry A. Nermyr
Ruth Sutton

ARTICLE XVI.
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This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of 3rd day of October 19 83.

OPERATOR

Michelle Nierluee

Doyle Hartman
Doyle Hartman

NON-OPERATORS

Cities Service Oil and Gas Corporation

By Charles Nierluee
Charles Nierluee, Attorney-in-Fact

ACKNOWLEDGMENT

STATE OF TEXAS §
 §
COUNTY OF MIDLAND § SS

The foregoing instrument was acknowledged before me this 1st day of November, 1983, by CHARLES NIERNBERGER, as Attorney-in-Fact, on behalf of CITIES SERVICE OIL AND GAS CORPORATION, a Delaware corporation.

My Commission Expires:

12-5-84

Patricia Hedrick
Notary Public

EXHIBIT "A"

Attached to and made a part of the Operating Agreement dated October 3, 1983 and covering E/2 SE/4 Section 19; N/2 NW/4 and E/2 Section 30-25S-37E, Lea County, New Mexico between DOYLE HARTMAN as Operator and Cities Service Oil and Gas Corporation as Non-Operators.

1. a) Land Subject to Agreement

E/2 SE/4 Section 19;

E/2 NW/4 and E/2 Section 30,

T-25-S, R-37-E, Lea County,

New Mexico

b) Depth Limitations

From the surface ~~to the base of the~~ down to a depth of 3,500 feet.
~~formation.~~

~~c) Drilling (Production) Unit for Initial Test~~

II. Percentages of Interests and Addresses of Parties

Doyle Hartman .65527344
P. O. Box 10426
Midland, Texas 79702

Cities Service Oil and Gas .04687500
P. O. Box 1919
Midland, Texas 79702

James A. Davidson .23828125
P. O. Box 494
Midland, Texas 79702

James E. Burr .01489258
2505 Emerson Drive
Midland, Texas 79705

Jack Fletcher .01489258
P. O. Box 10887
Midland, Texas 79702

Larry A. Nermyr .01489258
2438 Whitmire Blvd. Apt. 9-E
Midland, Texas 79705

Ruth Sutton .01489257
2826 Moss
Midland, Texas 79705

1.00000000

OIL & GAS LEASE

THIS AGREEMENT made this _____ day of _____ 19____, between _____

_____ of _____
(Post Office Address)

herein called lessor (whether one or more) and _____, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in _____ County, New Mexico, to-wit:

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise _____ acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of _____ years from this date (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, _____ of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the mouth of the well of _____ of the gas so sold or used, provided that on gas sold at the wells the royalty shall be _____ of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from this date, this lease shall terminate

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ _____ which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the _____ Bank

at _____, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard production unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit. Lessee is further granted the right and power to commit this lease as to all or any portion of the above described lands or horizons thereof to any unit agreement for the purpose of conserving the natural resources of any oil or gas pool, field or area covered thereby; provided, such unit agreement contains usual and customary provisions for the allocation of oil and gas produced from the unit area and such unit agreement embraces lands of either the United States or State of New Mexico or both, and the form of unit agreement has been approved by either the United States Geological Survey or Commissioner of Public Lands or both and the New Mexico Oil Conservation Commission, and upon such commitment the provisions of this lease shall be conformed to the unit agreement.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or barn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessor's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Executed the day and year first above written.

Attached to and made a part of the Operating Agreement dated
October 3, 1983 and covering E/2 SE/4 Section 19; E/2 NW/4
and E/2 Section 30-25S-37E, Lea County, New Mexico between
DOYLE HARTMAN as Operator and Cities Service Oil and Gas
Corporation as Non-Operators.

ACCOUNTING PROCEDURE

JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators. prime rate plus 1.25%

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of ~~twelve percent (12%)~~ ¹ per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

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

2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed ~~twenty per cent (20%)~~ twenty-six percent (26%) or percent most recently recommended by the Council of Petroleum Accountant Society of North America.

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties., except as specifically authorized by Article XV A.1. of the Operating Agreement, to which this Exhibit is attached.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or
() Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall () shall not (X) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 4750

Producing Well Rate \$ 475

accumulated to 517 on 4-1-85

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

(a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.
- [2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days
- [3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

- [1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
 - [2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
 - [3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
 - [4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.
 - [5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

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

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

~~2. Overhead - Major Construction~~

~~To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$ _____:~~

~~A. _____ % of total costs if such costs are more than \$ _____ but less than \$ _____; plus~~

~~B. _____ % of total costs in excess of \$ _____ but less than \$1,000,000; plus~~

~~C. _____ % of total costs in excess of \$1,000,000.~~

~~Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells shall be excluded.~~

3. Amendment of Rates

The Overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

- (b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

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

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, Inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "D"

Attached to and made a part of the
Operating Agreement dated October 3, 1983 and covering E/2 SE/4
Section 19; E/2 NW/4 and E/2 Section 30-25S-37E, Lea
County, New Mexico between DOYLE HARTMAN
as Operator and Cities Service Oil and
Gas Corporation as Non-Operators

Operator, at all times while operations are conducted hereunder, shall carry, and require its contractors to carry insurance to indemnify, protect and hold the parties hereto harmless as follows:

1. Insurance which shall comply with the Workmen's Compensation, Employers Liability and Occupational Disease laws of the State in which operations hereunder are conducted;
2. Comprehensive general liability insurance with limits of not less than:
 - A. Bodily Injury:
\$500,000 per person and \$500,000 for each occurrence and,
 - B. Property Damage:
\$250,000 for each occurrence and \$500,000 in the aggregate.
3. Automobile liability insurance with limits of not less than:
 - A. \$250,000 per person and \$500,000 per accident pertaining to bodily injury to, or death of persons; and,
 - B. \$100,000 per accident pertaining to loss of, or damage to, property.
4. Commercial Umbrella Excess Liability: \$15,000,000 per incident and annual aggregate.

Upon successful completion of first well, all premiums paid on such insurance shall be charged to the joint account. Except by mutual consent of the parties, no other insurance shall be maintained for the joint account, and all losses not covered by such insurance shall be charged to the joint account.

Operator shall not be liable to Non-Operator(s) for loss suffered on account of the insufficiency of insurance carried, or of the insurer with whom carried, nor shall Operator be liable to Non-Operator(s) for any loss accruing by reason of Operator's inability to provide or maintain the insurance above mentioned; provided, however, that if at any time during the life of this agreement Operator is unable to obtain or maintain such insurance, Operator shall promptly notify Non-Operator(s) of such fact.

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

July 10, 1985

BEFORE EXAMINER QUINTANA	
OIL CONSERVATION DIVISION	
<u>HARTMAN</u>	EXHIBIT NO. <u>8</u>
CASE NO. <u>8668</u>	

Mr. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85018

Re: Proposed Infill Well
Carlson Federal No. 4
SE/4 SE/4 Section 23
T-25-S, R-37-E
Lea County, New Mexico
(40-acre Langlie Mattix)

Dear Mr. Olsen:

Reference is made to our previous communications concerning operations as to the Langlie Mattix pool covering SE/4 SE/4 Section 23, T-25-S, R-37-E, Lea County, New Mexico. Please be informed that we are proposing the drilling of an infill well on the captioned lease in order to efficiently and effectively drain all remaining Langlie Mattix gas reserves under the SE/4 SE/4 Section 23, T-25-S, R-37-E, that will not be drained by the Carlson No. 3 well which is also situated on the subject 40-acre proration unit.

Since the drilling of a new well is not covered by any existing agreement between the current owners of the subject lease, we invite you to join us with your 25% working interest in drilling the proposed new well. If you wish to participate in the drilling of our proposed new well, we will prepare and forward to you an Operating Agreement for your review and approval. We are enclosing with this letter an AFE covering the cost of drilling our proposed Carlson No. 4 infill well.

In the event you do not wish to participate in the drilling of the proposed new well, we further offer you the following additional options:

1. We again extend our offer of January 24, 1985 to purchase your net interest for \$22,500.
2. We will be happy to take a farmout of your interest and drill the well to earn a 70% net revenue interest.

Since we hope to spud the proposed new well within the next forty-five days, we are at this time proceeding with all necessary regulatory procedures for the drilling of the subject well. Therefore, we

Mr. Howard O'Brien
July 10, 1985
Page 2

respectfully request hearing from you as soon as possible concerning
your decision in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Doyle Hartman", with a long horizontal stroke extending to the right.

Doyle Hartman

DOYLE HARTMAN
OIL OPERATOR
500 N. MAIN STREET
MIDLAND, TEXAS

Revised 5-15-82

AUTHORIZATION FOR EXPENDITURE AND DETAIL WELL ESTIMATE

LEASE NAME Carlson Federal WELL NO. 4 W.I. 100% of Well Cost

COUNTY Lea STATE New Mexico FIELD Langlie Mattix

LOCATION: SE/4 SE/4 Section 23, T-25-S, R-37-E

DRILLING INTANGIBLES:				PRODUCER	DRY HOLE
1.	Drilling Cost	3,500	Feet @ 13.145 Per Foot	46,000	46,000
2.	Day Work	1 day at 3,800			
3.	Coring Service		Well Surveys	3,800	3,800
4.	Bits and Reamers			8,400	8,400
5.	Testing			- - -	- - -
6.	Directional Drilling			- - -	- - -
7.	Fuel		Water	6,500	6,500
8.	Mud		Mud Logging	8,100	8,100
9.	Cementing Service		Cement Floats	15,600	5,000
10.	Company Labor		Contract Labor	9,500	3,600
11.	Surface Damages and Right-of-Way			2,800	2,800
12.	Digging Pits		Filling Pits	1,200	1,200
13.	Pit Lining			1,500	1,500
14.	Roads & Bridges		Dredging & Grading	8,000	8,000
15.	Acidizing	16,000	Fracturing 86,000 Perforating 4,000	100,000	- - -
16.	Plugging			- - -	2,800
17.	Trucking Cost			2,900	1,500
18.	Development Superintendence	14	days @ \$ 500 /day	7,000	3,500
19.	Rental Equipment			4,500	500
20.	Swabbing and Testing			10,500	- - -
21.	Legal and Professional Expenses:				
	Product Price Determination			2,400	2,400
	Regulatory Hearings		Other	3,600	3,600
22.	Abstracts and Title Opinions			4,300	4,300
23.	Geological, Geophysical and Land Support				
24.	Other Costs				
25.	Contingency @ 15 %			43,400**	20,500
			Total Intangibles	290,000	134,000
WELL EQUIPMENT:					
26.	Casing	400	Ft. of 9 5/8 @ 8.50 Per Ft.		
		3,500	Ft. of 7 @ 6.46 Per Ft.		
			Ft. of @ Per Ft.	26,000	3,400
27.	Tubing	3500	Ft. of 2 3/8 @ 2.63 Per Ft.	9,200	- - -
28.	Casing Head			1,300	1,300
29.	Xmas Tree or Pumping Connections			4,600	- - -
30.	Pumping Unit			19,500	- - -
31.	Engine/Motor Controller and Power System			4,500	- - -
32.	Sucker Rods			6,100	- - -
33.	Pump			2,000	- - -
34.	Tank Battery			2,600	- - -
35.	Separator or Dehydration Equip.			2,400	- - -
36.	Metering Equipment			- - -	- - -
37.	Flow Lines			1,900	- - -
38.	Guards and Fences			2,300	2,300
39.	Other Costs				
40.	Contingency @ 15 %			17,600**	1,000
			Total Tangibles	100,000	8,000
			TOTAL COST OF WELL	390,000**	142,000
	Howard Olsen	25	Share at %	97,500	35,500

REMARKS: Our projected cost for drilling and completing the proposed infill well is \$329,000. This cost is for a routine well with no problems. With the addition of a 15% contingency for possible problems, the total cost comes to \$390,000 for a completed well.

Originated by Larry G. Nemy Title Engineer Date July 10, 1985

Approved _____ Title _____ Date _____

HOWARD OLSEN
P.O. BOX 32279
PHOENIX, ARIZONA 85016

1-2 951-9774

January 31, 1985

Doyle Hartman
P.O. Box 10426
Midland, TX 79702

RE: CARLSON FEDERAL #3
LEA COUNTY, NEW MEXICO

Dear Mr. Hartman,


In response to your letter of January 24, 1985 regarding the purchase of our interest in the above said well, I have discussed your proposal with Mr. Olsen and he feels the offer is insufficient.

Regarding the working interest expense for the said well in which we are to share, after much conversation between our offices on the correct amount, we have acquired a copy of the original Operating Agreement. According to the said agreement, overhead is to be billed at \$125.00 per month for each drilling well for which our working interest is .25 percent.

Due to this information, please consider this a demand for your check to adjust the producing overhead in accordance with the Operating Agreement. Also, invoices for September through December 1984 should be adjusted to reflect this change.

Your cooperation in this matter is appreciated.

Sincerely,



Donna M. Mariner
Accountant

DH/cac

cc: JAD
RS
CB

FEB 5 1985

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

January 24, 1985

Mr. R. Howard Olsen
Post Office Box 32279
Phoenix, Arizona 85016

Re: Carlson Federal Nos. 2 & 3
SE/4 SE/4 Section 23 (#3)
SE/4 NE/4 Section 26 (#2)
T-25-S, R-37-E
Lea County, New Mexico

Dear Mr. Olsen:

Reference is made to the phone conversations between your office and Jim Burr of our office regarding the following for the above noted wells:

1. Production volume--we have checked the production for the subject well for the years 1983 and 1984 and find that for the year 1983 the Carlson Federal No. 3 (No. 2 well not producing) averaged 24 MCFPD and since we became operator on June 1, 1984, this well has averaged 35 MCFPD.
2. Pricing--at the time we assumed operations of the Carlson Federal No. 3, El Paso Natural Gas Company arbitrarily lowered the price from the stripper price previously paid to Sun Oil Company to an approximate net price of \$1.35/MCF. We have already discussed this matter with El Paso and have requested that the price be restored to the stripper price.
3. Operational costs--as to the Carlson No. 3, we are charging exactly what it costs us to operate this well, which is the same rate as we charge for all wells that we operate. We do not feel we should be asked to operate any well at a loss, which you can surely understand being an independent yourself. As you know, Congress provided stripper pricing for wells such as the Carlson Federal No. 3 in order that such low volume wells can continue to be operated at a profit and not be plugged. If you feel it necessary, we can furnish you back-up data to justify our operating costs.

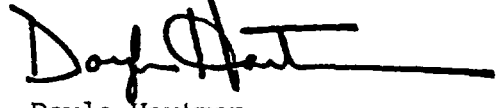
We can certainly understand your concern generally since the well operations have been recently shifted from Sun with whom you are familiar to us with whom you are not familiar. We hope this explanation answers your questions and, in this regard, we would be willing to offer you \$22,500.00 for all of your right, title, and interest in the above noted wells and acreage. This offer is higher on a pro rata basis than the consideration paid to Sun for its 75% working interest. If you are

Mr. R. Howard Ol
January 24, 1985
Page 2

agreeable to a sale, we would be willing to pay all legal fees incident to the sale and title approval.

Thank you for your consideration and please let us hear from you as soon as is conveniently possible.

Very truly yours,

A handwritten signature in black ink, appearing to read "Doyle Hartman", with a long horizontal flourish extending to the right.

Doyle Hartman

DH/mh



**Sun Exploration and
Production Company**
Four NorthPark East
5656 Blackwell
P O Box 2880
Dallas TX 75221-2880
214 890 5573

March 25, 1985

Ms. Ruth Sutton
Doyle Hartman
P. O. Box 10426
Midland, TX 79702

*Carlson
Foy Ball*

Re: Bid Package No. 84132

Dear Ms. Sutton:

In reply to your letter of March 18, 1985 concerning the Operating Agreement for the Carlson No. 2 and 3, we have requested our Contract and Lease Department to reexamine this property. Mr. Foy Ball of that department has replied that the correct Operating Agreement for this property should be (C-854) identified as Drilling and Operating Agreement dated November 2, 1936 between Sun and Ajax Drilling Corporation.

If you have any questions concerning this Agreement please contact Foy Ball at (214) 890-2934. He should be able to answer any questions you might have. I apologize for the confusion in identifying this agreement.

Sincerely yours,

SUN EXPLORATION AND PRODUCTION COMPANY


JUDY M. HAIL

JMH/jy

Enc. 1 - Copy to JMH of attachment to A

ONG269-JM

MAR 28 1985

DOYLE HARTMAN

Oil Operator

500 N. MAIN

P.O. BOX 10426

MIDLAND, TEXAS 79702

(915) 684-4011

March 18, 1985

Sun Exploration and Production Company
Divestment Department
Post Office Box 2880
Dallas, Texas 75221

Attention: Ms. Judy M. Hail

Re: Carlson No. 2 & 3
SE/4 SE/4 Section 23
and SE/4 NE/4 Section 26
T-25-S, R-37-E
Lea County, New Mexico
(Bid Package No. 84132)

Gentlemen:

In response to a request by our controller, Mr. Jim Burr, you recently furnished us with a copy of Operating Agreement dated April 1, 1961 between Union Texas Petroleum and Joseph E. Seagram which is identified as covering the captioned property.


We have examined this agreement, and it appears to cover the leases jointly owned by Union Texas and Sun. As to this acreage, those rights are limited to depths below 4,000 feet.

Will you please have your contracts people look into this matter again and furnish us with whatever agreement they were using in conducting the joint operations on this property above 4,000 feet.

Thanks for your assistance.

Very truly yours,

DOYLE HARTMAN


Ruth Sutton
Landman

RS/dm

400 - 2-112

240

11101-54A-3

DRILLING CONTRACT

THIS AGREEMENT Made and entered into by and between Anderson-Prichard Oil Corporation, a Delaware Corporation, hereinafter called Party of the First Part, and Ajax Drilling Corporation, a Texas Corporation, hereinafter called Party of the Second Part,

WITNESSETH: That,

WHEREAS, On the 2nd day of November, 1936, a certain Drilling and Operating Agreement was entered into by and between C. M. Carlson and Hilda Carlson, his wife, as "Owner" and Anderson-Prichard Oil Corporation, as "Contractor", giving and granting unto said Contractor the exclusive right of possession and occupancy of certain lands embraced in certain Oil and Gas Prospecting Permit issued by the Secretary of the Interior of the United States to C. M. Carlson, bearing Las Cruces Serial No. 032579, said Oil and Gas Prospecting Permit covering and including the following described land situated in Lea County, State of New Mexico, to-wit:

N $\frac{1}{2}$ Sec. 1; E $\frac{1}{2}$ Sec. 13; SW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 21;
SE $\frac{1}{4}$ Sec. 22; S $\frac{1}{2}$ Sec. 25; SW $\frac{1}{4}$ Sec. 25;
S $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ Sec. 26;
SE $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, S $\frac{1}{2}$ Sec. 27, Twp.
25 N., Range 37 E., R $\frac{1}{4}$ PM., embracing
A 10.20 acres,

and,

WHEREAS, On the 26th day of October, 1936, a certain contract was entered into by and between Indian Petroleum Corporation, as First Party, and Anderson-Prichard Oil Corporation, as Second Party, giving or granting unto said Anderson-Prichard Oil Corporation the exclusive right of possession and occupancy of certain lands embraced in a certain Oil and Gas Lease granted by the United States of America to E. J. Wells under date of January 4, 1935, under the terms and provisions of the Act of Congress dated February 25, 1920, Public No. 146, designated as Las Cruces 032532 (b) insofar as said lease covers the following described lands situated in said County and State, to-wit:

Lots Two (2), Three (3) and Four (4), Southwest Quarter (SW $\frac{1}{4}$) of Northeast Quarter (NE $\frac{1}{4}$), South Half (S $\frac{1}{2}$) of Northeast Quarter (NE $\frac{1}{4}$), Southwest Quarter (SW $\frac{1}{4}$), and West Half (W $\frac{1}{2}$) of Northeast Quarter (NE $\frac{1}{4}$) of Section Four (4);

All of Section Five (5);

Lots One (1) and Four (4), Southwest Quarter (SW $\frac{1}{4}$) of Northeast Quarter (NE $\frac{1}{4}$), Southeast Quarter (SE $\frac{1}{4}$) of Northeast Quarter (NE $\frac{1}{4}$), Northeast Quarter (NE $\frac{1}{4}$) of Southwest Quarter (SW $\frac{1}{4}$), and Northeast Quarter (NE $\frac{1}{4}$) of Southeast Quarter (SE $\frac{1}{4}$) of Section Six (6);

All in Township Twenty-five (25) South,
Range Thirty-seven (37) East, N. M. P. M.,
Lea County, New Mexico;

and

WHEREAS, It is the desire of all of the parties hereto that the land hereinafter described be tested for oil and gas; and

WHEREAS, Second Party for the consideration hereinafter stated is ready, able and willing to commence operations for the drilling of two wells on the land above described at the locations and within the time hereinafter stated and continue the drilling of each of said wells with due and reasonable diligence free of all cost to First Party to the depths hereinafter specified.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS: That for and in consideration of the premises and of the faithful performance of the covenants herein contained it is agreed:

ARTICLE I.

Test Wells- Second Party agrees at its sole cost and expense to drill and complete with standard or cable tools two wells for the production of oil and gas at the following locations and to the following depths, to-wit:

Center of
(a) One to be located in the center of the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 21, Township 25 south, Range 37 East, above described; actual drilling operations thereon to be commenced on or before the 20th day of November, 1936, and continued with due and reasonable diligence to the depth of 3650 feet, unless production of oil and/or gas, or a hole full of sulphur or salt water, be encountered at a lesser depth. In the event production of oil and/or gas is encountered in said well Second Party shall, at its sole cost and expense, furnish and install all necessary casing, tubing and surface equipment required for the production of oil and gas into and including the tanks.

Well #1
(b) One well at a location to be selected by First Party either in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 4, or SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 5, Township 25 South, Range 37 East, above described. Immediately upon completion of the well referred to in subparagraph (a) hereof, First Party shall make application to the proper governmental authority for permit to drill the well provided for herein and shall press such application with due diligence. Second Party shall commence actual drilling operations thereon within ten days after the granting of such permit and shall continue such drilling operations with due and reasonable diligence to the depth of 3650 feet, unless production of oil and/or gas, or a hole full of sulphur or salt water be encountered at a lesser depth. In the event production of oil and/or gas is encountered in said well, Second Party shall, at its sole cost and expense, furnish and install all necessary casing, tubing and surface equipment required for the production of oil and gas into and including the tanks.

ARTICLE II.

Inspection and Information - First Party shall, at all times, have free access to the wells hereinabove provided for, and to any and all information available pertaining to the drilling of the same, including daily logs and changes in formations and samples of all cuttings or fluids which may be encountered in the drilling thereof. First Party shall have the right to procure samples of all such formations and fluids and Second Party shall not drill into any known producing hor-

izon without first giving first party sufficient notice thereof so that first party may have a representative on the ground to witness the drilling into such horizons, if it so desires. In the event such wells shall be unproductive of oil or gas in paying quantities at the total depths hereinabove provided for, then second party shall notify first party before the same shall be plugged, in order that first party may have a representative on the ground for the purpose of taking a joint measurement or to witness the measurement of such well or wells.

ARTICLE III

Logs, Reports and Plugging - Second Party shall keep a true and accurate log of such wells and a correct tally of the various sizes and lengths of casing that may be set in said wells, and, upon completion thereof, shall deliver to first party a true and complete log of said wells, together with a true and accurate record of all casing set therein, showing the make, size, weight, thread and lengths thereof, and the points at which such casing shall have been set. Second Party shall furnish to first party daily written reports of the progress of said wells, mailing the same to Anderson-Prichard Oil Corporation, 1000 Ramsey Tower, Oklahoma City, Oklahoma. Any and all wells abandoned by second party shall be plugged at its expense, and in full compliance with the laws, rules and regulations of the United States and the State of New Mexico, or any other Governmental Agency thereof.

ARTICLE IV.

Insurance -

(a) Second Party agrees to hold first party harmless from and against all claims, expenses, loss and damage arising from any cause whatsoever in connection with the work to be performed under this contract, regardless of whether such work be performed by second party or by his employees, or by subcontractors under second party or employees of such sub-contractors, or by both, or all.

(b) The second party shall carry and pay for workmen's compensation insurance which shall comply with the workmen's compensation laws of each state in which work is to be performed under this contract, and shall cover all of second party's employees engaged in the work to be performed under this contract. The second party shall also see to it that each and every sub-contractor under him shall carry and pay for Workmen's Compensation Insurance covering all of such sub-contractors' employees engaged in any work under this contract. The workmen's compensation insurance provided by such sub-contractors shall comply with the laws of each state in which work is to be performed under this contract. If this contract covers operations in Oklahoma, employers liability coverage must be carried with death limit of at least \$25,000.00 for one person killed and at least \$50,000.00 for any number of persons in one accident, this in addition to the regular compensation coverage that is required under the laws of Oklahoma.

(c) The second party shall also carry and pay for Public Liability insurance covering all work to be performed under this contract, with limits of not less than \$25,000.00 as to

any one person and \$50,000.00 as to any one accident.

(d) Second party shall provide automobile public liability insurance with limits of not less than \$25,000.00 as to any one person, and not less than \$50,000.00 as to any one accident, and shall also provide automobile property damage insurance with a limit of not less than \$5,000.00 to cover all automotive equipment used by second party in the operations contemplated and to be performed under this contract. All such automobile insurance policies shall include the names of all the parties hereto as the assured.

(e) All such policies of insurance shall be delivered to Anderson-Prichard Oil Corporation at its office in Oklahoma City, Oklahoma, for examination and return to second party, and, in addition thereto second party shall furnish to Anderson-Prichard Oil Corporation, at its said office, a certificate or certificates of insurance on Anderson-Prichard Oil Corporation's form I-100, each of which shall be attested by a duly authorized representative of the insurance company writing the respective policy, and shall contain an agreement on the part of the insurer that the insurance concerning which the certificate is given shall not be cancelled without at least ten days' notice to Anderson-Prichard Oil Corporation at Oklahoma City, Oklahoma.

ARTICLE V.

Abandonment- It is agreed by and between the parties hereto that time is of the essence of this contract and that in the event second party shall fail or neglect to commence the actual drilling operations of either of the wells hereinabove provided for, within the time herein specified, or if, after having commenced the drilling thereof it shall fail to complete any of said wells as herein provided, first party shall be under no obligations to make and deliver the assignments hereinafter mentioned. If second party shall fail or neglect, except where such failure or neglect is due to or the result of strikes, lockouts, fire, unusual delay in transportation, unavoidable casualties, accidents, or any causes beyond its control, to continue the operations on said wells, or either of them, for a period of ten (10) days after having commenced the drilling thereof, without first having obtained the written consent of first party so to do, such neglect or discontinuance shall, of itself, and without notice or demand by first party, constitute a breach of this contract by second party and first party shall have, within sixty (60) days after such breach, in addition to its other lawful and equitable remedies, the right to take possession of such well or wells, and, in such event, shall have the free use of all tools, appliances and machinery thereat belonging to or under the control of second party, for the purpose of drilling and/or completing said well or wells, without any liability whatsoever to second party for the use of such tools, appliances, machinery and equipment, except for loss or damage thereto not occasioned by the usual wear and tear incident to such use, and, in such event, first party shall be under no obligation to deliver to second party the assignments mentioned. It is hereby expressly understood and agreed, however, that none of the provisions of this paragraph shall be construed as in anywise releasing or excusing second party from its liability to first party for any breach of this contract.

ARTICLE VI.

Assignments- (a) For and in consideration of the drilling, completing and equipping by second party of the two test wells referred to in Article I above, in the manner and within

Carlson
the time therein mentioned, first party, upon completion of both of said wells and the furnishing to it of true and accurate logs thereof duly certified to, will, subject to the conditions and reservations hereinafter provided, make, execute and deliver to second party an assignment covering an undivided one-half (1/2) of its right, title and interest in, to and under the above mentioned drilling and operating agreement of November 22, 1936, executed by C. M. Carlson and Hilda Carlson, his wife, to Anderson-Prichard Oil Corporation insofar as the same covers and affects the following described lands situated in said County and State, to-wit:

Southwest Quarter (SW $\frac{1}{4}$) of Northwest Quarter (NW $\frac{1}{4}$) of Section 21, Township 25 South, Range 37 East, N. M. P. M., containing 40 acres, more or less,

Wells
and will, subject to the conditions and reservations hereinafter provided, make, execute and deliver to Second Party an assignment covering an undivided one-half of its right, title and interest in, to and under said contract of October 26, 1936, entered into by and between Indian Petroleum Corporation and Anderson-Prichard Oil Corporation insofar as said contract covers and affects the lands to be assigned to Anderson-Prichard Oil Corporation under the terms thereof; said assignments to be subject to all the terms and provisions of the drilling and operating agreement dated November 22, 1936, and the contract, dated October 26, 1936, and of this contract insofar as said contracts relate to the land to be described in said assignment and the rules and regulations of the Secretary of the Interior of the United States and all governing statutes, without covenants of general warranty; but first party shall covenant in said assignment that it will warrant and defend the title to the interest thereby assigned against the claims of any and all persons whomsoever claiming by, through or under it, but not otherwise.

As a further consideration for the drilling, completing and equipping of the two wells aforesaid, the party of the first part hereby agrees that second party shall be entitled to receive, free from all operating costs, the sum of \$5,000.00 from the net proceeds derived from the sale of 1/2 of first party's remaining 1/2 of the first oil and/or gas, if, as and when produced, saved and marketed from the well agreed to be drilled by second party under the terms of paragraph (a) in Article I hereof.

(b) It is further agreed by and between the parties hereto that beginning with the date of this contract and from thenceforth all gross production taxes chargeable against the oil and gas that may be produced from the lands to be described in said assignments by first party to second party and all taxes assessed against any oil and gas lease heretofore or hereafter executed covering the lands to be described in said assignments, and against all lease equipment thereon situated, and all lease rentals shall be borne and paid equally by the parties hereto.

(c) First Party shall be under no obligation to deliver the assignments hereinabove provided for, until and unless all claims, charges, liens and encumbrances of every character that may have been incurred on said premises by second party during the drilling of said wells, shall have been paid, satisfied and discharged, and if, after the completion of said wells, second party shall allow or permit any liens to be fixed against said premises, first party shall have the right, without being obligated so to do, to pay any and all such lien charges thereon and be subrogated to the rights of the holders thereof.

ARTICLE VII.

It is understood and agreed that the said two test wells, when drilled, completed and equipped as hereinbefore provided, together with all the right, title and interest now owned by first party in and to said contract of October 26, 1936, and said drilling and operating agreement of November 2nd, 1936, insofar as the same cover and affect the lands to be described in said assignments shall be owned in equal proportions by the parties hereto; subject, however, to the \$5,000.00 oil payment hereinbefore mentioned.

ARTICLE VIII

Designation of Operator- Second Party shall have the sole control of drilling, completing and equipping said two test wells as provided herein, but it is understood and agreed that first party shall become the operator of each of said wells as soon as completed and equipped and all of the property jointly owned under the terms hereof, and second party shall from thenceforth have full and complete charge and control of all subsequent drilling and producing operations on said jointly owned property. It is understood and agreed, however, that second party being the owner of drilling tools and being engaged in the business of drilling oil and gas wells shall have the preference right to drill all future wells on the jointly owned property on contract basis under the direction and supervision of first party, provided that the price charged by second party for such work shall not be in excess of the average price prevailing in said field for like work. After the completion and equipment of said two test wells, respectively, as provided herein, the cost of operation of said wells and any subsequent development of the jointly owned property shall be borne equally by the parties hereto and said operating charges shall be computed on the basis of the Mid-Continent Schedule attached hereto, made a part hereof, and marked "Exhibit A".

per letter of 1-27-37

ARTICLE IX.

Access to Property and Records- Each party hereto shall have access to said jointly owned property and to any and all information pertaining to wells drilled, production secured, oil and/or gas marketed therefrom and shall be permitted to inspect and observe operations of every kind and character upon said jointly owned property and shall have access to the books, records and vouchers relating to the operation thereof at all reasonable times.

ARTICLE X.

RENTALS- It is understood and agreed that the operator shall pay all lease rentals maturing and payable under the terms of any oil and gas lease heretofore or hereafter executed by the United States Government insofar as said lease or leases cover or affect the jointly owned property. Such rental payments, made by the operator, shall be charged to the joint account and non-operator shall reimburse operator for its proportionate part of all such rentals.

ARTICLE XI.

Payment of Bills- Second Party, as operator of the jointly owned property hereinabove referred to, shall advance and pay all costs and expenses necessary for the operation and further development of the jointly owned property in accordance with the terms of this contract and shall bill non-operator for such cost and expense in accordance with its in-

1-27-37

terest in the said property.

Operator agrees to furnish non-operator with itemized statements of all expenditures, receipts, charges and credits covering each month's business and that such statements covering the preceding month's business shall be mailed by operator to non-operator on or before 30 days thereafter; and within 15 days thereafter non-operator shall pay operator, subject to further audit and adjustment, if necessary, at Oklahoma City, Oklahoma, its proportionate part of all sums expended for and in the development and operation of said jointly owned property, and upon failure of non-operator to pay operator within 15 days, as aforesaid, the said sum or sums shall bear interest at the rate of six (6%) per cent per annum until so paid.

In order to secure operator in the operation and/or development of said premises and each of them for oil and gas mining purposes, for all sums properly due from non-operating party, incurred by operator in the operation of said jointly owned property, operator shall at any and all times during the continuance of this contract have a first and prior lien upon all right, title and interest or estate of non-operating party in said jointly owned property covered by this contract, including all equipment thereon and all oil, gas and casinghead gas produced or to be produced and saved therefrom, owned by or accruing to the credit of non-operating party to the full extent of said sum paid by operator for non-operating party's account, in the operation of said premises covered by this contract.

ARTICLE XII

Governmental Regulation- Nothing herein contained shall be construed as being in any manner in derogation of the terms, conditions and provisions of the Act of Congress under and by virtue of which the above mentioned permits or leases were issued, or of any regulation of the Department of Interior of the United States lawfully promulgated thereunder; but, on the contrary, this agreement shall in all particulars be deemed amenable to reformation to eliminate or modify any portions thereof found to be in contravention of the provisions of said act or such regulation and shall remain and be in full force and effect as to all provisions not so eliminated or modified.

ARTICLE XIII.

Non-Partnership- It is further expressly understood and agreed by and between the parties hereto that this contract shall never be construed as constituting a partnership between the parties hereto and that the liability of the parties is limited to the provisions of this contract.

ARTICLE XIV.

Notices- Any notices required to be given or served hereunder may be sent by registered mail to first party at 1000 Ramsey Tower, Oklahoma City, Oklahoma, and to second party at 606 Republic Bank Building, Dallas, Texas, unless and until either shall change place of notice by written communication sent to the other by registered mail.

ARTICLE XV.

Sale of Oil and Gas - It is understood and agreed, and the assignments above mentioned to be executed as hereinabove provided shall so provide that each party hereto shall be entitled to receive directly payment for its respective share of the proceeds of the sale of oil and/or gas produced, saved and sold from said premises. X

ARTICLE XVI

Duration- This agreement and each and all of the terms, conditions hereof insofar as the same affect or pertain to the jointly owned property shall be and remain in full force and effect so long as oil, gas, or casinghead gas is or can be produced in paying quantities therefrom.

ARTICLE XVII

This agreement shall extend to, and ~~be~~ binding upon the heirs, successors and assigns of the parties hereto; provided, however, second party shall have no right to assign its rights or interests under the terms of this contract prior to the completion of the wells hereinabove provided for, without first having obtained the written consent of first party to do so.

IN WITNESS WHEREOF, The Parties hereto have executed this contract, in triplicate, this 5th day of November, A. D. 1936.

ATTEST:

J. Anderson
SECRETARY

ANDERSON-PRICHARD OIL CORPORATION

BY: *J. Steve Anderson*
VICE-PRESIDENT

"PARTY OF THE FIRST PART"

ATTEST:

E. Fred Hirschbach
SECRETARY

AGAD DRILLING CORPORATION

BY: *John L. Hirschbach*
PRESIDENT

"PARTY OF THE SECOND PART"

THE STATE OF OKLAHOMA :

COUNTY OF OKLAHOMA. :

On this 6th day of November 1936, before me, personally appeared J. Steve Anderson and P. H. Anderson, to me personally known and being by me duly sworn on oath did say that they are the Vice President and Secretary, respectively, of Anderson-Prichard Oil Corporation, and that the seal affixed to said 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. Steve Anderson and P. H. Anderson acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, witness my hand and notarial seal the date in this certificate above written.

Harold Heller
NOTARY PUBLIC

My commission expires:

Jan. 29-1940.

THE STATE OF TEXAS, :
: :
COUNTY OF DALLAS. :

On this 5th day of November, 1936, before me, personally appeared John L. Herschbach and E. Fred Herschbach, to me personally known and being by me duly sworn on oath did say that they are the President and Secretary, respectively, of AJAX DRILLING CORPORATION, and that the seal affixed to said 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 John L. Herschbach and E. Fred Herschbach acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, witness my hand and notarial seal the date in this certificate above written.

Ura Brunsden
NOTARY PUBLIC

My Commission Expires:
June 1st, 1937.

ACCOUNTING PROCEDURE (UNIT AND JOINT LEASE SCHEDULE)

I. DEVELOPMENT AND OPERATING CHARGES:

The Operator shall charge the joint lease account with the following items:

- (1) Royalties, when not to be paid direct to Royalty Owners by the purchaser of the oil, gas, casinghead gas or other products of the lease.
- (2) Labor, teaming, and other services necessary for the development, maintenance and operation of the property.
- (3) Materials, equipment and supplies purchased, and/or furnished by Operator from his warehouse stocks or from his other leases, for use on the joint lease.
- (4) Moving material to the joint lease from Vendor's or from Operator's warehouse in the district or from other leases of Operator, but in either of the last events the distance charged to the joint lease shall not exceed the distance from the nearest reliable supply store or railway receiving point.
- (5) Moving surplus materials from the joint lease to outside Vendees, if sold f. o. b. destination, or minor returns to Operator's warehouse, but no charge shall be made against the joint lease account for moving major surplus materials to Operator's warehouse, exceeding the cost of moving such material to the nearest reliable supply store or railway receiving point, or to other leases belonging to Operator, except by special agreement with Non-Operator.
- (6) Use of and service by Operator's exclusively owned equipment and utilities at rates not exceeding those prevailing in the district where the joint lease is located.
- (7) Damages or losses incurred by fire, flood, storm or other accidental or natural causes.
- (8-a) Expenses of litigation, including outside attorney's fees and expenses, judgments, claims, etc., involving the lease or incident to its development and operation. Actual expenses incurred by Operator's or Non-Operator's staff in securing evidence, etc., shall be a proper charge against the lease.
- (8-b) Should any case be handled by Operator's or Non-Operator's legal staff, thereby eliminating the retaining of outside counsel, a charge commensurate with the services rendered and actual time consumed may be made against the joint lease account.
- (9) Ad Valorem taxes and other property taxes. Gross production and receipts or income taxes shall be rendered and paid direct by Operator and Non-Operator covering their respective interests and shall not be reported and paid as a joint lease charge, except where required by law or by the term of the contract to which this Exhibit is attached.
- (10) Premiums for insurance, if required to be carried for the benefit of the joint account, as follows:
 - (a) Property insurance against loss by fire, tornado, etc.
 - (b) Workmen's compensation, public liability and employers' liability insurance, together with all expenditures incurred and paid in settlement of claims, judgments, etc., not recovered from the insurance carrier.
 - (c) Public liability and property damage insurance on automotive equipment owned by and operated for the joint lease, as well as any other expenditures incurred and paid in settlement of claims, judgments, etc., not recovered from the insurance carrier to fully discharge all liability of Operator ensuing from an accident occurring on or in connection with work done by such jointly owned automotive equipment for the benefit of the joint lease.
- (11) If no insurance is required to be carried on any or all of the above risks, all actual expenditures incurred and paid by the Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses including legal services, shall be charged to the joint lease account.
- (12) A proportionate share of the salary and expenses of Operator's District Superintendent and other general District Employees serving the lease, whose time is not allocated directly to the lease, and therefore may be apportioned on a well basis over all wells served, each drilling well to be considered as equivalent to producing wells, or on some other equitable basis consistent with Operator's accounting practice.
- (13) A proportionate share of maintaining and operating a District Office in conducting the management of operations on the joint lease and other leases owned and operated by Operator in the same locality, such charge to be made on a well basis over all wells served, and each drilling well to be considered as equivalent to producing wells, or on some other equitable basis consistent with Operator's accounting practice.
- (14) Camp Expense: The expense of providing and maintaining on or in the vicinity of the joint lease all necessary camps, housing facilities for employees, and boarding employees, if necessary. When leases other than the joint lease are served by these facilities, then an equitable distribution of expense including depreciation, or a fair monthly rental in lieu of the investment, maintenance and operating cost of buildings, etc., shall be prorated against all leases served.
- (15) Handling charges: To cover the cost of handling material into and in the warehouse, a handling charge not in excess of 5% of the net cost of the material, new or second-hand, placed upon the lease from the Operator's warehouse, may be assessed against the joint account. On tanks, derricks, tubular goods (2" and over), boilers, engines, compressors and pumps, the handling charges shall not exceed 2½% of the net cost.
- (16) 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 the Operator, down to and including the division superintendent and any portion of the office expense of the principal business office of the Operator, which office is located at but are not in lieu of field office expenses incurred in operating any such properties, and such overhead charges do not include any other expenses of the Operator incurred in the development and operation of said leases, and the Operator shall have the right to assess against the properties covered hereby, the following overhead charges:
 - (a) \$ per month for each drilling well, beginning on the date the well is spudded and terminating when it is on production or is plugged, as the case may be, except that no charge shall be made during suspension of drilling operations for or more consecutive days.
 - (b) \$ per well per month for the first five producing wells.
 - (c) \$ per well per month for the second five producing wells.
 - (d) \$ per well per month for all producing wells over ten.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.
- (17) Any other items of cost and expense incurred by Operator for the necessary and proper development, equipment and operation of the joint lease.

II. BASIS OF CHARGES TO JOINT ACCOUNT:

- (1) Outside Purchases: All materials and equipment purchased and all service procured from the outside sources will be charged at their actual cost to Operator, after deducting any and all trade and/or cash discounts actually allowed off invoices, or received by Operator.
- (2) New Materials furnished by Operator (Condition "A").
New Materials transferred to lease from Operator's warehouse or other leases shall be priced, f. o. b. the nearest supply store or railway receiving point, at replacement cost of the same kind of materials. This will include large equipment such as tanks, rigs, pumps, boilers and engines. All tubular goods (2" and over) will be charged on the basis of mill-shipment, or carload price. Other materials, where the replacement cost cannot be readily ascertained, may, for the purposes of consistency and convenience, be charged on the basis of a reputable Supply Company's Preferential List Price, f. o. b. nearest supply store or railway receiving point to the lease, prevailing on the date of transfer of the materials to the lease.
- (3) Second-hand Materials furnished by Operator (Condition "B" and "C").
 - (a) Tubular goods (2" and over), fittings, registered machinery, and other equipment which is in sound and serviceable condition at date of transfer, will be classed as Condition "B" and charged at 75% of the price of new materials, in accordance with the provisions of Paragraph (2) above.
 - (b) Tanks, derricks, and buildings or other equipment involving erection costs, will be charged on a basis not to exceed 75% of knocked-down new price for similar materials.

AMENDMENT TO OPERATING AGREEMENT

THIS AGREEMENT, made and entered into this 30th day of June, 1949, by and between the undersigned parties:

W I T N E S S E T H:

WHEREAS, the parties hereto or their predecessors in interest have heretofore entered into a certain Operating Agreement described as follows:

Drilling contract dated November 5, 1936, executed by Anderson-Prichard Oil Corporation and Apex Drilling Corporation, relating to lands covered by the C. H. Carlson and M. J. Wells leases in Township 35 North, Range 37 East, Lea County, New Mexico.

WHEREAS, the undersigned desire to amend the above described Operating Agreement as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and the agreements herein contained, it is agreed that the above described Operating Agreement is hereby amended to include the following provision:

Each party to this agreement shall have the continuing right at all times to receive in kind or to separately dispose of its proportionate share of the oil, gas, and/or casinghead gas produced by Operator from the lands covered by this Agreement, plus its proportionate share of all royalty oil, gas and/or casinghead gas not delivered in kind.

During such time as Non-operator is not exercising its right to receive in kind or to separately dispose of its proportionate part of such production, Operator shall have the right to purchase for its own account or to sell to others at not less than the prevailing market price, all oil, gas, and/or casinghead gas produced from the lands covered by this Agreement. Any contracts entered into by Operator for the sale of Non-operator's proportionate share of the production shall be on a temporary basis for a period not greater than the minimum usually demanded by a purchaser of like grade and quantity of such production at the point where such sale and delivery is made, but not in excess of one (1) year; provided, however, this right shall be revocable at the will of Non-operator as to its interest upon such party taking its proportionate part in kind. All sales shall be on a division order basis and payment shall be made directly to the party entitled thereto.

This Agreement shall not affect any existing right to purchase, purchase agreement, or option to purchase whereby either party has granted to the other the right to purchase all or any part of its interest in the production from the joint operation.

Except as herein provided, said Operating Agreement shall remain in full force and effect in accordance with its terms and provisions.

This Agreement shall be effective as of the date first above written and shall be binding as to each party signing the same, even though all parties interested in the operating rights subject to the said Operating Agreement do not execute this Agreement, and may be executed in separate counterparts with like effect as if all signing parties had executed the same instrument.

ATTEST:

ANDERSON-PRICHARD OIL CORPORATION

By: T. H. Marshall
Vice-President

FIRST CHICAGO CORPORATION

By: George E. Nicholas
President

ATTEST:

Ray W. Smith
Asst. Secretary

Edward M. B. Smith
Asst. Secretary

STATE OF OKLAHOMA

COUNTY OF OKLAHOMA

SS.

On this 4 day of November

T. N. Marshall, to me personally known, who, being by me duly sworn did say that he is the ~~President~~ President of ANDERSON-PRICHARD OIL 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 T. N. Marshall 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 on this
the day and year last above written.

My Commission expires:

Alvin C. Hatch
Notary Public.

SECRET

STATE OF

COUNTY OF

22

On this 15th day of November

_____ , to me personally known, who, being by me duly sworn did say that he is the _____ President of FIRST CHICAGO 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 _____ 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 on this
the day and year last above written.

My Commission expires:

Notary Public.

(SEAL)

STATE OF

COUNTY OF

SS.

Before me, the undersigned, a Notary Public, in and for said County and State, on this day of _____, 19____, personally appeared _____ to me

known to be the identical person who executed the within and foregoing instrument and
acknowledged to me that he executed the same of his free and voluntary act and deed for the
uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My Commission expires:

Notary Public.

SEAL