

TENNECO OIL COMPANY
FORCED POOLING HEARING
E/2, SECTION 10, T29N-R13W
SAN JUAN COUNTY, NEW MEXICO

EXHIBITS

BEFORE EXAMINER GATANACH	
OIL CONSERVATION DIVISION	
<i>Tenneco</i>	EXHIBIT NO. _____
CASE NO.	<u>8979</u>

FORCE POOLING APPLICATION

WELL NAME: CITY OF FARMINGTON COM #1
 SPACING: E/2 of Section 10, Township 29 North,
 Range 13 West, N.M.P.M.
 San Juan County, New Mexico

Tenneco Oil Company plans to drill the captioned Dakota Formation well in the fourth quarter of 1986. Tenneco has leased more than 410 mineral owners in the E/2 of Section 10 since May of 1984. Listed below is a breakdown of the leasehold ownership of the E/2 of Section 10, T29N, R13W.

	<u>ACRES</u>	<u>E/2 SPACING % of OWNERSHIP</u>
Tenneco Oil Company	267.746	83.67062 %
Fossil Associates	16.6	5.1875 %
Parties to Lease or Participate	2.598	.81188 %
State of New Mexico (Unleased)	4.7727	1.49147 %
Unknown Acres	5.7388	1.79338 %
Force Pooled Acreage	<u>22.5445</u>	<u>7.04516 %</u>
(See Map and Exhibit "A") Total	320.00	100 %

Tenneco seeks approval for a compulsory pooling order for the lands included in the enclosed map as listed on Exhibit "A". The enclosed documentation demonstrates that all of the requirements as stipulated by the New Mexico Oil Conservation Division have been met.

EXHIBIT "A"

TR NAME	DESCRIPTION	NET ACRES	E/2 SPACING % OF OWNERSHIP	% CONT
1 Mr. & Mrs. Guido Alleva Address unknown	Carlton Sub., B-6, L-3	.172 ac.	.05375%	No
2 Mr. & Mrs. Charles R. Archuleta Address unknown	Delhi Terrace Sub. Lot 11	.265 ac.	.08281%	No
3 Mr. & Mrs. Joseph A. Baca Address unknown	Carlton Sub., B-3, L-8	.162 ac.	.05063%	No
4 Mr. & Mrs. Larkin Beck Address unknown	Roads reserved in DB 19/240 and DB 29/274	.442 ac.	.13813%	No
5 Mr. James M. Blackwell & Ms. Eileen Blackwell Address unknown	Strip of land reserved in DB 658/578	.178 ac.	.05563%	No
6 Mr. & Mrs. James M. Bray 1500 Zuni Drive Farmington, NM 87401	Carlton Sub., B-3, L-10	.194 ac.	.06063%	No
7 Mr. Carl L. Cleaver Address unknown	Tract in SW/4SE/4	.0969 ac.	.03028%	No
8 Mr. & Mrs. A. C. Hubbard Address unknown	Part of E. Main St.	1.442 ac.	.45063%	No
9 Mr. & Mrs. Ernest Hudgins 3709 Crescent Avenue Farmington, NM 87401	Bruss, Carlton Sub., B-4, Jr. L-12	.162 ac.	.05063%	Yes
10 The Heirs of James Cooper Deceased (Bessie Locke, et al) Address unknown	Parts of Cooper Ave., 20th St., & Santiago St.	4.400 ac.	1.37500%	No
11 Ms. Elizabeth Crawford Mr. Robert R. Crawford Rt 1, Box S-30 Aztec, NM 87410	Tract in S/2SE/4NE/4	.590 ac.	.18459%	Yes
12 Mr. & Mrs. J. J. DeWeerd Address unknown	Road in Crestview Park	.146 ac.	.04563%	No
13 Mr. & Mrs. Donald S. George Address unknown	Carlton Sub., B-3, L-5	.162 ac.	.05063%	No
14 Mr. & Mrs. W. E. Gossell Address unknown	Carlton Sub., B-6, L-1	.172 ac.	.05375%	No

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TR NAME	DESCRIPTION	NET ACRES	E/2 SPACING % OF OWNERSHIP	CONT
15 Mr. Peter J. Hayden 1221 E. 16th Street Farmington, NM 87401	Mossman #10 Sub. B-4, L-13	.155 ac.	.04844%	Yes
16 Mr. & Mrs. Jack Holt Address unknown	All of Holt Sub., except L-4, 5, 6, & S 38' of L-1	1.171 ac.	.36594%	No
17 Mr. & Mrs. Willaim N. Kight Address unknown	Part of E. Main St.	.5298 ac.	.16528%	No
18 Land Development Company Address unknown	Roads in E/2SE/4SE/4	4.2944 ac.	1.34200%	No
19 Mr. and Mrs. Delton Lewis Address unknown	Certain roads & alleys in Zuni & Lewis Subs.	.538 ac.	.16813%	No
20 Martin Marietta Corporation %M.R. Newman 6801 Rockledge Drive Bethesda, MD 20817	Parts of Vine Ave. & Navajo St.	2.54 ac.	.79375%	Yes
11 Ms. Ruth Mattics Mr. John Mattics 1113 South Jackson Tucumcari, NM 88401	Tract in S/2SE/4NE/4	.5907 ac.	.18459%	Yes
11 Mr. & Mrs. S. L. Merchant 1305 E. 27th Street Farmington, NM 87401	Tract in S/2SE/4NE/4	.5907 ac.	.18459%	Yes
21 Mr. & Mrs. Samuel Merchant 1305 East 27th Street Farmington, NM 87401	Road in S/2SE/4NE/4	.275 ac.	.08459%	Yes
22 Mr. & Mrs. Henry R. Molina 1509 Zuni Drive Farmington, NM 87401	Carlton Sub., B-4, L-5	.162 ac.	.05063%	Yes
23 Dr. Mary Sue Moreland 822 E. Main Farmington, NM 87401	Tract in SW/4SE/4	.375 ac.	.11719%	Yes
24 Mr. & Mrs. Tommy Joe Pennington & Ms. Rose Pacheo Address unknown	San Juan Park Sub., 2nd Ext., B-3, L-4	.190 ac.	.05938%	No

EXHIBIT "A"

TR NAME	DESCRIPTION	NET ACRES	E/2 SPACING % OF OWNERSHIP	CONT
23 Dr. Jose P. Quintana 822 E. Main Farmington, NM 87401	Lot in SW/4SE/4	.375 ac.	.11719%	Yes
25 Mr. DeWayne A. Roberts, Jr. Address unknown	Carlton Sub., B-5, L-6	.184 ac.	.05750%	No
26 Mr. David Rogers Address unknown	Carlton Sub., B-2, L-2	.162 ac.	.05063%	No
27 Mr. & Mrs. L. C. Sandschulte Mr. & Mrs. Leonard E. Voight (addresses unknown)	Knudsen Sub., B-2, L-1	.212 ac.	.06625%	No
28 Mr. & Mrs. Virgil L. Stoabs 1831 Chilton Court Farmington, NM 87401	Carlton Sub., B-4, L-1	.194 ac.	.06063%	Yes
29 Mr. & Mrs. Kennard T. Stradling Address unknown	Knudsen Sub., B-2, L-7	.207 ac.	.06469%	No
30 Triad Enterprises, Inc. 954 E. 24th Avenue Durango, CO 81301	Lot in SE/4SE/4	.728 ac.	.22750%	Yes
31 Mr. Richard E. Wajda Address unknown	Carlton Sub., B-3, L-18	.162 ac.	.05063%	No
32 Mr. & Mrs. Johnathon H. Webb Address unknown	Zuni Sub., B-1, L-4	.161 ac.	.05031%	No
33 Mr. & Mrs. Arthur J. Weinig 1519 Zuni Drive Farmington, NM 87401	Zuni Sub., B-3, L-1	.164 ac.	.05125%	Yes

Tenneco Oil Company

A Tenneco Company



Rocky Mountain Division
P.O. Box 3249
Englewood, Colorado 80155
(303) 740-4800

Delivery Address
6162 South Willow Drive
Englewood, Colorado 80111

July 31, 1986

Mr. Richard L. Stamets
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87501

CERTIFIED MAIL
Return Receipt Requested

Mr. Frank Chavez
New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410

Non-Consenting Mineral Owners as shown on
Exhibit "A" of Application for Compulsory Pooling

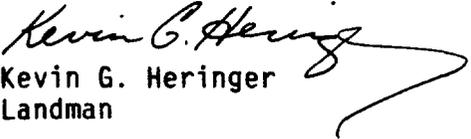
RE: Forced Pooling Application
E/2 Section 10, T29N-R13W
San Juan County, New Mexico

Gentlemen:

The purpose of this letter is to notify you that an application for force pooling (copy enclosed) has been filed by Tenneco Oil Company. This application may affect an interest which you have in the E/2 of Section 10, T29N-R13W, N.M.P.M., San Juan County, New Mexico. This application has been set for hearing by the Oil Conservation Division on August 20, 1986, at the State Land Office, Santa Fe, New Mexico. You have the right to appear at this hearing, either in support or opposition to the application.

Sincerely,

TENNECO OIL COMPANY


Kevin G. Heringer
Landman

KGH/snl
Enc.

2041H

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

July 29, 1986

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

"Hand Delivered"

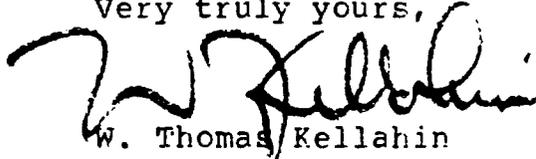
Re: Tenneco Oil Company
Forced Pooling Application
E/2 Section 10, T29N, R13W,
San Juan County, New Mexico

Dear Mr. Stamets:

On behalf of Tenneco Oil Company, please set the enclosed application for hearing at the Examiner Hearing now scheduled for August 20, 1986.

By copy of this letter we are sending a copy of the application by certified mail return receipt to all parties to be pooled. Those interested parties are hereby advised that they have the right to appear at the hearing either in support or opposition to the application.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

Sam Appell, Esq.
Tenneco Oil Company
P. O. Box 3249
Englewood, Colorado 80155

✓ Kevin Herringer
Tenneco Oil Company
P. O. Box 3249
Englewood, Colorado 80155

"Certified Return-Receipt Requested"

To all addressees on Exhibit A of Application

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF TENNECO OIL COMPANY, FOR
COMPULSORY POOLING, SAN JUAN
COUNTY, NEW MEXICO.

CASE:

A P P L I C A T I O N

Comes now TENNECO OIL COMPANY, and applies to the Oil Conservation Division of New Mexico for an order pooling all mineral interests in the Basin Dakota Pool underlying the E/2 of Section 10, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico, for the formation of a proration and spacing unit for the said production, and in support thereof would show the Commission.

1. Applicant is an owner of the right to drill and develop the E/2 of Section 10, Township 29 North, Range 13 West.

2. Applicant proposes to drill a well pursuant to Division Order R-8253 to test the Basin Dakota Pool.

3. Applicant has sought to obtain the cooperation of all parties.

4. In order to obtain their just and equitable share of the production underlying the above lands, Applicant needs an order pooling the mineral interest involved.

5. Those who have not consented to join in the drilling of the well, with their address, to the best of the applicant's information and belief, are as follows:

Party

Interest

See Exhibit "A" Attached and incorporated herein.

6. The parties named in paragraph 5 above have been furnished a copy of this application.

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described herein. Applicant further prays that it be named operator of the well, and that the order make provisions for applicant to recover out of production its costs of drilling the subject well, completing and equipping it, costs of operation, including costs of supervision and a risk factor in the amount of 200% for the drilling of the well, for such other and further relief as may be proper.

Respectfully submitted,

Tenneco Oil Company



By

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, NM 87504

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Rocky Mountain Division
P.O. Box 3249
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(303) 740-4800

Delivery Address
6162 South Willow Drive
Englewood, Colorado 80111

July 9, 1986

Mr. & Mrs. Tommy Joe Pennington &
Ms. Rose Pacheco
1126 N. Mesa Verde Avenue
Farmington, NM 87401

RE: City of Farmington Com #1
Township 29 North, Range 13 West
Section 10: E/2
San Juan County, New Mexico

Dear Mr. Gille:

Tenneco Oil Company plans to directionally drill a Basin Dakota gas well with a bottom-hole location in the SE/4 of Section 10, T29N-R13W, in November of this year. Tenneco has purchased a 4.6 acre tract of land in Section 10, which is located on the east side of Vine Avenue, northeast of the intersection of Vine Avenue and Navajo Street and immediately north of the Rusty Sun Townhomes from which drilling operations will take place. New Mexico spacing rules require a 320 acre spacing unit for a Basin Dakota gas well, with one additional "infill" well being allowed in the spacing unit. The spacing unit will be designated the E/2 of Section 10. This spacing rule is a conservation measure, and represents the determination by the New Mexico Oil Conservation Division that the initial and infill wells will efficiently and without waste drain a 320 acre area. The initial well and infill well are the only wells which will be allowed to produce Basin Dakota gas from the E/2 of Section 10.

As a mineral owner in the E/2 of Section 10, a number of options are available to you, all of which will result in your receipt of a portion of the proceeds of production from the well. We have previously contacted you in regards to leasing your .190 mineral acres. This letter reiterates the offer to lease your mineral interest for a \$100.00 bonus, 3/16ths royalty and a for a term of three years. Your royalty interest would be free of the expenses of production. I have enclosed a blank copy of Tenneco's lease form (see Exhibit "A" enclosed) for your reference. The lease form and terms are identical to the other interests Tenneco has leased in this section.

A second alternative would be for you to "farmout" your interest to Tenneco. A farmout (see Exhibit "B" enclosed) is an agreement whereby the owner (farmor) not wanting to drill a well agrees to assign all or a part of its interest in the well and its production to the operator (Tenneco, farmee) desiring to drill. The farmee earns the assignment if it drills the well in accordance with the agreement. You would incur no cost in the drilling of this well. A common provision of such agreement is the farmor's retention of an overriding royalty interest, which is free of the costs of production. The overriding royalty is usually convertible to a working interest (an increased share of production, but subject to operating costs) after the well has produced enough to cover all of the drilling and operating costs up to that point in time.

As a third alternative, you could participate in the well. While the first two alternatives do not require any financial commitment on your part, participating in the drilling of this well would mean that the mineral owner (you) would pay your proportionate share of all costs of drilling and completing this well. Your estimated proportionate cost would be \$269.88 calculated by: .190 net acres/320 acres in spacing unit x \$454,525.00 estimated completed well cost. Enclosed is a breakdown of well cost estimates labeled as Exhibit "C". In return, you would receive your proportionate share of revenues from production, less costs and expenses associated with the operations of this well.

If Tenneco fails to obtain an agreement with a mineral interest owner, under one of the alternatives described above, it can obtain relief under New Mexico's "forced pooling" statute. Under this statute, the New Mexico Oil Conservation Division may issue an order which penalizes parties who elect not to commit their mineral interest to the drilling of the well, under one of the alternatives discussed above, by allowing the parties who have paid the drilling costs to recoup out of production more than their actual expenses as a reward for assuming the risk of drilling the well. This is a possible result you should also be aware of, in addition to the alternatives outlined above

Please advise us of your decision to lease, farmout or participate in this well prior to July 25, 1986, and I will forward the necessary documents to you for your approval and execution. We will be glad to discuss or explain in detail our forms or your options. Should Tenneco fail to hear from you in regards to leasing, farming out or participating for your interest, we will be forced to seek a compulsory pooling order from the State of New Mexico Oil Conservation Division.

Please call me collect at (303) 740-4806 if you should require any assistance. Thank you for your prompt attention in this matter.

Sincerely
TENNECO OIL COMPANY


Kevin G. Heringer
Landman

KGH/lh

OIL AND GAS LEASE

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

party of the first part, hereinafter called Lessor, (whether one or more) and _____

_____ party of the second part, hereinafter called Lessee.

WITNESSETH: That the Lessor for and in consideration of _____ Dollars in hand paid, receipt of which is hereby acknowledged, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, demises, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas, casinghead gas and other hydrocarbons and including all other products produced therefrom; laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport, and own said products, and housing its employees, the following described land in _____

County, State of _____, to-wit:

including all minerals hereinabove named underlying lakes, streams, roads, easements and rights-of-way which traverse or adjoin said lands owned or claimed by Lessor, or which may hereafter be established to be owned by Lessor, and also in addition to the above described land and rights, any and all stripes or parcels of land, other than those constituting regular governmental subdivisions, adjoining or contiguous to the above described land and owned or claimed by Lessor, all of the foregoing land being hereinafter referred to as said land or leased premises. For the purpose of calculating the rental payments for which provision hereinafter is made, said land shall be treated as comprising _____ acres whether it actually comprises more or less.

TO HAVE AND TO HOLD the same (subject to the other provisions herein contained) for a term of ten years from this date (called primary term) and as long thereafter as oil, gas casinghead gas or other hydrocarbons or either or any of them, is produced therefrom; or as much longer thereafter as the Lessee in good faith shall conduct drilling operations or reworking operations thereon and should production result from such operations, this lease shall remain in full force and effect as long as oil, gas, casinghead gas or other hydrocarbons shall be produced therefrom.

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

1. The Lessee shall deliver to the credit of the Lessor as royalty, free of cost, in the pipe line to which Lessee may connect its wells the equal one-eighth (1/8) part of all oil produced and saved from the leased premises, or Lessee may from time to time at its option purchase any royalty oil in its possession, paying the market price thereof prevailing for oil of like grade and gravity in the field where produced on the date of purchase.

2. The Lessee shall pay Lessor, as royalty, on gas, including casinghead gas or other gaseous substances, produced from the leased premises and sold or used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-eighth of the gas sold or used, provided that on gas sold the royalty shall be one-eighth of the amount realized from such sale. The amount realized from the sale of gas shall be the price established by the gas sales contract entered into in good faith by Lessee and a gas purchaser for such terms and under such conditions as are customary in the industry. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. In the event Lessee compresses, treats, purifies, or dehydrates such gas (whether on or off the leased premises) or transport gas off the leased premises, Lessee in computing royalty hereunder may deduct from such price as a reasonable charge for each of such functions performed. If a well capable of producing gas or gas and gas-condensate or distillate in paying quantities located on the leased premises (or on acreage pooled with all or a portion of the leased premises into a unit for the drilling or operation of such well) is at any time shut-in and no gas or gas-condensate or distillate therefrom is sold or used off the premises for the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on the leased premises producing gas in paying quantities and this lease shall continue in force during all of the time or times while such well is so shut-in, whether before or after the expiration of the primary term hereof. Lessee shall use reasonable diligence to market gas or gas-condensate or distillate capable of being produced from such shut-in well but shall be under no obligation to market such products under terms, conditions or circumstances which, in Lessee's judgement exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay or tender to Lessor within 45 days after the expiration of each period of one year in length (annual period) during which such well is so shut-in, as royalty, an amount equal to annual delay rental herein provided applicable to the interest of Lessor in acreage embraced in this lease as of the end of such annual period; provided that if gas or gas-condensate or distillate from such well is sold or used as aforesaid before the end of such annual period, or if, at the end of such annual period, this lease is being maintained in force and effect otherwise than by reason of such shut-in well, Lessee shall not be obligated to pay or tender, for that particular annual period, said sum of money. Such payment shall be deemed a royalty under all provisions of this lease. Such payment may be made or tendered to Lessor or to Lessor's credit in the designated depository bank in the manner prescribed for the payment of delay rentals. Royalty ownership as of the last day of each such annual period as shown by Lessee's records shall govern the determination of the party or parties entitled to receive such payment.

3. If operations for the drilling of a well for oil or gas are not commenced on said land on or before one year from this date, this lease shall terminate as to both parties, unless the Lessee shall, on or before one year from this date, pay or tender to the Lessor or for the Lessor's credit in _____

Bank at _____, or its successor or successors, which bank and its successors are Lessor's agents and which shall continue as the depository regardless of changes in the ownership of the land or in the oil or gas or the

rentals to accrue hereunder, the sum of _____ Dollars which shall operate as a rental and cover the privilege of deferring the commencement of operations for the drilling of a well for a period of one year. In like manner and upon payments or tenders, the commencement of operations for the drilling of a well may be further deferred for like periods successively during the primary term of this lease. And it is understood and agreed that the consideration first recited herein, the down payment, covers not only the privileges granted to the date when said rental is payable as aforesaid, but also the Lessee's option of extending that period as aforesaid, and any and all other rights conferred. All payments or tenders may be made by check, or draft, of Lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered and thereafter the rentals payable hereunder shall be reduced in the proportion that the acreage covered herein is reduced by said release or releases.

4. If prior to discovery of oil or gas on said premises Lessee should drill a dry hole or holes thereon, or if after discovery of oil or gas all wells thereon should become incapable of producing for any cause, this lease shall not terminate if Lessee commences operations for additional drilling or for reworking within sixty (60) days thereafter or (if it be within the primary term) commences or resumes the payment or tender of rentals on or before the rental paying date next ensuing after the expiration of sixty (60) days from date of completion of dry hole or cessation of production. If at the expiration of the primary term there is no well upon the leased premises capable of producing oil, gas, casinghead gas or other hydrocarbons, but Lessee has commenced operations for drilling or reworking thereon, the lease shall remain in force so long as operations are prosecuted with no cessation of more than sixty (60) days, whether such operations be on the same well or on a different or additional well or wells, and if they result in the production of oil, gas, casinghead gas or other hydrocarbons, so long thereafter as oil, gas, casinghead gas or other hydrocarbons or either or any of them is produced from the leased premises.

5. If said Lessor owns a less interest in the above describe land than the entire and undivided fee simple estate herein, then the royalties and rentals herein provided for shall be paid the Lessor only in the proportion which his interest bears to the whole and undivided fee.

6. Lessee shall have the free use of oil, gas, casinghead gas and water (regardless of the source) from said land, except water from Lessor's wells, for all operations hereunder, and the royalty on oil, gas, and casinghead gas shall be computed after deducting any so used.

When requested by Lessor, Lessee shall bury his pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the Lessor.

Lessee shall pay for damages caused by its operations to growing crops on said land.

Lessee shall have the right at any time (but not the obligation) to remove all improvements, machinery, and fixtures placed or erected by Lessee on said premises, including the right to pull and remove casings.

7. 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 of the parties hereto. Notwithstanding any actual or constructive knowledge of or notice to Lessee, no change or division in the ownership of the lands, royalties, or rentals, however accomplished, shall be binding upon the Lessee (except at Lessee's option in any particular case), until sixty (60) days after Lessee shall have been furnished with the original, a copy certified by the official recorder of the county where the land or some part thereof is located, or a photostat of the recorded instrument or instruments evidencing the change or transfer, including any intermediate transfer from the Lessor or his assigns not theretofore furnished to Lessee, and such change or transfer shall not affect any payments made prior to said date whether or not due. In case of death of any person entitled to receive royalties or rentals, the evidence of change in ownership shall consist of letters of administration or final decree of distribution of the estate of the decedent issued by a court of competent jurisdiction of the decedent's estate including his interest in the lands above described. Lessee may until such date continue to pay such royalties and rentals as if such change or transfer had not been made, or may pay the same according to the interests of record as disclosed by the last certification of an abstract in Lessee's possession subsequent to the date of the lease, or at Lessee's option, may suspend the payment thereof until sixty (60) days after such evidence is received. No change or division in the ownership of the land, royalties, or rentals shall operate to enlarge the obligations or diminish the rights of the Lessee. No division of royalties shall be made effective except at the end of a calendar month. If the ownership of royalties becomes changed into separate divided portions of said land and the owner of any such royalty desires separate gauges for production from such separate tracts, he shall request the Lessee to set separate measuring and receiving tanks and pay to the Lessee in advanced the Lessee's estimated cost of procuring and setting such tanks and making the connections therefor; and unless and until such is done, Lessee may pay such royalties to the separate owners jointly or may suspend payment until such time as said separate owners shall agree in writing upon an apportionment of such royalties and furnish Lessee with the original agreement. In event of assignment of this lease as to a segregated portion or portions of said land, all rentals payable hereunder shall be apportionable 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. The acreage included in and assignment as recited therein in good faith shall be conclusive for the purpose of payment of rentals. Whether or not this lease be owned by one party or by two or more different parties, production under the terms of this lease, or drilling or reworking operations on any portion of the land above described, shall keep this lease in effect upon all the land herein leased. The Lessee shall not be liable for the failure of any subsequent owner of this lease, in whole or in part, to perform the terms, conditions and obligations of this lease, express or implied. Offsetting shall never be required to protect one portion of the leased premises against drainage through a well or wells on another portion of the leased premises. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating a trustee to receive payment for all.

8. Lessee shall have the right to unitize, pool, or combine all or any part of the above described lands with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

* FOR ADDITIONAL PROVISIONS, SEE EXHIBIT "A" WHICH IS ATTACHED
HERETO AND MADE A PART HEREOF.

OIL AND GAS LEASE FROM

TO

State of _____ County } ss

This instrument was filed for record on the _____ day of _____, 19 _____

at _____ o'clock, _____ M., and duly recorded in Book _____ Page _____ of the records of this office.

County Clerk _____ Register of Deeds.

By _____ Deputy.

When recorded return to _____

My commission expires: _____

Notary Public _____ Place of Residence _____

the signer of the above instrument, who duly acknowledged to me that he executed the same.

On the _____ day of _____, 19 _____

STATE OF _____ COUNTY OF _____ ss

UTAH INDIVIDUAL ACKNOWLEDGEMENT

My commission expires: _____

Notary Public _____ Place of Residence _____

By _____ witness my hand and official seal.

The foregoing instrument was acknowledged before me this _____ day of _____, 19 _____

STATE OF _____ COUNTY OF _____ ss

COLORADO AND WYOMING INDIVIDUAL ACKNOWLEDGEMENT

S S # _____ S S # _____

S S # _____ S S # _____

- 16. This lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as Lessors.
- 15. With respect to and for the purpose of this lease, Lessor, and each of them if there be more than one, hereby release and waive the right of homestead.
- 14. This lease and all its terms, conditions, and stipulations shall extend to and be binding on all successors of said Lessor or Lessee.
- 13. All express and implied covenants of this lease shall be subject to all federal and state laws, executive orders, rules and regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damage for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation, or if such compliance is prevented by or failure is the result of inability of Lessee through no fault of its own, to obtain sufficient and satisfactory material and equipment to justify the commencement of drilling operations or to continue production of oil or gas from the leased premises.
- 12. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, both express and implied, Lessor shall notify Lessee in writing setting out specifically in what respect Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet, all or any part of the breach alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any act by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder.
- 11. Lessor hereby warrants and agrees to defend the title to the land hereinafter described and agrees that the Lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the above described lands and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying of the discharge of any such mortgage, tax or other lien, any royalty or rentals and for such purpose may locate such facilities, including input wells, upon the leased premises, and no royalties shall be payable hereunder upon any gas used for operations and recycling operations benefiting the leased premises.
- 10. In the interest of conservation, the protection of reservoir pressures and recovery of the greatest ultimate yield of oil and/or gas, Lessee shall have the right to combine the leased premises with other premises in the same general area for the purpose of operating and maintaining repressuring and recycling facilities, and for such purpose may locate such facilities, including input wells, upon the leased premises, and no royalties shall be payable hereunder upon any gas used for operations and recycling operations benefiting the leased premises.
- 9. In addition to and not in limitation of the rights granted in paragraph 8 hereof, Lessee is hereby granted the right and option to consolidate, pool or combine the lands covered by this lease, or any portion or portions thereof, with other lands or like strata thereunder, for the development thereof or for the production therefrom of oil, gas, casinghead gas or other hydrocarbons, or any or all of said products, when in Lessee's discretion and judgment it is advisable so to do for proper development or operation of the premises, or to conform to spacing or zoning rules or any lawful authority, such as consolidation, pooling or combining to be into units of such shape and dimensions as Lessee may elect provided that any such unit when completed shall be composed of tracts each of which is contiguous to, touches or connects with some one or more of the other tracts in the unit in such manner as to form one connected tract or unit, and provided, further, that any tract included in any such unit separated only by a street, alley, road, railroad, canal, stream, right-of-way or other similar strip or parcel of land shall be considered as contiguous, connecting or touching within the meaning of this paragraph. Any unit formed under this paragraph for production of oil and casinghead gas shall not exceed one hundred sixty-three (163) acres in surface area, and for production of dry or gas well gas or dry or gas well condensate or distillate shall not exceed six hundred thirty-three (633) acres in surface area. If some larger unit for the production of oil and casinghead gas or dry or gas well condensate or distillate is permitted or prescribed by lawful authority, then in such event such unit shall control, provided that, if governmental survey units be irregular in size in the area of this lease, the size of any of the units mentioned herein granted to Lessee may be exercised at any time or from time to time, whether before or after production is secured and whether or not a unit may therefore have been created for some other product, by executing in writing an instrument identifying and describing the unit created, and by delivering a copy thereof to Lessor or by recording a copy thereof in the county where the land is located. The lands in any such unit shall be deemed to be developed or operated as one tract and any operations or production on or production from such unit, whether or not from lands described in this lease, shall be deemed to be drilling operations or production or drilling operations and operations on lands subject to this lease for all purposes except for the purpose of payment of royalty hereunder provided, further, that any operations or drilling and completing a well on any such unit shall be deemed to be operations on the lands described in this lease and under the terms thereof regardless of whether said operations result in a well of the type covered in the instrument declaring such unit or a well of a type not covered by such instrument. In lieu of the royalties elsewhere herein specified, the Lessor shall receive from production on any such unit only such portion of the royalty, at the rate stipulated elsewhere herein, as the ownership or amount of any rental which may be payable under the terms of this lease.
- 8. In the interest of conservation, the protection of reservoir pressures and recovery of the greatest ultimate yield of oil and/or gas, Lessee shall have the right to combine the leased premises with other premises in the same general area for the purpose of operating and maintaining repressuring and recycling facilities, and for such purpose may locate such facilities, including input wells, upon the leased premises, and no royalties shall be payable hereunder upon any gas used for operations and recycling operations benefiting the leased premises.

EXHIBIT "A"

This Exhibit "A" is intended to be included with, refer to and be made a part of that certain Oil and Gas Lease dated _____, 198 , by and between _____, Lessor, and TENNECO OIL COMPANY, Lessee.

1. Wherever the terms and provisions represented in this exhibit are found to be in conflict with those stated in the printed part of this lease (ie: Paragraphs #1 - #16), it is hereby stipulated that the terms and provisions contained in this exhibit shall be deemed to be superior to, and shall therefore override and control, all others.
2. Notwithstanding any provisions to the contrary contained heretofore in this lease, it is hereby stipulated and agreed by all the parties hereto that the primary term of this lease shall be three (3) years.
3. The royalties of Lessor, where previously stated as "one eighth" in paragraphs #1 and #2 hereof, shall be increased to three sixteenths (3/16).
4. Notwithstanding any provisions to the contrary contained heretofore in this lease, Lessee shall have no rights of surface occupancy for any purpose, unless specifically agreed to in writing by Lessor.

EXHIBIT "B"

Tenneco Oil Company
A Tenneco Company



Rocky Mountain Division
P O Box 3249
Englewood, Colorado 80155
(303) 740-4800

Delivery Address
6162 South Willow Drive
Englewood, Colorado 80111

(DATE:)

(YOUR NAME)

Re: **Farmin Agreement**
Township 29 North, Range 13 West
Sec. 10: E/2
San Juan County, New Mexico
City of Farmington Com #1

Gentlemen:

This contract shall confirm and set forth the entire agreement providing for the drilling of a farmout test well by Tenneco Oil Company ("Tenneco") to earn a partial assignment and relinquishment from you of your mineral interest in the following described lands in San Juan County, New Mexico:

Township 29 North, Range 13 West, N.M.P.M.

Section 10: (your land description)

containing _____ acres, more or less.

The terms of our agreement are as follows:

1. On or before January 1, 1987, Tenneco shall commence the actual drilling of a farmin test well, at a legal location of Tenneco's choice in the SE/4 of said Section 10, Township 29 North, Range 13 West, N.M.P.M., San Juan County, New Mexico, and shall diligently continue drilling said well to a depth of 6,015 feet subsurface or to such lesser depth as shall be sufficient to adequately test the Basin Dakota formation ("contract depth"). Tenneco may drill deeper than contract depth if it so desires. Such well must be completed as a producer or plugged and abandoned as a dry hole within ninety (90) days from the date of commencement.
2. In the event that Tenneco should encounter impenetrable substances or other conditions beyond its control making further drilling of any well provided hereunder impracticable before reaching contract depth, Tenneco shall properly plug and abandon the well and thereafter may, within thirty (30) days from the date of abandonment, commence the actual drilling of a substitute well at a legal location on the same governmental quarter-section upon which the abandoned well was located, and drill such substitute well pursuant to the contract requirements for the abandoned well. In such event, the substitute well shall be deemed the well it replaced.
3. The cost, risk and expense of drilling, testing, completing, equipping and/or plugging any well drilled hereunder shall be borne by Tenneco and you shall have no obligation relating to said well(s). Exhibit "1" attached hereto contains provisions constituting a part of this agreement, and Tenneco agrees to comply therewith and to assume all obligations contained therein.
4. When Tenneco has drilled the farmin test well to the contract depth in the manner provided herein, and completed same as a commercial producer, you shall assign and relinquish to Tenneco 100% of your oil and gas rights in your lands included in the final producing spacing unit as established by the State of New Mexico for said well. Any such assignment and

relinquishment shall be limited to zones from the surface to the stratigraphic equivalent of the total depth drilled in the farmout test well and shall contain language reserving unto you a net revenue interest (as negotiated) on all production from or allocated to the assigned and relinquished interest and lands included within the producing spacing unit established for the well. At payout, as defined in Exhibit "1", you shall have the option to convert your net revenue interest to a negotiated working interest, proportionately reduced, in the well and its final producing spacing unit as established by the State of New Mexico.

- 5. At the time joint ownership of working interest arises for a producing well, the parties shall execute a mutually acceptable joint operating agreement for said well, and its final producing spacing unit established by the State of New Mexico, using a modified AAPL Model Form 610 (1982 version).

Please indicate your acceptance and agreement to the terms and provisions hereto by executing in the space provided below and returning one copy of this contract to Tenneco Oil Company, Rocky Mountain Division, at the address shown herein.

Very truly yours,

TENNECO OIL COMPANY

By: _____
P.W. Cayce, Jr.
Attorney-in-Fact

PWC/SA/ps/3503L

AGREED TO AND ACCEPTED

this _____ day of _____, 19____

By: _____

EXHIBIT "1"

Attached to and made a part of that certain Farmin Agreement
between TENNECO OIL COMPANY and _____
dated _____, 1986

1. ASSIGNMENT. Any leasehold assignment (or conveyance of operating rights or working interest) executed by you shall (at your option) include, among other things, provisions containing substantially the following terms and conditions:

- (a) Any overriding royalty, production payment or like interest reserved by you in said assignment, shall be proportionately reducible to the extent the leasehold interest(s) assigned cover less than the full oil and gas mineral estate under the lands and formations covered by such leasehold interest(s). Where such reserved interest is described as "inclusive", it shall be reduced by all overriding royalties, production payments or like lease burdens in excess of basic lease royalty that are presently outstanding and applicable to the leasehold interest(s) assigned. Where the word "inclusive" is not used to describe the reserved interest, it shall be free and clear of, and shall be in addition to, all existing royalties, overriding royalties, production payments or any other like burdens outstanding against such leasehold interest(s). Such reserved interest shall be delivered free of cost into the pipeline or tanks in the same manner as the royalty of the lessor, but shall be charged with its proportionate part of all severance, production and other such taxes.
- (b) You shall reserve rights of ingress and egress for operations, at your option, for any interest retained by you in oil or gas rights in or under the lands covered by your assignment.
- (c) We agree to assume all obligations, both express and implied, contained in the lease or leases so assigned, in prior conveyances thereof or contracts relating thereto, insofar as same pertain to the assigned premises.
- (d) Such assignment shall be without warranty, express or implied.
- (e) We agree to furnish you copies of reports filed with any governmental regulatory body having jurisdiction of the premises in connection with production from or operations on the assigned premises.

2. REQUEST FOR ASSIGNMENT. When any assignments have been earned by our operations hereunder, we shall make request therefor accompanied by all reports not previously furnished showing proper drilling and completion of the pertinent well(s) drilled.

3. CONVERTIBLE OVERRIDING ROYALTY. The provisions of this paragraph 3 shall be applicable where the agreement to which this exhibit is attached provides for the reservation of an overriding royalty interest in an assignment of leasehold working interest or operating rights covering production allocated to an earning test well completed as a producer, which reserved overriding royalty is convertible upon payout of the costs of such earning well to a specific percentage of leasehold working interest or a larger overriding royalty. Unless specifically provided otherwise in the agreement to which this exhibit is attached, the following definitions shall apply to the contractual provisions concerning such convertible overriding royalty or other provisions of the agreement where the defined terms are used:

- (a) Earning well shall mean the well that when drilled under the terms of the agreement shall entitle Tenneco to an assignment of oil and gas leasehold (or leasehold operating rights) interest(s).
- (b) Working interest when expressed as a percentage, e.g. "a 50% working interest", shall mean such expressed percentage of the leasehold (or leasehold operating rights) interest being referred to, as such leasehold interest is burdened and reducible by existing royalty, overriding royalty and like interests.

- (c) Well costs shall mean the total actual costs of drilling, testing, completing and equipping a well for production plus all costs of operating such well during the payout period as determined by the particular joint operating agreement provisions applicable to such well. Well costs shall also include capital items expended on the well prior to payout, but shall be reduced by the proceeds of any sales of well equipment.
- (d) Payout or well payout shall be, and occur at, that point in time when all of the well costs of such well shall have been recovered out of the net working interest proceeds (being the revenues from leasehold or leasehold operating rights less all royalties, overriding royalties, production payments and like lease burdens, all applicable production, severance and windfall profits taxes, etc.) from production attributable to such earning well.
- (e) Attributable production or production attributable to the earning test well shall be the actual total production from such well except where such well has been drilled pursuant to the terms of a federal exploratory unit agreement. In the case of such a federal exploratory unit well the attributable production shall be that unit production allocated to the acreage in the unit participating area established by such unit well, including allocated production from such unit well and any additional unit wells contributing to total production from an expansion of the original unit participating area so established by the earning unit well. In the event an earning unit well does not qualify (as a producer in unit "paying quantities") to establish a unit participating area, the attributable production shall be the actual production from such well.

You shall have 60 days after receipt of notice of payout to elect to convert your retained overriding royalty to either the percentage of the assigned leasehold working interest or operating rights or the increased overriding royalty as specified in the agreement (failure to make a specific election shall be deemed an election to permanently retain the overriding royalty unless an election is provided for an increased overriding royalty, in which case failure to make an election shall be deemed an election to take the increased overriding royalty). Upon an election to convert to a specific percentage of working interest, Tenneco shall reassign to you, such specified undivided percentage of the assigned leasehold working interest or operating rights originally conveyed. Such working interest assignment shall also provide for automatic termination of the originally reserved overriding royalty. If an election is made to take an increased permanent overriding royalty an assignment of such increased royalty shall be made to you. Any such assignment made shall be effective as of the date of actual payout.

Where a working interest assignment has been made to Tenneco with reservation to you of a convertible overriding royalty and such assignment has conveyed all acreage within the producing spacing unit, or established unit participating area, for an earning well and has assigned zones or formations other than those producing from such well, then (unless specified differently in the agreement to which this exhibit is attached) for any additional well drilled on acreage within such spacing unit or participating area, your interest in the spacing unit or participating area shall be your "after payout" participating working interest as if payout had occurred in the earning test well and you had elected to convert your overriding royalty to working interest. No such additional well may be proposed or drilled to the same zone or zones producing in the earning test well, but if an additional well is drilled to other zones or formations, the payout provisions for the original earning well shall not be affected thereby.

4. RELATION OF PARTIES. Except where, and to the extent, specified to the contrary in the agreement to which this exhibit is attached, no partnership, joint venture or mining partnership is intended or meant by this agreement, and no act by either of us shall operate to create such a relationship, nor shall any of the provisions hereof be construed or implied as creating such relationship for any purpose whatsoever. Neither you, your employees, agents nor contractors are the agent, servants, employees or contractors of ours for any purpose whatsoever. The liability of the parties hereto shall be several, not joint or collective.

5. DELAY RENTALS. From and after the date of this agreement and until contract rights have terminated, you (or such other party as may now be making delay rental payments) shall continue to make delay rental payments due under the terms of any leases subject hereto.

The party making rental payments shall incur no liability for any clerical error, oversight or other inadvertent failure to make, or in making, such payments.

6. NOTICES. All notices to be furnished you hereunder shall be given to the address first above written.

Either party shall have the right to change its address for notices hereunder by giving written notice to the other party.

7. LAWS AND REGULATIONS. All of the provisions of this agreement shall be subject to all applicable laws, orders, rules and regulations of any governmental body having jurisdiction, and any provision hereof which is inconsistent with any such law, order rule or regulation is hereby modified so as to conform therewith, and this agreement, as so modified, shall continue in full force and effect.

8. INTERPRETATION. If any provision of this exhibit conflicts with the agreement to which it is attached and made a part, the agreement shall control.

9. ASSIGNMENT OF AGREEMENT. All of the terms, covenants, conditions and provisions hereof shall inure to, be available to and binding upon the parties hereto, their respective heirs, executors, administrators, assigns and successors; however, it is expressly agreed that Tenneco shall not assign this agreement, it's interest therein or any portion thereof, without notifying you of the details of such assignment and obtaining your express written consent. However, the provisions of this paragraph shall not imply any requirement to obtain your written consent for Tenneco's subsequent assignment of leasehold or leasehold operating rights after assignment thereof is made to it as provided in paragraph 4 above.

EXHIBIT "C"

DETAILED ESTIMATE FOR AUTHORITY FOR EXPENDITURE

WELL NAME & NO: CITY OF FARMINGTON #1
 LOCATION: Sec. 10, T29N, R13W
 COUNTY & STATE: San Juan, New Mexico

TD: M.D. 6068'
 DATE: May 1, 1986

ITEM	COMPLETED COST	DRY HOLE COST
<u>DRILLING COST 12 days</u>		
402 Roads, Location and Cleanup	35,800	
412 Fuel, Boilers, etc.	0	
404 Hauling, Move in, Move out	4,000	
404 Contract Drilling - Footage	0	
404 Contract Drilling - Daywork \$4800/day	57,600	
408 Bits - Cleanout	12,500	
414 Rentals, Casers, Air Compressors	12,000	
406 Mud, Chemicals, and Additives	10,000	
438 Directional Tools & Ser.	15,000	
406 Drilling Water	5,000	
451 Trucking	1,500	
432 Contract Labor, DP & DC Inspection	7,500	
416 Service Tang. Equip., Csg Inspt	600	
436 District Expense	6,000	
410 Cement & Equip. - Surf & Intermed	3,800	
555 Taxes - Misc. 5%	8,530	
620 Financial Dist. Expense	0	
Total Drilling Cost	179,830	179,830
<u>FORMATION EVALUATION</u>		
404 Rig, Fuel & Rentals, 1/2 day	2,900	
424 Coring	0	
424 Drill Stem Testing	0	
424 Mud Loggers	0	
424 Logging - Production & Intermediate	7,500	
436 District Expense	250	
555 Taxes - Misc. 5%	530	
Total Formation Evaluation Cost	11,180	11,180
<u>COMPLETION COSTS</u>		
404 Drilling Rig, 1 day	5,400	4,000
404 Pulling Unit, 5 days \$1500/day	7,500	0
428 Perforating	10,000	0
430 Acidizing and Frac Single DK	40,000	0
428 Packers, BP, Blast Joints	4,000	0
451 Trucking, Water, & Tanks	6,000	2,000
426 WO & Comp Fluids - N ₂	3,000	0
410 Cement and Equipment - Prod. String	21,000	5,000
414 Rentals	5,500	1,000
432 Contract Labor	1,500	1,000
436 District Expense	2,000	1,000
555 Taxes - Misc. 5%	5,300	700
Total Completion Cost	111,200	14,700
Total Intangible Cost	302,210	205,710
<u>TANGIBLE COST</u>		
311 Conductor Pipe	0	0
311 Surface 500', 9 5/8"/\$13.78/ft	7,000	7,000
311 Intermediate	0	0
311 Prod. 6100', 4 1/2"/\$4.58/ft	27,940	0
312 Tbg 6100', 2 3/8"/\$2.52/ft	15,375	0
314 Well Heads	13,400	2,500
315 Non Controllable - Liner Hanger	0	0
555 Taxes- Misc. 5%	3,200	475
Total Tangible Cost	66,915	9,975
<u>LEASE EQUIPMENT</u>		
716 Flow Lines & Pipe line	47,000	
713 Separator or Production Unit	8,200	
713 Heater Treater	0	
713 Tanks	12,000	
724 Construction Cost and Misc.	18,200	
Total Lease Equipment	85,400	
Total Well Cost	454,525	215,685
	COMPLETED	DRY HOLE
	COST/FOOT = 74.90	COST/FOOT = 35.54
ENGR. _____ APPD _____		

SENDER: Complete items 1, 2, 3 and 4.
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.

1. Show to whom, date and address of delivery.
2. Restricted Delivery.

3. Article Addressed to:
*Robert Crawford
Elizabeth Crawford
c/o, Box 5-30
Esperanza, N.M. 87410*

4. Type of Service: Article Number
 Registered Insured
 Certified COD
 Express Mail
P 471 824 260

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
Elizabeth Crawford

6. Signature - Agent
[Signature]

7. Date of Delivery
7/18/83

8. Addressee's Address (ONLY if requested and fee paid)
[Stamp: ESPERANZA, N.M. 87410]

PS Form 3811, July 1983 447-846

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1, 2, 3 and 4.
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.

1. Show to whom, date and address of delivery.
2. Restricted Delivery.

3. Article Addressed to:
*Traid Enterprises
954 E. 24th Ave.
Durango, CO*

4. Type of Service: Article Number
 Registered Insured
 Certified COD
 Express Mail
P 187 517 128

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
Nicky Jones

6. Signature - Agent
[Signature]

7. Date of Delivery
7/18/83

8. Addressee's Address (ONLY if requested and fee paid)
[Barcode]

PS Form 3811, July 1983

DOMESTIC RETURN RECEIPT

SENDER: Complete items 1, 2, 3 and 4.
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.

1. Show to whom, date and address of delivery.
2. Restricted Delivery.

3. Article Addressed to:
*John Mattice
Drew Mattice
1113 So. Jackson
Durango, N.M. 87401*

4. Type of Service: Article Number
 Registered Insured
 Certified COD
 Express Mail
P 471 824 261

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
[Signature]

6. Signature - Agent
[Signature]

7. Date of Delivery
7/15/83

8. Addressee's Address (ONLY if requested and fee paid)
[Barcode]

DOMESTIC RETURN RECEIPT

(THERE IS NO EXHIBIT "B")

EXHIBIT " C "

Attached to and made a part of that certain Operating Agreement
dated , by and between TENNECO OIL
COMPANY, as Operator, and the other signatory parties

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.

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%) 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

* then current prime rate in effect at Chase Manhattan Bank - New York City - plus 1%
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 percent (20%)~~ the percent most recently recommended by the Council of Petroleum Accountants Societies 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.
- 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 (See Section VI)

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 (See Section VI)

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:

- (XXX) 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 \$ 4000.00
 Producing Well Rate \$ 400.00

(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, re-drilling, 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 \$25,000.00 :

- A. _____ 5 % of total costs if such costs are more than \$ 25,000.00 but less than \$ 100,000.00 ; plus
- B. _____ 3 % of total costs in excess of \$ 100,000.00 but less than \$1,000,000; plus
- C. _____ 2 % 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 ^{25¢}~~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.

SECTION VI:

Should Operator determine that it is necessary or advisable to retain an outside attorney to represent Operator for the benefit of the parties at a hearing of, or before, a state or federal regulatory agency concerning a matter directly affecting the Joint Property, then the fees and expenses of such outside attorney shall be considered "cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property" as set out in Section II.6.

August 8, 1986



Tenneco Oil Company
6162 South Willow Drive
Englewood, Colorado 80155

RE: Petition No.930

Dear Sir:

This letter is to inform you of the action taken by the City Council on Tuesday, July 22, 1986, regarding Petition No. 930. The City Council approved Petition No. 930 requesting a Special Use Permit in an R-3, Multiple Family Residential, district to allow the drilling and establishment of four natural gas wells on 4.6 acres located on the east side of Vine Avenue and Navajo Street and immediately north of Rusty Sun Townhomes, subject to:

- (a) the petitioner conducting drilling and completion operations as represented with only two wells being drilled in each year for the next two years (1986 and 1987);
- (b) compliance with Chapter 22 including submission of plans and permit application to the City Clerk for review by the Oil and Gas Inspector (the Building Inspector) as provided for in Chapter 22;
- (c) compliance with all other applicable City Codes or Ordinances including Chapter 12;
- (d) the petitioner providing a set amount of \$12,000 for design and construction of landscaping improvements on the south and east sides of the site, based on a landscap plan to be prepared by the City's Park Department;
- (e) no "trips" or removal of pipe being permitted between the hours of 7:00 p.m. and 9:00 a.m., except in the case of an emergency;
- (f) compliance with all applicable State and Federal regulations including the NFPA Life Safety Code Pamphlet 101; approval by the State Fire Marshall's Office; and the petitioner filing three (3) copies of a clearly established emergency plan for approval by the Fire Department;
- (g) immediate fencing of the well site prior to the start of the drilling and installation of a chain link fence with wooden slats around the perimeter of the site upon completion of the first two wells, said fence being setback from Vine Avenue right-of-way a minimum of 25 feet;

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TENNECO OIL CO.
WRMD Accounting

- (h) petitioner being responsible for keeping adjacent City streets free of dirt and mud from the well site;
- (i) a site grading plan being submitted which shows that the site would be contoured to an elevation of 5344 feet at its lowest point at the southeast corner of the drilling pads, or to an elevation consistent with the development of a storm water retention facility, said grading plan to be reviewed and approved by the Public Works Director prior to the start of any dirt work on the site;
- (j) rotating heads being installed on top of the blow-out preventer through the Pictured Cliffs formation;
- (k) a watchman not involved in the drilling operations to be on duty from 7:00 a.m. to 7:00 p.m.;
- (l) dedication of a sufficient amount of right-of-way for Vine Avenue to provide a 60-foot right-of-way width;
- (m) the excess land not used for drilling or production purposes being conveyed to the City for storm water retention and park expansion purposes, said land consisting of a strip of land which varies in width from 45 to 95 feet along the south property line and including all land at the southeast corner of the site from the east and south property lines to within 10 feet of the southerly guy wire anchors for well #1;
- (n) submission of suitable agreement or indemnity approved as to form by the City Attorney in an amount of \$50,000, as determined by the City Council to guarantee performance by Tenneco and conformance to all City Codes, Ordinances, and requirements;
- (o) two gates being installed in the fence to provide emergency access, the location of which to be approved by the Fire Department, and the primary access to site being paved from Vine Avenue pavement to the gate;
- (p) the City of Farmington being named as additional insured on all liability policies held by Tenneco Oil Company relating to this project and the limits of said insurance meeting the minimum limits of the Tort Claims Act; and
- (q) signs being posted on the well site stating the name, address and telephone number of the person or persons to be notified in case of an emergency at the well site.

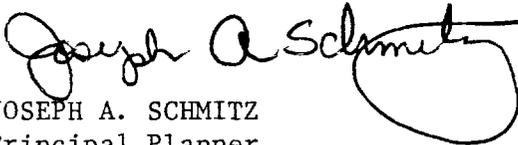
Tenneco Oil Company
August 8, 1986
Page 3

The City Council also approved a noise variance subject to:

- (a) drilling operations being conducted as proposed by Tenneco using city electricity and water and double mufflers on all diesel motors;
- (b) drilling being done during the cold weather months (October through April); and
- (c) completion of the well being done during daylight hours.

If you have any questions, please feel free to contact our office at 327-7711, Extension 1280.

Sincerely,

A handwritten signature in black ink that reads "Joseph A. Schmitz". The signature is written in a cursive style with a large, looping flourish at the end.

JOSEPH A. SCHMITZ
Principal Planner

JAS/sd

cc: Mr. Ken Russell

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8915
Order No. R-8253

APPLICATION OF TENNECO OIL COMPANY
FOR DIRECTIONAL DRILLING, SAN JUAN
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 25, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 8th day of July, 1986, the Division Director, having considered the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Tenneco Oil Company, seeks authority to directionally drill four wells to the Basin Dakota Pool in its City of Farmington Lease, all in Section 10, Township 29 North, Range 13 West, NMPM, Farmington City Limits, San Juan County, New Mexico, in the manner as described in Exhibit "A" attached hereto and made a part hereof.

(3) The E/2 of said Section 10 is to be dedicated to Wells Nos. 1 and 1-E and the W/2 of said Section 10 is to be dedicated to Wells Nos. 2 and 2-E.

(4) The proposed bottom hole locations including a 75 foot target radius on the four subject wells are standard gas well locations pursuant to the Special Pool Rules governing the Basin Dakota Gas Pool.

(5) The surface locations of all four wells are on a 4.561 acre tract of land in the NE/4 of said Section 10 which lies

within a residential section of the City of Farmington, New Mexico.

(6) The directional drilling of the subject wells is necessitated in order to adequately avoid occupied dwellings, streets, and City Parks located in said Section 10.

(7) Approval of the application is in the best interest of conservation, inasmuch as it will minimize surface damage and correlative rights, provided the applicant should be required to determine the subsurface locations of the bottom of the holes by means of a continuous multi-shot directional survey conducted subsequent to directional drilling, if said wells are to be completed as producing wells.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Tenneco Oil Company, is hereby authorized to directionally drill four wells to the Basin Dakota Pool in its City of Farmington Lease, all in Section 10, Township 29 North, Range 13 West, NMPM, Farmington City Limits, San Juan County, New Mexico, in the manner described in Exhibit "A" attached hereto and made a part hereof.

PROVIDED HOWEVER THAT, prior to the above described directional drilling, the operator shall determine the subsurface location of the kick-off point of each well;

PROVIDED FURTHER THAT, subsequent to the above described directional drilling, should said wells be producers, a continuous multi-shot directional survey shall be made of each wellbore from total depth to the kick-off point with shot points not more than 100 feet apart; the operator shall cause the surveying company to forward a copy of the survey report directly to the Santa Fe office of the Division, P. O. Box 2088, Santa Fe, New Mexico 87504, and the operator shall notify the Division's Aztec District Office of the date and time said survey is to be commenced.

(2) Form C-105's shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths for each well.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



acting
R. L. STAMETS,
Director

S E A L

EXHIBIT "A"
Order No. R-8253

The following well descriptions all in Section 10, Township 29 North, Range 13 West, NMPM, Farmington City Limits, Basin Dakota Pool, San Juan County, New Mexico.

City of Farmington Well No. 1:

Surface Location: 2160 feet from the South line and 1591 feet from the East line;
Approximate Kick-Off Point from Vertical: 3275 feet;
Bottom Hole Location: Within 75 feet of a point 1750 feet from the South line and 1775 feet from the East line.

City of Farmington Well No. 1-E:

Surface Location: 2203 feet from the South line and 1653 feet from the East line;
Approximate Kick-Off Point from Vertical: 1800 feet;
Bottom Hole Location: Within 75 feet of a point 1650 feet from the North and East lines.

City of Farmington Well No. 2:

Surface Location: 2159 feet from the South line and 1712 feet from the East line;
Approximate Kick-Off Point from Vertical: 750 feet;
Bottom Hole Location: Within 75 feet of a point 1650 feet from the South and West lines.

City of Farmington Well No. 2-E:

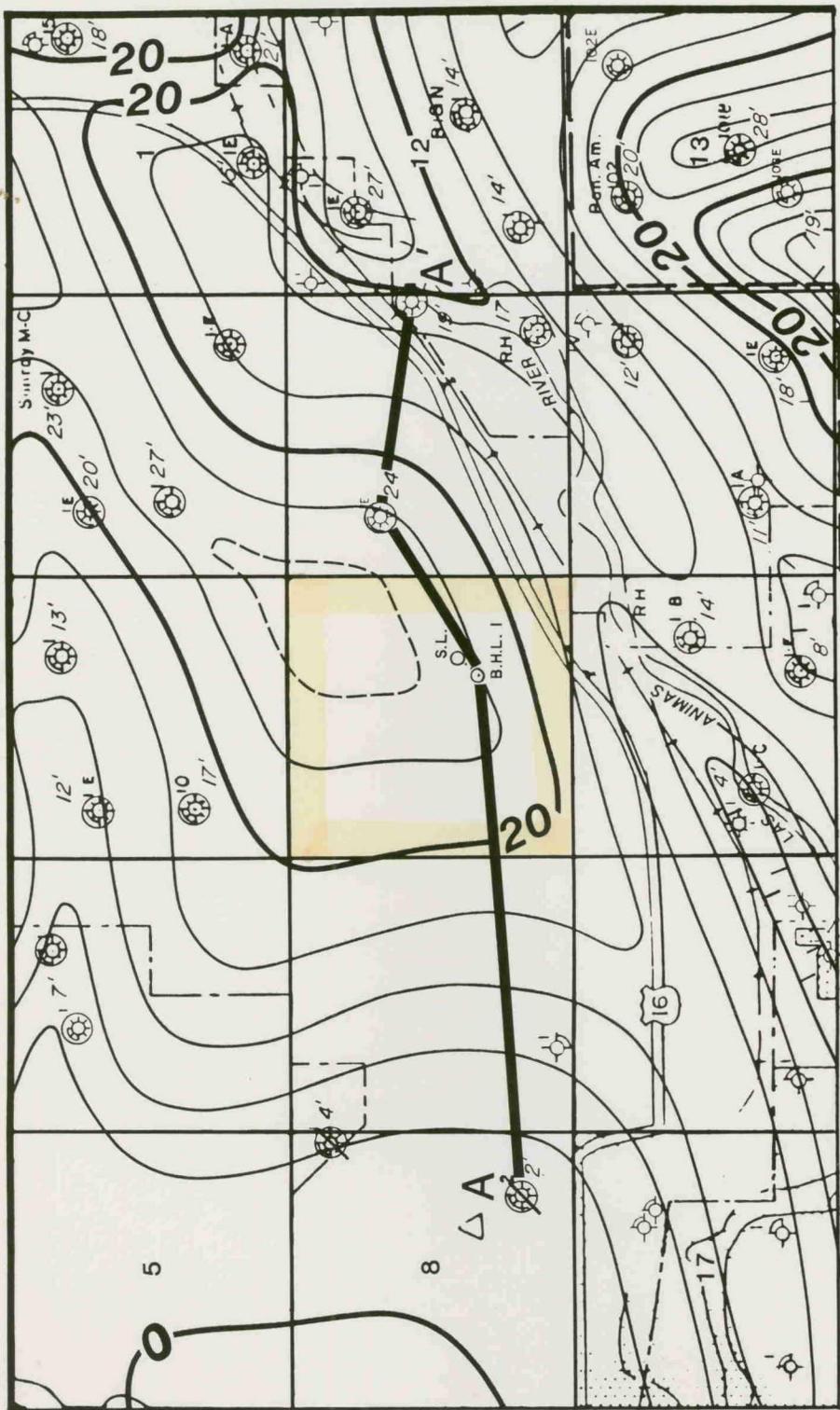
Surface Location: 2246 feet from the South line and 1712 feet from the East line;
Approximate Kick-Off Point from Vertical: 750 feet;
Bottom Hole Location: Within 75 feet of a point 1650 feet from the North and West lines.

R 13 W

R 13 W

T 29 N

T 29 N



- DRY HOLE
- ⊗ PICTURED CLIFFS GAS WELL
- ⊗ MESAVERDE GAS WELL
- ⊗ DAKOTA GAS WELL
- ⊗ DATA POINT WELL

Tenneco Oil
 Exploration and Production
 ROCKY MOUNTAIN DIVISION

SOUTH FARMINGTON-GALLEGOS AREA
SAN JUAN COUNTY, NEW MEXICO

DAKOTA "B1" SAND
NET PAY ISOPACH
 C.I. 4'



DRAFTED BY

A
WEST

CITY OF FARMINGTON AREA DAKOTA STRATIGRAPHIC CROSS-SECTION

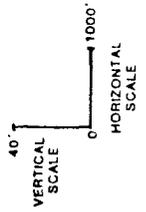
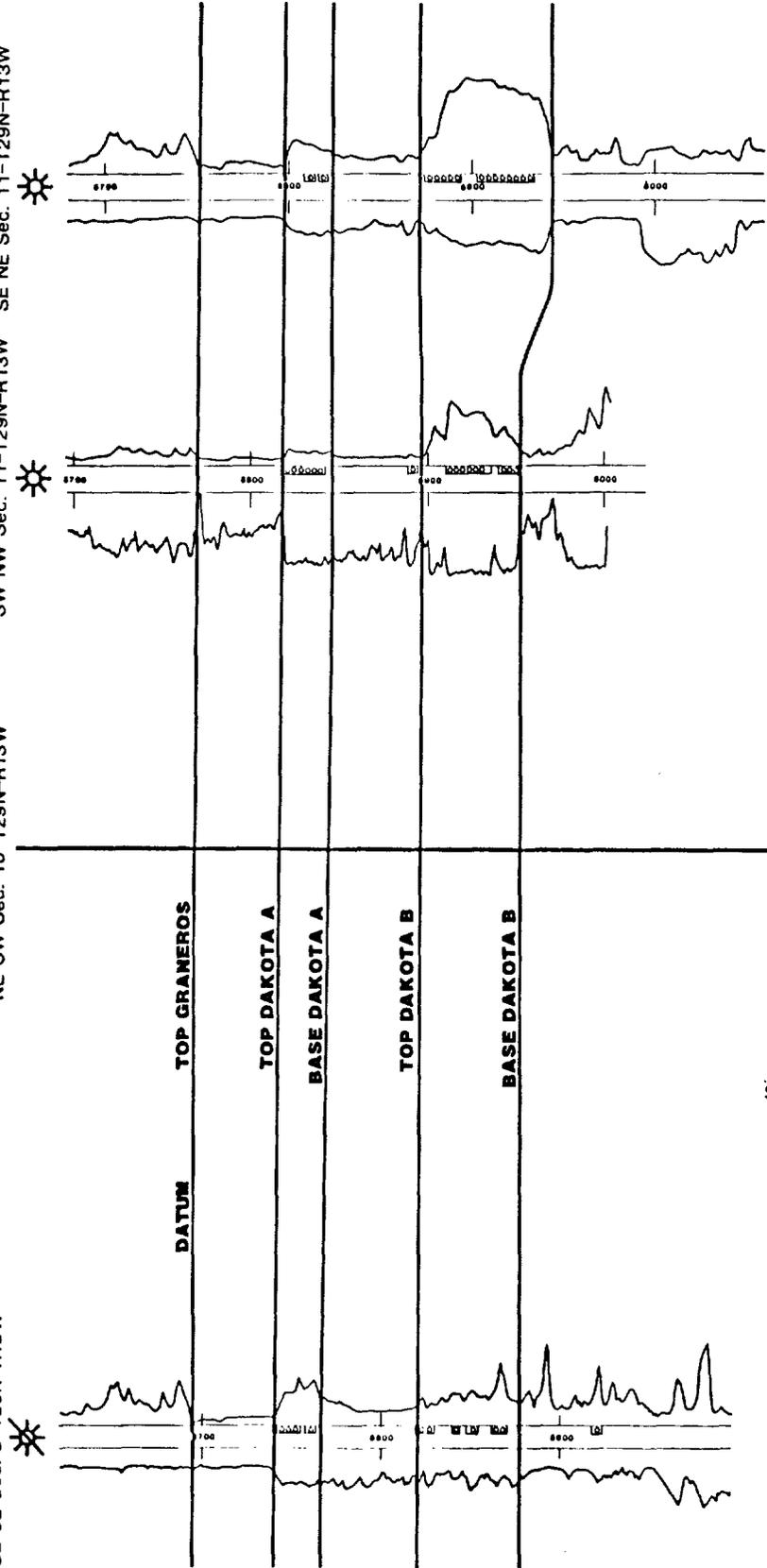
A'
EAST

REDFERN AND HERD, INC.
AIRPORT 2
IEL/SP
SE SE Sec. 8-T29N-R13W

CITY OF FARMINGTON #1
PROPOSED LOCATION
NE SW Sec. 10-T29N-R13W

TENNECO OIL CO.
IRVIN COM 1E
DILL/GR
SW NW Sec. 11-T29N-R13W

TENNECO OIL CO.
IRVIN COM 1
IEL/SP
SE NE Sec. 11-T29N-R13W

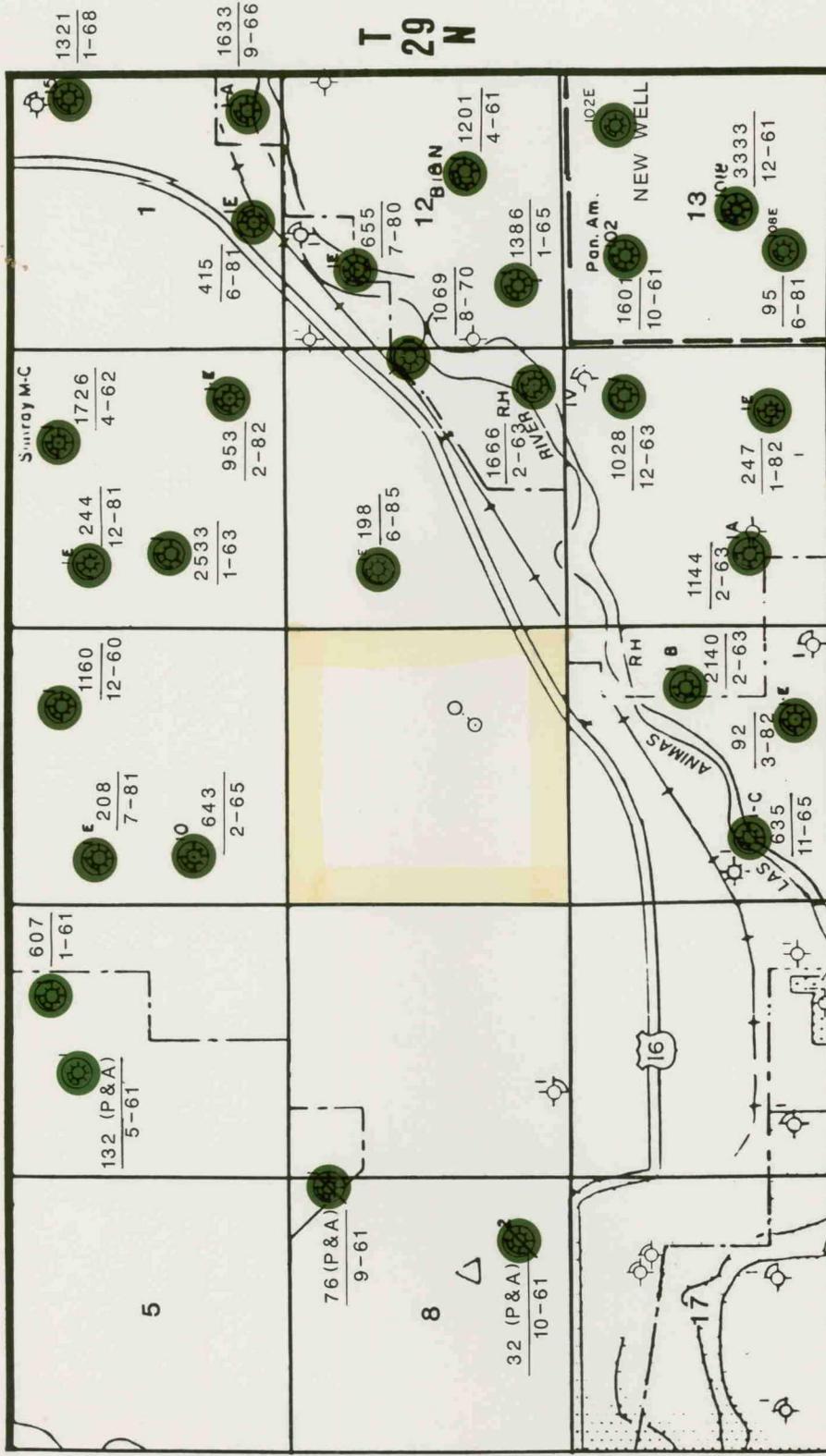


COMP: 10-2-61
IPF: 1757 MCFD
CUM: 32 MMCF
P&A 11-15-74

COMP: 4-17-84
IPF: 4229 MCFD
CUM: 196 MMCF
AS OF 1-1-86

COMP: 1-12-70
IPF: 7295 MCFD
CUM: 1069 MMCF
AS OF 1-1-86

R 13 W



T 29 N

T 29 N

R 13 W

- DRY HOLE
- ⊗ PICTURED CLIFFS GAS WELL
- ⊗ MESAVERDE GAS WELL
- ⊗ DAKOTA GAS WELL
- ⊗ DATA POINT WELL

TENNECO

Tenneco Oil
Exploration and Production
ROCKY MOUNTAIN DIVISION

SOUTH FARMINGTON-GALLEGOS AREA
SAN JUAN COUNTY, NEW MEXICO

CUMULATIVE PRODUCTION
TO 5-1-86 (MMCF)

DATE FIRST PRODUCTION (MO.-YR.)



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2 COPIES
OF E/2

RECEIVED

Case 8979

EXHIBIT "A"

JUL 31 1986

NAME	DESCRIPTION	OIL CONVEYANCE DIVISION	
		ACRES	E/2, SPACING % OF OWNERSHIP
Mr. & Mrs. Guido Alleva Address unknown	Carlton Sub., B-6, L-3	.172 ac.	.05375%
Mr. & Mrs. Charles R. Archuleta Address unknown	Delhi Terrace Sub. Lot 11	.265 ac.	.08281%
Mr. & Mrs. Joseph A. Baca Address unknown	Carlton Sub., B-3, L-8	.162 ac.	.05063%
Mr. & Mrs. Larkin Beck Address unknown	Roads reserved in DB 19/240 and DB 29/274	.442 ac.	.13813%
Mr. James M. Blackwell & Ms. Eileen Blackwell Address unknown	Strip of land reserved in DB 658/578	.178 ac.	.05563%
Mr. & Mrs. James M. Bray 1500 Zuni Drive Farmington, NM 87401	Carlton Sub., B-3, L-10	.194 ac.	.06063%
Mr. Carl L. Cleaver Address unknown	Tract in SW/4SE/4	.0969 ac.	.03028%
Mr. & Mrs. A. C. Hubbard Address unknown	Part of E. Main St.	1.442 ac.	.45063%
Mr. & Mrs. Ernest Hudgins Bruss, 3709 Crescent Avenue Farmington, NM 87401	Carlton Sub., B-4, L-12 Jr.	.162 ac.	.05063%
The Heirs of James Cooper Deceased (Bessie Locke, et al) Address unknown	Parts of Cooper Ave., 20th St., & Santiago St.	4.400 ac.	1.37500%
Ms. Elizabeth Crawford Mr. Robert R. Crawford Rt 1, Box S-30 Aztec, NM 87410	Tract in S/2SE/4NE/4	.590 ac.	.18459%
Mr. & Mrs. J. J. DeWeerd Address unknown	Road in Crestview Park	.146 ac.	.04563%
Mr. & Mrs. Donald S. George Address unknown	Carlton Sub., B-3, L-5	.162 ac.	.05063%
Mr. & Mrs. W. E. Gossell Address unknown	Carlton Sub., B-6, L-1	.172 ac.	.05375%

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JUL 31 1996

EXHIBIT "A"

OIL CONSERVATION DIVISION

NAME	DESCRIPTION	NET ACRES	E/2 SPACING % OF OWNERSHIP
Mr. Peter J. Hayden 1221 E. 16th Street Farmington, NM 87401	Mossman #10 Sub. B-4, L-13	.155 ac.	.04844%
Mr. & Mrs. Jack Holt Address unknown	All of Holt Sub., except L-4, 5, 6, & S 38' of L-1	1.171 ac.	.36594%
Mr. & Mrs. Willaim N. Kight Address unknown	Part of E. Main St.	.5298 ac.	.16528%
Land Development Company Address unknown	Roads in E/2SE/4SE/4	4.2944 ac.	1.34200%
Mr. and Mrs. Delton Lewis Address unknown	Certain roads & alleys in Zuni & Lewis Subs.	.538 ac.	.16813%
Martin Marietta Corporation %M.R. Newman 6801 Rockledge Drive Bethesda, MD 20817	Parts of Vine Ave. & Navajo St.	2.54 ac.	.79375%
Ms. Ruth Mattics Mr. John Mattics 1113 South Jackson Tucumcari, NM 88401	Tract in S/2SE/4NE/4	.5907 ac.	.18459%
Mr. & Mrs. S. L. Merchant 1305 E. 27th Street Farmington, NM 87401	Tract in S/2SE/4NE/4	.5907 ac.	.18459%
Mr. & Mrs. Samuel Merchant 1305 East 27th Street Farmington, NM 87401	Road in S/2SE/4NE/4	.275 ac.	.08459%
Mr. & Mrs. Henry R. Molina 1509 Zuni Drive Farmington, NM 87401	Carlton Sub., B-4, L-5	.162 ac.	.05063%
Dr. Mary Sue Moreland 822 E. Main Farmington, NM 87401	Tract in SW/4SE/4	.375 ac.	.11719%
Mr. & Mrs. Tommy Joe Pennington & Ms. Rose Pacheo Address unknown	San Juan Park Sub., 2nd Ext., B-3, L-4	.190 ac.	.05938%

EXHIBIT "A"

NAME	DESCRIPTION	NET ACRES	E/2 SPACING % OF OWNERSHIP
Dr. Jose P. Quintana 822 E. Main Farmington, NM 87401	Lot in SW/4SE/4	.375 ac.	.11719%
Mr. DeWayne A. Roberts, Jr. Address unknown	Carlton Sub., B-5, L-6	.184 ac.	.05750%
Mr. David Rogers Address unknown	Carlton Sub., B-2, L-2	.162 ac.	.05063%
Mr. & Mrs. L. C. Sandschulte Mr. & Mrs. Leonard E. Voight (addresses unknown)	Knudsen Sub., B-2, L-1	.212 ac.	.06625%
Mr. & Mrs. Virgil L. Stoabs 1831 Chilton Court Farmington, NM 87401	Carlton Sub., B-4, L-1	.194 ac.	.06063%
Mr. & Mrs. Kennard T. Stradling Address unknown	Knudsen Sub., B-2, L-7	.207 ac.	.06469%
Triad Enterprises, Inc. 954 E. 24th Avenue Durango, CO 81301	Lot in SE/4SE/4	.728 ac.	.22750%
Mr. Richard E. Wajda Address unknown	Carlton Sub., B-3, L-18	.162 ac.	.05063%
Mr. & Mrs. Johnathon H. Webb Address unknown	Zuni Sub., B-4, L-1	.161 ac.	.05031%
Mr. & Mrs. Arthur J. Weinig 1519 Zuni Drive Farmington, NM 87401	Zuni Sub., B-3, L-1	.164 ac.	.05125%