

entitled to collect and receive from the Purchaser the proceeds from such Working Interest Owner's share of the Unitized Substances in satisfaction of such debt. Further, all Working Interest Owners covenant and agree to save all purchasing companies harmless from any and all liability by reason of paying such proceeds to Unit Operator. Each purchaser shall be entitled to rely on Unit Operator's written statement of amounts in default. All credits to any such defaulting Working Interest Owner on account of the sale or other disposal of Unit Equipment, or otherwise, shall also be applied against the unpaid share of Unit Operating Expense charged against such Working Interest Owner.

10.5 Payment of Capital Expenditures. Capital expenditures required for Unit Operations, after approval by the Operating Committee, shall be billed to the individual Working Interest Owners. If any Working Interest Owner fails to pay its proportionate share of such Capital Expenditure within ninety (90) days of billing thereof, any such defaulting Working Interest Owner shall not be entitled to participate in, nor shall its account be credited with, any share of the proceeds of Unitized Substances and instead such defaulting Working Interest Owner shall be deemed to have relinquished to Unit Operator, or, at the option of Unit Operator, all non-defaulting Working Interest Owners who shall carry and pay such defaulted Capital Expenditure until such Capital

NEW MEXICO
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foregoing provisions of this Section II, or in Section III, and which is incurred by the Unit Operator in the necessary and proper conduct of the Unit Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

1.1 As compensation for administrative, supervision, office services and warehousing costs, Unit Operator shall charge drilling and producing operations on a fixed rate basis as defined in Paragraph 1.3.

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 2.1, Section II.

1.2 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, exclusive of reservoir management engineering, shall be covered by the Overhead rates.

1.3 Overhead - Fixed Rate Basis

1.3.1 Unit Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 5,400

Producing Well Rate \$ 680

1.3.2 Application of Overhead - Fixed Rate Basis shall be as follows: