

Exhibit "B"
Schedule Showing the Percentage and Kind of Ownership of Oil and Gas Interests
Cottonwood Canyon CO2 Unit Area
Apache County, Arizona and Catron County, New Mexico

Tract No.	Legal Description AZ FEDERAL LANDS	Number of Acres	Serial Number and Expiration Date of Lease	Basic Royalty And Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
F-01	Township 12 North, Range 29 East Gila and Salt River Meridian Apache County, Arizona Section 24: ALL	640.00	AZA 28337 09-30-2004	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-02	Township 12 North, Range 30 East Gila and Salt River Meridian Apache County, Arizona Section 11: Lots 1-16 Section 13: All	1,314.46	AZA 30213 12-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-03	Township 12 North, Range 30 East Gila and Salt River Meridian Apache County, Arizona Section 10: All	640.00	AZA 30214 12-31-2007	U. S. A. - All (12.5% royalty)	Gary L. Kiehne 100%	None	Ridgeway Arizona Oil Corp. 100%
F-04	Township 12 North, Range 30 East Gila and Salt River Meridian Apache County, Arizona Section 9: E2 Section 19: Lots 2-4, S/2NE/4, SE/4NW/4, E/2SW/4, SE/4 Section 20: S/2N/2, S/2	1,268.36	AZA 30215 12-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

F-05	Township 12 North, Range 30 East Gila and Salt River Meridian Apache County, Arizona Section 21: All Section 27: W/2, SE/4 Section 28: All Section 29: All	2,400.00	AZA 30216 12-31-2007	U. S. A. - All (12.5% royalty)	Gary L. Kiehne 100%	None	Gary L. Kiehne 100%
F-06	Township 12 North, Range 30 East Gila and Salt River Meridian Apache County, Arizona Section 23: E/2E/2, SW/4NE/4, NW/4NW/4, S/2SW/4, W/2SE/4 Section 24: All Section 25: All Section 26: N/2N/2, S/2NE/4, S/2SW/4	2,000.00	AZA 30217 12-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-07	Township 12 North, Range 30 East Gila and Salt River Meridian Apache County, Arizona Section 34: All Section 35: W/2, SE/4	1,120.00	AZA 30218 12-31-2007	U. S. A. - All (12.5% royalty)	Gary L. Kiehne 100%	None	Gary L. Kiehne 100%
F-08	Township 9 North, Range 31 East Gila and Salt River Meridian Apache County, Arizona Section 3: Lots 1-3, 5-7, SW/4NE/4, SE/4NW/4 Section 10: Lots 1-14, W/2E/2, E/2W/2 Section 15: Lots 1-4, W/2NE/4 Section 22: Lots 3, 4, SE/4SW/4, SW/4SE/4 Section 27: Lots 1-3, W/2NE/4, NE/4NW/4, NW/4SE/4	1,012.93	AZA 30220 12-31-2007	U. S. A. - All (12.5% royalty)	Gary L. Kiehne 100%	None	Gary L. Kiehne 100%

F-09	Township 10 North, Range 31 East Gila and Salt River Meridian Apache County, Arizona Section 3: Lots 1, 2, 5, 6, 7, SW/4NE/4, SE/4NW/4, E/2SW/4, W/2SE/4 Section 10: Lots 1-4, W/2E/2, E/2W/2	677.74	AZA 30221 12-31-2007	U. S. A. - All (12.5% royalty)	Gary L. Kiehne 100%	None	Gary L. Kiehne 100%
F-010	Township 12 North, Range 31 East Gila and Salt River Meridian Apache County, Arizona Section 18: Lots 1-4, E/2, E/2W/2	953.06	AZA 30224 12-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-11	Township 12 North, Range 31 East Gila and Salt River Meridian Apache County, Arizona Section 21: All Section 27: Lots 1, 2, 3, 4, W/2E/2, W/2	1,179.58	AZA 30225 12-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-12	Township 12 North, Range 31 East Gila and Salt River Meridian Apache County, Arizona Section 19: Lots 1-4, E/2, E/2W/2 Section 20: All	1,274.22	AZA 30226 12-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-13	Township 12 North, Range 31 East Gila and Salt River Meridian Apache County, Arizona Section 28: All Section 33: All Section 34: Lots 1-4, W/2E/2, W/2	1,819.58	AZA 30227 12-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

F-14	Township 12 North, Range 31 East Gila and Salt River Meridian Apache County, Arizona Section 29: All Section 30: Lots 1-4, E/2, E/2W/2 Section 31: Lots 1-4, E/2, E/2W/2	1,915.28	AZA 30228 12-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-15	Township 12 North, Range 30 East Gila and Salt River Meridian Apache County, Arizona Section 14: All Section 23: N2SW4, S2NW4, NE4NW4, NW4NE4	880.00	Closed to leasing Air Navigation Site	100%	U.S.A. 100%	None	U.S.A. 10-0%
	TOTAL	19,095.2 1					
15 AZ FEDERAL TRACTS TOTALING 19,095.21 ACRES OR 17.46896% OF UNIT AREA							

Tract No.	Legal Description AZ PRIVATE LANDS	Number of Acres	Expiration Date of Lease	Basic Royalty And Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
P-01	Township 12 North, Range 30 East Gila and Salt River Meridian Apache County, Arizona Section 26: S/2NW/4, N/2SW/4, SE/4 Section 27: NE/4 Section 35: NE/4	640.00	N/A	Santa Fe Pacific Railroad Company (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	Pioneer Natural Resources and Santa Fe Energy Operating Partners, L.P. 4.16667%	Ridgeway Arizona Oil Corp. 100%
	TOTAL						
1 AZ PRIVATE TRACT TOTALING 640.00 ACRES OR .58549% OF UNIT AREA							

Tract No.	Legal Description NM FEDERAL LANDS	Number of Acres	Serial Number and Expiration Date of Lease	Basic Royalty And Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
F-16	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 4: Lots 1,2, 3, 4, S2N2, S2 Section 5: Lots 1, 2, 3, 4, S2N2,S2 Section 6: Lots 1, 2, 3, 4, 5, 6, 7, SE4NW4, S2NE4, E2SW4, SE4	1,638.15	NM 98741 05-31-2007	U. S. A - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-17	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 7: Lots 1, 2, 3, 4, E2W2, E2 Section 8: ALL Section 9: E2NE4, W2E2, W2, NE4SE4	1876.64	NM 98742 05-31-2007	U. S. A - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-18	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 17: ALL Section 18: Lots 1, 2, 3, 4, E2, E2W2 Section 19: Lots 2, 3, S2NE4, SE4NW4, NE4SW4, N2SE4 Section 20: SW4NE4, S2NW4, NE4SW4, W2SE4	1836.16	NM 98743 05-31-2007	U. S. A - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

F-19	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 21: ALL Section 27: S2 Section 28: ALL	1600.00	NM 98744 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-20	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 26: S2	320.00	NM 98745 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-21	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 29: SWNE, E2W2, W2SE Section 30: Lots 1, 2, 3, 4, E2 Section 31: Lots 1, 2, 3, NE, E2NW, NESW, N2SE	1238.73	NM 98746 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-22	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 33: ALL Section 34: ALL Section 35: ALL	1920.00	NM 98747 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

F-23	Township 2 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 30: Lots 1 - 4, E2, E2W2 Section 31: Lots 1 - 4, E2, E2W2	1272.16	NM 98752 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-24	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 1: Lots 1 - 7, SWNE, S2NW, SW, W2SE Section 11: ALL Section 12: Lots 1 - 4, W2E2, E2W2	1816.04	NM 98753 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-25	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 3: Lot 4, SWNW Section 9: Lots 1 - 4, W2E2 Section 10: SE	460.76	NM 98754 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-26	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 13: Lots 1 through 4, W2E2, E2W2 Section 14: ALL Section 15: E2	1467.44	NM 98755 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

F-27	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 23: S2N2, N2SW, S2S2 Section 24: SWNE, S2NW, N2SW, W2SE Section 25: W2E2, NW, S2SW Section 26: S2NE, SE	1320.00	NM 98756 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-28	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 33: Lots 1 - 4, E2 Section 34: E2, E2W2 Section 35: ALL	1503.12	NM 98757 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-29	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 9: Lots 1 - 4, E2	400.48	NM 98758 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-30	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 14: E2NE, W2W2, S2SE	320.00	NM 98759 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

F-31	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 15: ALL Section 21: Lots 5 - 8, E2 Section 22: N2 Section 23: E2, NWNW, SW	1886.85	NM 98760 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-32	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 25: ALL Section 26: ALL Section 35: ALL	1920.00	NM 98761 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-33	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 27: S2 Section 28: Lots 1 through 4, E2 Section 34: ALL	1362.72	NM 98762 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-34	Township 1 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 2: Lots 1 through 16, S2 Section 3: Lots 1 through 16, S2 Section 10: ALL	2392.16	NM 98764 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-35	Township 1 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 4: Lots 1 through 16, S2 Section 8: ALL Section 9: ALL	2155.00	NM 98765 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

F-36	Township 1 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 5: Lots 1 through 16, S2 Section 6: Lots 1 through 26, SE	1868.58	NM 98766 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-37	Township 1 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 7: Lots 1 - 12, E2 Section 17: ALL Section 18: Lots 1 - 12, E2	2097.34	NM 98767 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-38	Township 1 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 16: ALL Section 21: ALL	1280.00	NM 98768 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-39	Township 1 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 19: Lots 1 - 12, E2 Section 20: ALL Section 29: ALL	2014.31	NM 98769 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-40	Township 1 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 28: ALL Section 33: Lots 1 - 4, N2, N2S2	1295.79	NM 98770 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

F-41	Township 1 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 30: Lots 1 - 12, E2 Section 31: Lots 1 - 14, NE, N2SE	1483.96	NM 98771 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-42	Township 2 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 5: Lots 1 - 4, S2N2, S2 Section 6: Lots 1 - 5, S2NE, SE/4	961.85	NM 98772 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-43	Township 2 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 7: E2E2 Section 8: ALL	800.00	NM 98773 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-44	Township 2 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 18: E2, SE/4NW/4, E/2SW/4 Section 19: Lots 3, 4, E/2, E/2W/2	1,000.16	NM 98774 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-45	Township 1 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 1: Lots 9 - 24, S2 Section 11: ALL Section 12: Lots 1 - 16	2159.65	NM 98775 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

F-46	Township 1 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 3: Lots 4, 5, 12, 13, 17-28, S/2 Section 4: Lots 1, 2, 7 - 10, 15, 16, 19 - 30, E/2 SE/4, NW/4SE/4 Section 9: Lots 5 - 8, NE/4NE/4, E/2 SE/4 Section 10: Lots 1 - 4, E2, SW	2348.11	NM 98776 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-47	Township 1 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 13: Lots 1 - 16 Section 14: Lots 1 - 16 Section 15: Lots 1 - 16	2114.77	NM 98777 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-48	Township 1 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 21: Lots 1 - 4, E2, E2W/2 Section 22: Lots 1 - 4, E2, NW Section 23: Lots 1 - 4, W2, SE	1841.46	NM 98778 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-49	Township 1 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 24: Lots 1 - 16 Section 25: Lots 1 - 8, NW, SE	1275.20	NM 98779 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

F-50	Township 1 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 26: Lots 1 - 12, SW Section 27: Lots 1 - 8, W2 Section 28: Lots 5 - 20	1878.27	NM 98780 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-51	Township 1 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 33: Lots 5 - 20 Section 34: ALL Section 35: Lots 1 - 8, S2	1875.77	NM 98781 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-52	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 1: Lots 1 - 7, SWNE, S2NW, SW, W2SE Section 11: ALL Section 12: Lot 4, W2, W2SE Section 13: Lot 1 - 4, W2E2, W2	2291.04	NM 98782 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-53	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 3: Lots 1-4, S/2N/2, S/2 Section 4: Lots 1-4, S/2N/2, S/2 Section 9: ALL Section 10: N/2	2272.89	NM 98783 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

F-54	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 14: ALL Section 15: S2 Section 16: ALL	1600.00	NM 98784 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-55	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 21: ALL Section 22: ALL Section 23: ALL	1920.00	NM 98785 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-56	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 24: Lots 1 - 4, W2E2, W2 Section 25: Lots 1 - 4, W2E2, W2	1264.11	NM 98786 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-57	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 33: ALL Section 34: ALL Section 35: ALL	1920.00	NM 98787 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-58	Township 3 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 3: Lots 1 - 4, S2N2, S2 Section 4: Lots 1 - 7, S2NE, SENE, E2SW, SE	1098.07	NM 98788 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

F-59	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 26: ALL	640.00	NM 99005 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-60	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 27: ALL	640.00	NM 99006 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-61	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 28: All	640.00	NM 99007 05-31-2007	U. S. A. - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
F-62	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 28: Lots 1, 2, 3, 4, NE4 Section 34: W2W2	381.68	NM 100894 04-30-2008	U. S. A. - All (12.5% royalty)	The Blanco Co100%	None	The Blanco Co100%
	TOTAL	69,669.4 2					
47 NM FEDERAL TRACTS TOTALING 69,669.42 ACRES OR 63.73602% OF UNIT AREA							

Tract No.	Legal Description NM PRIVATE LANDS	Number of Acres	Expiration Date of Lease	Basic Royalty And Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
P-02	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 9: SE/4SE/4	40.00	6/18/2002	Lorene Whitman 100% (12.5%aRoyalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
P-03	Township 1 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 4: SW/4SE/4 Section 9: W/2E/2, E/2SW/4, SE/4NW/4	320.00	7/8/2002	Carma Nell Zumwalt 100% (12.5%aRoyalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
P-04	Township 2 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 18: Lots 3 and 4 Section 19: Lots 1 and 2	160.43	7/9/2002	Charles Orona 36.1423% (12.5%aRoyalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
P-04a	Township 2 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 18: Lots 3 and 4 Section 19: Lots 1 and 2	160.43	7/9/2002	Joaquin Orona 27.7778% (12.5%aRoyalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
P-04b	Township 2 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 18: Lots 3 and 4 Section 19: Lots 1 and 2	160.43	7/9/2002	Gregorio Orona 27.7778% (12.5%aRoyalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

P-05	Township 2 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 7: W/2E/2	160.00	N/A	100%	Robert B. and Mary T. Hooper 100%	None	Robert B. and Mary T. Hooper 100%
P-06	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 3: NW/4SW/4	40.00	N/A	100%	Nellie R. Summers 100%	None	Nellie R. Summers 100%
P-07	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 28: SE/4	160.00	N/A	100%	Billie Jean Gillespie 100%	None	Billie Jean Gillespie 100%
	TOTAL	880.43					
6 NM PRIVATE TRACTS TOTALING 880.43 ACRES OR .80544% OF UNIT AREA							

Tract No.	Legal Description NM STATE LANDS	Number of Acres	Serial Number and Date of Lease	Basic Royalty And Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
S-01	Township 2 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 6: Lots 8, 9, 10, SE4	330.35	LH-0-0019 03-01-2008	State of New Mexico - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-02	Township 2 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 7: Lots 5, 6, 7, 8, 9, 10, 11, 12	343.82	LH-0-0020 03-01-2008	State of New Mexico - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-03	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 16: All	640.00	LH-4728 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-04	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 19: Lots 1, N2NE4, NE4NW4	159.39	LH-4729 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-05	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 19: Lot 4, SE4SW4, S2SE4	159.57	LH-4730 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-06	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 20: N2NE4, SE4NE4, N2NW4, E2SE4	280.00	LH-4731 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-07	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 20: W2SW4, SE4SW4	120.00	LH-4732 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

S-08	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 29: E2E2	160.00	LH-4733 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-09	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 29: NW4NE4, W2W2	200.00	LH-4734 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-10	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 30: E2W2	160.00	LH-4735 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-11	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 31: Lot 4 (39.99 acres) SE4 SW4, S2SE	159.99	LH-4736 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-12	Township 1 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 32: ALL	640.00	LH-4737 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-13	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 2: Lots 1 (40.40), 2 (40.71), 3 (40.90) & 4 (41.01), S2N2, S2 (ALL)	643.02	LH-4738 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

S-14	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 3: Lots 1 (41.22), 2 (41.10), 3 (41.19) S2NE4, SE4NW4, NE4SW4, S2SW4, SE4	523.51	LH-4739 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-15	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 4: Lot 1 (41.17), Lot 2 (40.94), 3 (14.31), 4 (14.25) 5 (14.52), 6 (14.69), S2NE4, SE4	379.88	LH-4740 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-16	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 9: E2E2	160.00	LH-4741 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-17	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 10: N2, SW4	480.00	LH-4742 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-18	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 12: W2W2	160.00	LH-4743 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-19	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 13: W2W2	160.00	LH-4744 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-20	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 15: W2	320.00	LH-4745 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

S-21	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 16: Lots 1 (14.99), 2 (15.05), 3 (15.11), 4 (15.17), E2 (ALL)	380.32	LH-4746 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-22	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 21: Lots 1 (15.21), 2 (15.25), 3 (15.27), 4 (15.31), E2 (ALL)	381.04	LH-4747 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-23	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 22: ALL	640.00	LH-4748 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-24	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 23: N2N2	160.00	LH-4749 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-25	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 23: N2SE4	80.00	LH-4750 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-26	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 24: Lots 1 (46.57), 2 (46.23), 3 (45.85), 4 (45.52), NW4NE2, N2NW	304.17	LH-4751 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

S-27	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 24: S2SW4	80.00	LH-4752 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-28	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 25: Lots 1 (45.14), 2 (44.88), 3 (44.48), 4	178.47	LH-4753 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-29	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 25: N2SW4	80.00	LH-4754 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-30	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 26: N2NE4	80.00	LH-4755 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-31	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 26: W2	320.00	LH-4756 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-32	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 27: ALL	640.00	LH-4757 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-33	Township 1 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 36: Lot 1 (43.41), 2 (42.91), 3 (42.17), 4 (41.19), W2NE4, W2, W2SE4 (ALL)	649.68	LH-4758 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-34	Township 1 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 32: Lots 1 (48.94), 2 (47.96), 3 (46.33), 4 (44.70), N2, N2S2 (ALL)	667.93	LH-4759 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

S-35	Township 1 South, Range 21 West Section 2: Lots 1 (12.62), 2 (12.67), 3 (12.72), 4 (12.77), 5 (40.00), 6 (40.00), 7 (40.00), 8 (40.00), 9 (40.00), 10 (40.00), 11 (40.00), 12 (40.00), 13 (40.00), 14 (40.00), 15 (40.00), 16 (40.00), S2 (ALL)	850.78	LH-4760 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-36	Township 1 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 9: Lots 3 (13.90) and 4 (14.50)	28.40	LH-4761 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-37	Township 1 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 16: Lots 1 (14.57), 2 (14.11), 3 (13.65), 4 (13.19), E2, E2W2 (ALL)	535.52	LH-4762 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-38	Township 1 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 36: ALL	640.00	LH-4763 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-39	Township 2 North, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 32: ALL	640.00	LH-4771 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-40	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 1: S/2SW, SWSE	120.00	LH-4772 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

S-41	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 14: W2NE4, E2W2, N2SE4	320.00	LH-4777 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-42	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 16: Lots 1 (19.92), 2 (20.08), 3 (20.24), 4 (20.40), E2 (ALL)	400.64	LH-4778 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-43	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 22: S2	320.00	LH-4779 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-44	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 23: NE4NW4, S2NW4	120.00	LH-4780 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-45	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 24: ALL	640.00	LH-4781 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-46	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 27: N2	320.00	LH-4782 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-47	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 33: Lots 1 (20.76), 2 (20.78), 3 (20.78), 4 (20.80), E2 (ALL)	403.12	LH-4783 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-48	Township 2 North, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 36: ALL	640.00	LH-4784 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%

S-49	Township 2 South, Range 20 West New Mexico Principle Meridian Catron County, New Mexico Section 18: Lots 1 (39.98), 2 (40.03), NE4NW4	120.01	LH-4785 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-50	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 2: Lots 1 (43.67), 2 (43.86), 3 (44.04), 4 (44.23), S2N2, S2 (ALL)	655.80	LH-4786 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-51	Township 2 South, Range 21 West Section 10: S2	320.00	LH-4787 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-52	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 12: Lots 1 (29.00), 2 (30.47), 3 (31.95), W2NE	171.42	LH-4788 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-53	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 15: N2	320.00	LH-4789 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
S-54	Township 2 South, Range 21 West New Mexico Principle Meridian Catron County, New Mexico Section 36: Lots 1 (38.88), 2 (39.20), 3 (39.52), 4 (39.84), W2NE4, W2, W2SE4 (ALL)	637.44	LH-4790 02-01-2002	State of New Mexico All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	George L. Scott, Jr. 1%	Ridgeway Arizona Oil Corp. 100%
	Totals	19,024.2 7					
54 NM STATE TRACTS TOTALING 19,024.27 ACRES OR 17.40406% OF UNIT AREA							

RECAPITULATION

15 AZ FEDERAL TRACTS TOTALING 19,095.21 ACRES OR 17.46896% OF UNIT AREA
1 AZ PRIVATE TRACT TOTALING 640 ACRES OR .58549% OF UNIT AREA
47 NM FEDERAL TRACTS TOTALING 69,669.42 ACRES OR 63.73602% OF UNIT AREA
6 NM PRIVATE TRACTS TOTALING 880.43 ACRES OR .80544% OF UNIT AREA
54 NM STATE TRACTS TOTALING 19,024.27 ACRES OR 17.40406% OF UNIT AREA
TOTAL OF 123 TRACTS OR 100% OF THE 109,309.33 ACRE UNIT

Exhibit "C"

Schedule Showing the Percentage and Kind of Ownership of Each Tract of the Cottonwood Canyon CO2 Unit Area Apache County, Arizona and Catron County, New Mexico

Tract No.	Number of Acres	Serial Number and Expiration Date of Lease	Basic Royalty And Percentage	Working Interest and Percentage	Percent of Unit Area
F-01	640.00	AZA 28337 09-30-2004	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
F-02	1314.46	AZA 30213 12-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.2025
F-03	640.00	AZA 30214 12-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
F-04	1268.36	AZA 30215 12-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.16034
F-05	2,400.00	AZA 30216 12-31-2007	U. S. A. – All (12.5% royalty)	Gary L. Kiehne 100%	2.1956
F-06	2,000.00	AZA 30217 12-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.8297
F-07	1,120.00	AZA 30218 12-31-2007	U. S. A. – All (12.5% royalty)	Gary L. Kiehne 100%	1.0246
F-08	1,012.93	AZA 30220 12-31-2007	U. S. A. – All (12.5% royalty)	Gary L. Kiehne 100%	.9267
F-09	677.74	AZA 30221 12-31-2007	U. S. A. – All (12.5% royalty)	Gary L. Kiehne 100%	.62
F-10	953.06	AZA 30224 12-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.8719
F-11	1,179.58	AZA 30225 12-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.0791
F-12	1,274.22	AZA 30226 12-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.1657
F-13	1,819.58	AZA 30227 12-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.6646
F-14	1,915.28	AZA 30228 12-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.7522
F-15	880.00	Closed to leasing Air Navigation	U. S. A. – All 100%	U.S.A. 100%	.8051
F-16	1,638.15	NM 98741 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.4986
F-17	1876.64	NM 98742 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.7168
F-18	1836.16	NM 98743 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.6798
F-19	1600.00	NM 98744 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.4637
F-20	320.00	NM 98745 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.2927
F-21	1238.73	NM 98746 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.1332
F-22	1920.00	NM 98747 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.7565

F-23	1272.16	NM 98752 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.1638
F-24	1816.04	NM 98753 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.6614
F-25	460.76	NM 98754 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.4215
F-26	1467.44	NM 98755 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.3425
F-27	1320.00	NM 98756 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.2076
F-28	1503.12	NM 98757 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.3751
F-29	400.48	NM 98758 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.3664
F-30	320.00	NM 98759 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.2927
F-31	1886.85	NM 98760 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.7262
F-32	1920.00	NM 98761 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.7565
F-33	1362.72	NM 98762 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.2467
F-34	2392.16	NM 98764 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	2.1884
F-35	2155.00	NM 98765 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.9715
F-36	1868.58	NM 98766 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.7094
F-37	2097.34	NM 98767 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.9187
F-38	1280.00	NM 98768 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.171
F-39	2014.31	NM 98769 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.8428
F-40	1295.79	NM 98770 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.1854
F-41	1483.96	NM 98771 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.3576
F-42	961.85	NM 98772 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.8799
F-43	800.00	NM 98773 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.7319
F-44	1,000.16	NM 98774 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.915
F-45	2159.65	NM 98775 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.9757
F-46	2348.11	NM 98776 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	2.1481
F-47	2114.77	NM 98777 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.9347
F-48	1841.46	NM 98778 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.6846
F-49	1275.20	NM 98779 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.1666

F-50	1878.27	NM 98780 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.7183
F-51	1875.77	NM 98781 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.716
F-52	2291.04	NM 98782 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	2.0959
F-53	2272.89	NM 98783 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	2.0793
F-54	1600.00	NM 98784 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.4637
F-55	1920.00	NM 98785 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.7565
F-56	1264.11	NM 98786 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.1565
F-57	1920.00	NM 98787 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.7565
F-58	1098.07	NM 98788 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	1.0046
F-59	640.00	NM 99005 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
F-60	640.00	NM 99006 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
F-61	640.00	NM 99007 05-31-2007	U. S. A. – All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
F-62	381.68	NM 100894 04-30-2008	U. S. A. – All (12.5% royalty)	The Blanco Co100%	.3492
	88,764.63				81.20504

Tract No.	Number of Acres	Serial Number and Expiration Date of Lease	Basic Royalty And Percentage	Working Interest and Percentage	Percent of Unit Area
P-01	640.00	N/A	Santa Fe P RR (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.58549
P-02	40.00	6/18/2002	Lorene Whitman 100% (12.5%Royalty)	Ridgeway Arizona Oil Corp. 100%	.03659
P-03	320.00	7/8/2002	C.N. Zumwalt 100% (12.5%Royalty)	Ridgeway Arizona Oil Corp. 100%	.29274
P-04	160.43	7/9/2002	Charles Orona (12.5%Royalty)	Ridgeway Arizona Oil Corp. 100%	.14676
P-05	160.00	N/A	100%	Robert B. Hooper 100%	.14637
P-06	40.00	N/A	100%	Nellie R. Summers 100%	.03659
P-07	160.00	N/A	100%	Billie Jean Gillespie 100%	.14637
	1,520.43				1.39091

Tract No.	Number of Acres	Serial Number and Expiration Date of Lease	Basic Royalty And Percentage	Working Interest and Percentage	Percent of Unit Area
S-01	330.35	LH-0-0019 03-01-2008	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.3022
S-02	343.82	LH-0-0020 03-01-2008	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.3145
S-03	640.00	LH-4728 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
S-04	159.39	LH-4729 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1458
S-05	159.57	LH-4730 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.146
S-06	280.00	LH-4731 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.2562
S-07	120.00	LH-4732 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1098
S-08	160.00	LH-4733 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1464
S-09	200.00	LH-4734 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.183
S-10	160.00	LH-4735 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1464
S-11	159.99	LH-4736 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1464
S-12	640.00	LH-4737 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
S-13	643.02	LH-4738 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5883
S-14	523.51	LH-4739 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.4789
S-15	379.88	LH-4740 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.3475
S-16	160.00	LH-4741 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1464
S-17	480.00	LH-4742 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.4391
S-18	160.00	LH-4743 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1464
S-19	160.00	LH-4744 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1464
S-20	320.00	LH-4745 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.2927
S-21	380.32	LH-4746 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.3479
S-22	381.04	LH-4747 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.3479
S-23	640.00	LH-4748 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
S-24	160.00	LH-4749 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1464
S-25	80.00	LH-4750 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.0732
S-26	304.17	LH-4751 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.2783

S-27	80.00	LH-4752 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.0732
S-28	178.47	LH-4753 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1633
S-29	80.00	LH-4754 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.0732
S-30	80.00	LH-4755 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.0732
S-31	320.00	LH-4756 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.2927
S-32	640.00	LH-4757 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
S-33	649.68	LH-4758 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5943
S-34	667.93	LH-4759 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.611
S-35	850.78	LH-4760 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.7783
S-36	28.40	LH-4761 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.026
S-37	535.52	LH-4762 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.4899
S-38	640.00	LH-4763 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
S-39	640.00	LH-4771 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
S-40	120.00	LH-4772 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1098
S-41	320.00	LH-4777 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.2927
S-42	400.64	LH-4778 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.3665
S-43	320.00	LH-4779 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.2927
S-44	120.00	LH-4780 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1098
S-45	640.00	LH-4781 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
S-46	320.00	LH-4782 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.2927
S-47	403.12	LH-4783 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.3688
S-48	640.00	LH-4784 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5855
S-49	120.01	LH-4785 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1098
S-50	655.80	LH-4786 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5999
S-51	320.00	LH-4787 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.2927
S-52	171.42	LH-4788 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.1568
S-53	320.00	LH-4789 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.2927

S-54	637.44	LH-4790 02-01-2002	St. NM - All (12.5% royalty)	Ridgeway Arizona Oil Corp. 100%	.5832
	19024.27				17.4033

RECAPITULATION

15 AZ FEDERAL TRACTS TOTALING 19,095.21 ACRES OR 17.46896% OF UNIT AREA
1 AZ PRIVATE TRACTS TOTALING 640.00 ACRES OR .58549% OF UNIT AREA
47 NM FEDERAL TRACTS TOTALING 69,669.42 ACRES OR 63.73602% OF UNIT AREA
6 NM PRIVATE TRACTS TOTALING 880.43 ACRES OR .80544% OF UNIT AREA
54 NM STATE TRACTS TOTALING 19,024.27 ACRES OR 17.40406% OF UNIT AREA
TOTAL OF 123 TRACTS OR 100% OF THE 109,309.33 ACRE UNIT

WORKING INTEREST BREAKDOWN

Working Interest Owner	Working Interest Percentage
Ridgeway Arizona Oil Corporation	93.74955
Gary L Kiehne	4.7669
U.S.A.	.80505
Robert B. Hooper	.14637
Nellie R. Summers	.03659
Billie Jean Gillespie	.14637
The Blanco Company	.34917
Total	100.00

A. State of Arizona.

Township 12 North, Range 29 East, G.&S.R.M.
Section 24: All

Township 12 North, Range 30 East, G.&S.R.M.
Sections: S $\frac{1}{2}$ 9, 10, 11, 13, 14, 19-21, 23-29, 34,
and 35

Township 12 North, Range 31 East, G.&S.R.M.
Sections: 18-21, 27-31, 33, and 34

Township 10 North, Range 31 East, G. & S.R.M.
Section 3: Lots 1, 2, 5, 6, 7, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$,
E $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{4}$ SE $\frac{1}{4}$
Section 10: All

Township 9 North, Range 31 East, G. & S.R.M.
Section 3: Lots 1, 2, 3, 5, 6, 7, SW $\frac{1}{4}$ NE $\frac{1}{4}$,
SE $\frac{1}{4}$ NW $\frac{1}{4}$
Section 10: All
Section 15: Lots 1-4, W $\frac{1}{4}$ NE $\frac{1}{4}$
Section 22: Lots 3, 4, SE $\frac{1}{4}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 27: Lots 1, 2, 3, W $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$

B. State of New Mexico.

Township 2 North, Range 20 West, N.M.P.M.
Sections: 30, 31, and 32

Township 2 North, Range 21 West, N.M.P.M.
Sections: 9, 14-16, 21-28, and 33-36

Township 1 North, Range 20 West, N.M.P.M.
Sections: 4-9, 16-21, S $\frac{1}{2}$ 26, S $\frac{1}{2}$ 27, and 28-35

Township 1 North, Range 21 West, N.M.P.M.
Sections: 1-4, 9-16, 21-28, and 33-36

Township 1 South, Range 20 West, N.M.P.M.
Sections: 2-10, 16-21, and 28-33

Township 1 South, Range 21 West, N.M.P.M.
Sections: 1-4, 9-16, 21-28, and 33-36

Township 2 South, Range 20 West, N.M.P.M.
Sections: 5-8, 18, and 19

Township 2 South, Range 21 West, N.M.P.M.
Sections: 1-4, 9-16, 21-28, and 33-36

Township 3 South, Range 21 West, N.M.P.M.
Sections: 3 and 4

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

May 4, 1998

NEW MEXICO
OIL CONSERVATION DIVISION

EXHIBIT 3A

CASE NO. _____

Hand Delivered

Carol Van Dorn
Bureau of Land Management
1918 Neel Avenue
Socorro, New Mexico 87801

Re: Request for preliminary approval (letter of designation)
St. Johns Carbon Dioxide Gas Unit Area

Dear Ms. Van Dorn:

Ridgeway Arizona Oil Corporation ("Ridgeway") proposes to unitize 314,320.78 acres of state, federal, and fee lands located in Catron County, New Mexico and Apache County, Arizona. Although the proposed unit will cover all depths, the unit's outline is based on the Yeso and Abo formations, which Ridgeway is testing for carbon dioxide in this area.

Enclosed for your review are the following documents:

1. A preliminary geologic report on the primary zone of interest, including appropriate geologic maps. This report is attached hereto as Exhibit 1; and
2. A proposed Unit Agreement, including complete Exhibits A and B. The agreement proposes to form one unit including both the New Mexico and Arizona lands. The Unit Agreement allocates production on an acreage basis. A breakdown of acreage ownership in each state is as follows:

New Mexico

State:	23,883.47 (7.5984381%)
Federal:	90,621.98 (28.8310496%)
Fee:	3,051.98 (0.9708139%)

Arizona

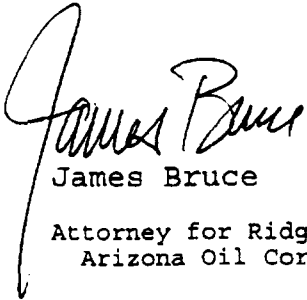
State:	134,302.30 (42.7277827%)
Federal:	30,413.10 (9.6758158%)
Fee:	32,048.46 (10.1960996%)

The tract numbering scheme refers to state, federal, and fee (private) tracts as "S-01," "F-01," and "P-01," etc., respectively.

If you have any questions about this application, please call me at the above number, Don Riggs (Vice-President of Ridgeway) at 520-337-3230, or John Michael Richardson (landman) at (505) 832-1478.

If you need additional copies of these documents, please call me. Your consideration of this request is appreciated.

Very truly yours,



James Bruce

Attorney for Ridgeway
Arizona Oil Corporation

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

May 4, 1998

NEW MEXICO
LAND CONSERVATION DIVISION

EXHIBIT 3B

Hand Delivered

Jami Bailey
Director, Oil & Gas Division
Commissioner of Public Lands
State Land Office Building
310 Old Santa Fe Trail
Santa Fe, New Mexico

CASE NO. _____

Re: Request for preliminary approval
St. Johns Carbon Dioxide Gas Unit Area

Dear Ms. Bailey:

Ridgeway Arizona Oil Corporation ("Ridgeway") proposes to unitize 314,320.78 acres of state, federal, and fee lands located in Catron County, New Mexico and Apache County, Arizona. Although the proposed unit will cover all depths, the unit's outline is based on the Yeso and Abo formations, which Ridgeway is testing for carbon dioxide in this area.

Enclosed for your review are two sets of the following documents:

1. A preliminary geologic report on the primary zone of interest, including appropriate geologic maps. This report is attached hereto as Exhibit 1; and
2. A proposed Unit Agreement, including complete Exhibits A and B. The agreement proposes to form one unit including both the New Mexico and Arizona lands. The Unit Agreement allocates production on an acreage basis. A breakdown of acreage ownership in each state is as follows:

New Mexico

State:	23,883.47 (7.5984381%)
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Fee:	3,051.98 (0.9708139%)

Arizona

State:	134,302.30	(42.7277827%)
Federal:	30,413.10	(9.6758158%)
Fee:	32,048.46	(10.1960996%)

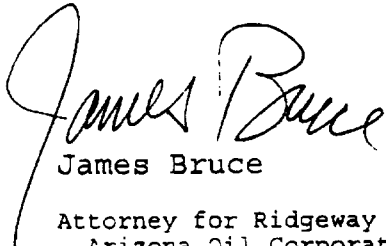
The tract numbering scheme refers to state, federal, and fee (private) tracts as "S-01," "F-01," and "P-01," etc., respectively.

There are 186 sections of land in New Mexico included in the proposed unit. Therefore, enclosed is a check in the amount of \$5,580.00, as required by SLO Rule 1.045.

If you have any questions about this application, please call me at the above number, Don Riggs (Vice-President of Ridgeway) at 520-337-3230, or John Michael Richardson (landman) at (505) 832-1478.

Your consideration of this request is appreciated.

Very truly yours,


James Bruce
Attorney for Ridgeway
Arizona Oil Corporation

WORKING INTEREST BREAKDOWN

Working Interest Owner	Working Interest Percentage
Ridgeway Arizona Oil Corporation	93.74955
Gary L Kiehne	4.7669
U.S.A.	.80505
Robert B. Hooper	.14637
Nellie R. Summers	.03659
Billie Jean Gillespie	.14637
The Blanco Company	.34917
Total	100.00

NEW MEXICO
OIL CONSERVATION DIVISION

EXHIBIT 4

CASE NO. _____

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

Billie Jean Gillespie
8370 Golse Drive
Boise, ID 83704

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**

EXHIBIT 5

EXHIBIT 5

Dear Interest Owner,

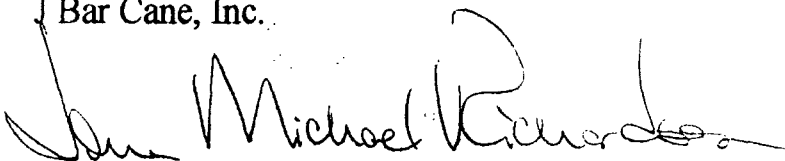
CASE NO.

Enclosed herewith please find the following items pertinent to the above referenced Unit Proposal:

- 1.) Original and one copy of a Ratification and Joinder with self addressed stamped envelope.
- 2.) Preliminary Geologic Report dated March 1, 1999.
- 3.) Unit Agreement, with Exhibits "B" and "C"
- 4.) Joint Operating Agreement with Exhibits "A" through "E".

If you agree to the unit proposal, please execute the ratification and joinder, have same notarized and return it to me in the self addressed stamped envelope provided at your earliest possible opportunity (copy marked "COPY" is for your files). Should you have any questions, please feel free to give me a call.

J Bar Cane, Inc.



John Michael Richardson
President

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

Gary L. Kiehne

P. O. Box 3855

Midland, TX 79702

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**


Dear Interest Owner,

Enclosed herewith please find the following items pertinent to the above referenced Unit Proposal:

- 1.) Original and one copy of a Ratification and Joinder with self addressed stamped envelope.
- 2.) Preliminary Geologic Report dated March 1, 1999.
- 3.) Unit Agreement, with Exhibits "B" and "C"
- 4.) Joint Operating Agreement with Exhibits "A" through "E".

If you agree to the unit proposal, please execute the ratification and joinder, have same notarized and return it to me in the self addressed stamped envelope provided at your earliest possible opportunity (copy marked "COPY" is for your files). Should you have any questions, please feel free to give me a call.

J Bar Cane, Inc.



John Michael Richardson
President

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

George L. Scott, Jr.
Suite 648 Petroleum Building
Roswell, NM 88202

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**

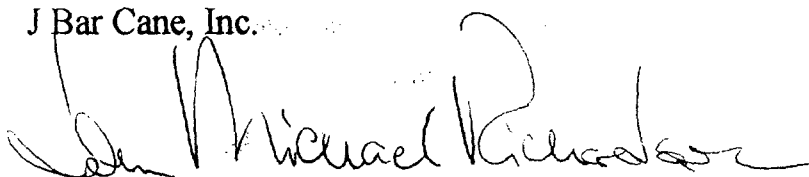
Dear Interest Owner,

Enclosed herewith please find the following items pertinent to the above referenced Unit Proposal:

- 1.) Original and one copy of a Ratification and Joinder with self addressed stamped envelope.
- 2.) Preliminary Geologic Report dated March 1, 1999.
- 3.) Unit Agreement
- 4.) Exhibit "B"
- 5.) Exhibit "C"

If you agree to the unit proposal, please execute the ratification and joinder, have same notarized and return it to me in the self addressed stamped envelope provided at your earliest possible opportunity (copy marked "COPY" is for your files). Should you have any questions, please feel free to give me a call.

J Bar Cane, Inc.



John Michael Richardson
President

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

Carma N. Zumwalt

P. O. Box 505

Battle Mountain, NV 89820

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**

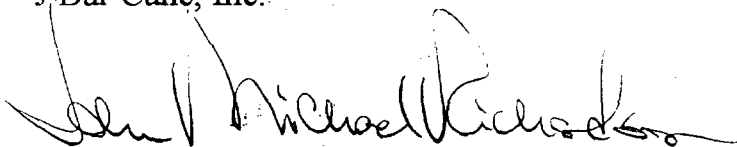
Dear Interest Owner,

Enclosed herewith please find the following items pertinent to the above referenced Unit Proposal:

- 1.) Original and one copy of a Ratification and Joinder with self addressed stamped envelope.
- 2.) Preliminary Geologic Report dated March 1, 1999.
- 3.) Unit Agreement
- 4.) Exhibit "B"
- 5.) Exhibit "C"

If you agree to the unit proposal, please execute the ratification and joinder, have same notarized and return it to me in the self addressed stamped envelope provided at your earliest possible opportunity (copy marked "COPY" is for your files). Should you have any questions, please feel free to give me a call.

J. Bar Cane, Inc.



John Michael Richardson

President

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

Robert B. and Mary T. Hooper
P. O. Box 268
Springerville, AZ 85938

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**

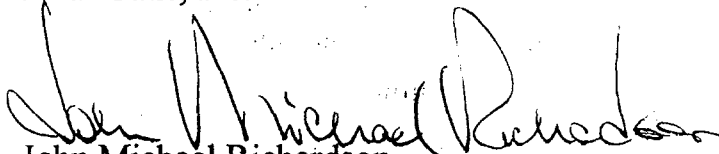
Dear Interest Owner,

Enclosed herewith please find the following items pertinent to the above referenced Unit Proposal:

- 1.) Original and one copy of a Ratification and Joinder with self addressed stamped envelope.
- 2.) Preliminary Geologic Report dated March 1, 1999.
- 3.) Unit Agreement, with Exhibits "B" and "C"
- 4.) Joint Operating Agreement with Exhibits "A" through "E".

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J Bar Cane, Inc.



John Michael Richardson
President

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Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

Nellie R. Summers

155 West 200 North, Apt #1

Salt Lake City, UT 83704

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**

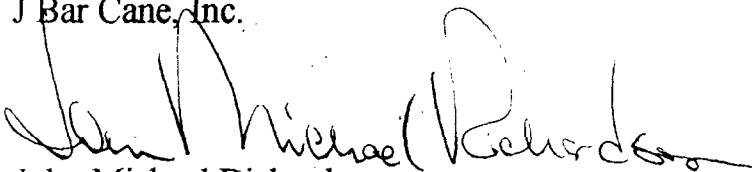
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- 4.) Joint Operating Agreement with Exhibits "A" through "E".

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J Bar Cane, Inc.



John Michael Richardson

President

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

Lorene Whitman
1308 West Avenue I
Lovington, NM 88260

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**

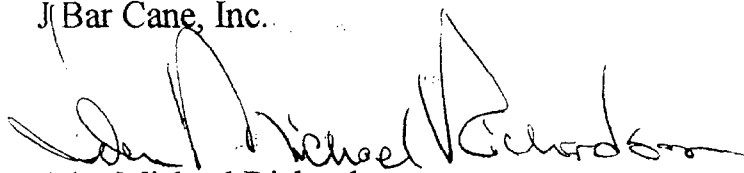
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- 3.) Unit Agreement
- 4.) Exhibit "B"
- 5.) Exhibit "C"

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J Bar Cane, Inc.



John Michael Richardson
President

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

MODEL FORM OPERATING AGREEMENT

NEW MEXICO
OIL CONSERVATION DIVISION

EXHIBIT 6

CASE NO. _____

OPERATING AGREEMENT

DATED

April

, 1

,1999

year

OPERATOR Ridgeway Arizona Oil Corporation

CONTRACT AREA See Unit Agreement for the Development and Operation of the

Cottonwood Canyon Carbon Dioxide Gas Unit Area

COUNTY OR PARISH OF Catron

Apache

STATE OF New Mexico

Arizona

COPYRIGHT 1982 - ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD., FORT
WORTH, TEXAS, 76137-2791, APPROVED
FORM A.A.P.L. NO. 610 - 1982 REVISED

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OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between Ridgeway Arizona Oil Corporation P. O. Box 1110 St. Jons, AZ 85936, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators".

WITNESSETH:

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

NOW, THEREFORE, it is agreed as follows:

ARTICLE I
DEFINITIONS

- As used in this agreement, the following words and terms shall have the meanings here ascribed to them:
- A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.
 - B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.
 - C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.
 - D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".
 - E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.
 - F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.
 - G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.
 - H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

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

ARTICLE II
EXHIBITS

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

- ☒ A. Exhibit "A", shall include the following information:
 - (1) Identification of lands subject to this agreement,
 - ~~(2) Restrictions, if any, as to depths, formations, or substances,~~
 - ~~(3) Percentages or fractional interests of parties to this agreement,~~
 - ~~(4) Oil and gas leases and/or oil and gas interests subject to this agreement,~~
 - ~~(5) Addresses of parties for notice purposes.~~
- ☒ B. Exhibit "B", Form of Lease.
- ☒ C. Exhibit "C", Accounting Procedure.
- ☒ D. Exhibit "D", Insurance.
- ☒ E. Exhibit "E", Gas Balancing Agreement.
- ☒ F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.
- ☐ G. Exhibit "G", Tax Partnership.

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

H. Exhibit "H". Notice of Lien and Mortgage - Financing Statement.
Exhibits "A", "B", and "C" of the Unit Agreement are also incorporated by reference.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

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

B. Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A". In the same manner, the parties shall also own all production of oil and gas from the Contract Area subject to the payment of royalties to the extent of 12.5% which shall be borne as hereinafter set forth.

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

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

C. Excess Royalties, Overriding Royalties and Other Payments:

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

D. Subsequently Created Interests:

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

1. If the burdened party is required under this agreement to assign or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or parties, shall receive said assignment and/or production free and clear of said subsequently created interest and the burdened party shall indemnify and save said other party, or parties, harmless from any and all claims and demands for payment asserted by owners of the subsequently created interest; and,
2. If the burdened party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the subsequently created interest in the same manner as they are enforceable against the working interest of the burdened party.

ARTICLE IV.
TITLES

A. Title Examination:

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

- ☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C", and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

ARTICLE IV
continued

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

6
7 Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection
8 with leases or oil and gas interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling
9 designations or declarations as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders.
10 This shall not prevent any party from appearing on its own behalf at any such hearing.

11
12 No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above
13 provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to par-
14 ticipate in the drilling of the well.

15
16 B. Loss of Title:

17
18 1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a
19 reduction of interest from that shown on Exhibit "A", the party contributing the affected lease or interest shall have ninety (90) days
20 from final determination of title failure to acquire a new lease or other instrument curing the entirety of the title failure, which acquisi-
21 tion will not be subject to Article VIII.B., and failing to do so, this agreement, nevertheless, shall continue in force as to all remaining oil
22 and gas leases and interests; and,

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

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

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

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

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

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

42
43 2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well
44 payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates,
45 there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required
46 payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment,
47 which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the
48 date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in
49 the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the
50 required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to
51 the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it
52 shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled
53 or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

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

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

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

62
63 3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall be joint losses
64 and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of
65 the Contract Area.

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69
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ARTICLE V.
OPERATOR

A. Designation and Responsibilities of Operator:

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

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

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

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

C. Employees:

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

D. Drilling Contracts:

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

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 1st day of April, (year) 1999, Operator shall commence ^{operations for} ~~the drilling of a well for~~ oil and gas at the following location: or completion

Within the Unit Areas required by the Bureau of Landmanagement and the New Mexico Commissioner of Public Lands.

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

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

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

ARTICLE VI
continued

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

6 B. Subsequent Operations:

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

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

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

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

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

ARTICLE VI
continued

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

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

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

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

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

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

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

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ARTICLE VI
continued

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

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

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

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

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

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

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

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

65 C. TAKING PRODUCTION IN KIND:

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

ARTICLE VI
continued

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

2

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

6

7 In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of
8 the oil produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not
9 the obligation, to purchase such oil or sell it to others at any time and from time to time, for the account of the non-taking party at the
10 best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the
11 owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil not previously
12 delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil shall be only for such reasonable periods of
13 time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess
14 of one (1) year.

15

16 In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or
17 deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to
18 be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with any gas balancing
19 agreement between the parties hereto, whether such an agreement is attached as Exhibit "E", or is a separate agreement.

20

21 D. Access to Contract Area and Information:

22

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

30

31 E. Abandonment of Wells:

32

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

41

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

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ARTICLE VI
continued

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

5
6 Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from
7 the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon re-
8 quest, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges con-
9 templated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned
10 well. Upon proposed abandonment of the producing interval(s) assigned or leased, the assignor or lessor shall then have the option to
11 repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the pro-
12 visions hereof.

13
14 3. Abandonment of Non-Consent Operations: The provisions of Article VI.E.1. or VI.E.2 above shall be applicable as between
15 Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be
16 permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified
17 of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article
18 VI.E.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES23 A. Liability of Parties:

24
25 The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and
26 shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted
27 among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor
28 shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

30 B. Liens and Payment Defaults:

31
32 Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share
33 of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon
34 at the rate provided in Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the
35 state, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the ob-
36 taining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien
37 rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share
38 of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from
39 the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest, has been paid. Each
40 purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien
41 and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

42
43 If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by
44 Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that
45 the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain
46 reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

48 C. Payments and Accounting:

49
50 Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development
51 and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective propor-
52 tionate shares upon the expense basis provided in Exhibit "C". Operator shall keep an accurate record of the joint account hereunder,
53 showing expenses incurred and charges and credits made and received.

54
55 Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance
56 of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding
57 month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together
58 with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted
59 on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within
60 fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount
61 due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual ex-
62 pense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

64 D. Limitation of Expenditures:

65
66 1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened
67 pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling or deepening shall include:

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ARTICLE VII
continued

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

3
4 ☐ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its
5 authorized depth, and all tests have been completed, and the results thereof furnished to the parties, Operator shall give immediate notice
6 to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight
7 (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion at-
8 tempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, in-
9 cluding necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall
10 constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties,
11 elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging
12 back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less
13 than all parties.

14
15 2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or
16 plugged back pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the reworking or plugging back of a well shall
17 include all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage
18 and/or surface facilities.

19
20 3. Other Operations: Without the consent of all parties, Operator shall not undertake any single project reasonably estimated
21 to require an expenditure in excess of Fifty Thousand and no/100 Dollars (\$ 50,000.00)
22 except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been
23 previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden
24 emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required
25 to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other
26 parties. If Operator prepares an authority for expenditure (AFE) for its own use, Operator shall furnish any Non-Operator so requesting
27 an information copy thereof for any single project costing in excess of _____
28 Dollars (\$ _____) but less than the amount first set forth above in this paragraph.

29
30 **E. Rentals, Shut-in Well Payments and Minimum Royalties:**

31
32 Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the
33 party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have con-
34 tributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on
35 behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of
36 failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such pay-
37 ment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the pro-
38 visions of Article IV.B.2.

39
40 Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production
41 of a producing gas well, at least five (5) days (excluding Saturday, Sunday and legal holidays), or at the earliest opportunity permitted by
42 circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify
43 Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments of any shut-in well payment
44 shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

45
46 **F. Taxes:**

47
48 Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property
49 subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they
50 become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not
51 be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-
52 Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, over-
53 riding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or
54 owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduc-
55 tion. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding
56 anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax
57 value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in
58 the manner provided in Exhibit "C".

59
60 If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner
61 prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final deter-
62 mination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any
63 interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint ac-
64 count, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as
65 provided in Exhibit "C".

66
67 Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect
68 to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

69
70

ARTICLE VII
continued

1 G. Insurance:

2
3 At all times while operations are conducted hereunder, Operator shall comply with the workmen's compensation law of
4 the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said com-
5 pensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C". Operator shall
6 also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part
7 hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workmen's compensation
8 law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.
9

10 In the event automobile public liability insurance is specified in said Exhibit "D", or subsequently receives the approval of the
11 parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.
12

13 ARTICLE VIII.
14 ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST
15

16 A. Surrender of Leases:

17
18 The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole
19 or in part unless all parties consent thereto.
20

21 However, should any party desire to surrender its interest in any lease or in any portion thereof, and the other parties do not
22 agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in
23 such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production
24 thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an oil and gas in-
25 terest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering
26 such oil and gas interest for a term of one (1) year and so long thereafter as oil and/or gas is produced from the land covered thereby, such
27 lease to be on the form attached hereto as Exhibit "B". Upon such assignment or lease, the assigning party shall be relieved from all
28 obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well
29 attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and pro-
30 duction other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the
31 party assignor or lessor the reasonable salvage value of the latter's interest in any wells and equipment attributable to the assigned or leas-
32 ed acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of
33 salvaging and the estimated cost of plugging and abandoning. If the assignment or lease is in favor of more than one party, the interest
34 shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties.
35

36 Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering
37 party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage
38 assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this
39 agreement.
40

41 B. Renewal or Extension of Leases:

42
43 If any party secures a renewal of any oil and gas lease subject to this agreement, all other parties shall be notified promptly, and
44 shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the
45 renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper pro-
46 portionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the
47 interests held at that time by the parties in the Contract Area.
48

49 If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties
50 who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area
51 to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease.
52 Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.
53

54 Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein
55 by the acquiring party.
56

57 The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease
58 or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or
59 contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or con-
60 tracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to
61 the provisions of this agreement.
62

63 The provisions in this Article shall also be applicable to extensions of oil and gas leases.
64

65 C. Acreage or Cash Contributions:

66
67 While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or any other
68 operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be
69 applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the con-
70 tribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions

ARTICLE VIII
continued

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

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

8
9 **D. Maintenance of Uniform Interests:**

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

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

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

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

28
29 **E. Waiver of Rights to Partition:**

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

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

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

46
47 **ARTICLE IX.**
48 **INTERNAL REVENUE CODE ELECTION**

49
50 This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association
51 for profit between or among the parties hereto. Notwithstanding any provision herein that the rights and liabilities hereunder are several
52 and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for federal income tax
53 purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded
54 from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1986, as per-
55 mitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to ex-
56 ecute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the
57 United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements,
58 and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further
59 evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the
60 Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other
61 action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract
62 Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1,
63 Subtitle "A", of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of the Code is per-
64 mitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing elec-
65 tion, each such party states that the income derived by such party from operations hereunder can be adequately determined without the
66 computation of partnership taxable income.

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ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed Twenty Five Thousand and No/100 Dollars (\$ 25,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

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

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

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

ARTICLE XII.
NOTICES

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

ARTICLE XIII.
TERM OF AGREEMENT

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

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

☒ Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 180 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling, reworking, deepening, plugging back, testing or attempting to complete a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling, deepening, plugging back or reworking operations are commenced within 180 days from the date of abandonment of said well.

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

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

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

B. Governing Law:

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

C. Regulatory Agencies:

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

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

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

ARTICLE XV.
OTHER PROVISIONS

1. Operator agrees to comply with all laws and lawful regulations applicable to any activities carried out in the name of or on behalf of any one or more of the parties to this agreement under the provisions of this agreement and/or any amendments to it.

2. Operator agrees that all financial settlements, billings, and reports rendered to any one or more of the parties to this agreement, as provided for in this agreement and/or any amendments to it, will, to the best of its knowledge and belief, reflect properly the facts about all activities and transactions handled for the account of such party or parties, which data may be relied upon as being complete and accurate in any further recording and reporting made by such party or parties for whatever purposes.

3. Operator agrees to notify the other parties to this agreement promptly upon discovery of any instance where the Operator fails to comply with the provision (1) above or where Operator has reason to believe data covered by (2) above is no longer accurate and complete.

4. Each party to this agreement ratifies and agrees to execute a "Notice of Lien and Mortgage - Financing Statement" in the form attached hereto as Exhibit "H" simultaneously with their execution of this agreement. Each party further authorizes the Operator to file such instrument in the appropriate records of the county or counties where the contract lands are located and in the Uniform Commercial Code records of the appropriate Secretary of State's office and/or such other records as may be required under applicable state law to fully perfect the security interests created herein.

5. Adjustment of Investments

5.1 Personal Property Taken Over. Upon the effective date hereof, Working Interest Owners shall deliver to Unit Operator possession of:

5.1.1 Wells and Well Equipment. All useable wells and non-useable wells that are capable of producing Unitized Substances, or capable of being completed as capable of producing Unitized Substances, together with the casing, tubing, and down hole equipment up to and including all wellhead connections.

5.1.2 Lease and Operating Equipment. All surface, lease, and well operating equipment, injection or salt water disposal wells, and other facilities related to current or future production from the Unitized formation which Working Interest Owners determine to be necessary or desirable for conducting Unit Operations.

5.1.3 Records. A copy of all production and well records pertaining to any well within the Unit Area.

5.2 Inventory and Evaluation of Personal Property. Unit Operator shall prepare a list of each Working Interest Owner's current major equipment within the Unit Area that is to be inventoried into the joint account. A Working Interest Owner may remove any item(s) from his list only on the condition that the Unit Operator may use it as long as needed prior to return. This list shall include all of a Working Interest Owner's current equipment being utilized in, or capable of being utilized in, producing Unitized Substances from the Unitized Formation, except that any item may be deleted from the list by the Unit Operator, based upon a preliminary environmental assessment recommendation. Unit operator shall have until the actual inventory is performed to recommend deletion of additional items based upon revised or additional environmental assessments. Working Interest Owners shall appoint an inventory committee which shall, as of the Effective Date of the Unit Agreement and this agreement, or as soon thereafter as feasible, cause to be taken, under the supervision of the Unit Operator and well equipment on the inventory list, which inventories shall be used as a basis for determining the controllable items of equipment to be taken over by the Unit Operator hereunder. Unit Operator shall notify each Working Interest Owner within each separate Tract at least fifteen (15) days prior to the taking of the

inventory with respect to said Tract, so that each of said Working Interest Owners may make arrangements to be represented at the taking of the inventory. Such inventories shall include and be limited to those items of equipment normally considered controllable as recommended in the material classification manual in Bulletin No. 6 dated May 1971, or any amendments thereto, published by the Petroleum Accountants Society of North America, except that certain items normally considered non-controllable, such as sucker rods and other items as agreed upon by the Working Interest Owners may be included in the inventories in order to insure a more equitable adjustment of investments. Immediately following completion, such inventories shall be priced in accordance with the provisions of Exhibit "A", Accounting Procedure, attached hereto and made a part hereof. Such pricing shall be performed under the supervision of, by the personnel of, and in the offices of Unit Operator, with Working Interest Owners furnishing such additional pricing help as may be available and necessary. With respect to each well taken over for Unit Operations, no value shall be assigned to intangible drilling costs of such well or to the down-hole casing therein.

5.3 **Inventory and Valuations.** After completion of the inventory and evaluation of property in accordance with the provisions of Section 5.2, Unit Operator shall submit to each Working Interest Owner a copy of the inventory and valuations thereon together with a letter ballot for approval of such inventory and valuations. Within sixty (60) days after receipt of such inventory and valuations, each Working Interest Owner shall return such letter ballot to Unit Operator indicating its approval or disapproval thereof. It is agreed that such inventory and valuations shall be binding upon all parties if approved by Working Interest Owners owning at least seventy (70%) of the Working Interest in the Unit Area.

5.4 **Investment Adjustments.** As soon as practicable after approval by Working Interest Owners of the inventory and valuations as provided in Section 5.3, each Working Interest Owner shall be credited with the value of its interest in all personal property taken over by Unit Operator under Sections 5.1.1 and 5.1.2, and charged with an amount equal to that obtained by multiplying the total value of all such personal property so taken over by Unit Operators under Sections 5.1.1 and 5.1.2 by such Working Interest Owner's Unit Participation, as shown on Exhibits "B" and "C" to the Unit Agreement. If the charge against any such Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be paid and in all other respects be treated as any other item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above. All wells drilled or completed within the Unit Area shall be Unit Wells. If a Unit Well has not reached payout status as of the effective date of unitization, the Working Interest Owners in the Unit, in proportion to their working interest in the Unit, shall pay to the working owners of each such well the amount necessary to reach payout.

5.5 **Pre Unitization Costs.** The Working Interest Owners shall pay Ridgeway Arizona Oil Corporation the necessary and reasonable pre-unitization costs and fees incurred by it for engineering, geological, land and, legal, and other professional services attendant to the formation of the Unit.

5.6 **General Facilities.** The acquisition of warehouses, warehouse stocks, lease houses, camps, facilities systems, and office buildings necessary for Unit Operations shall be by negotiation by an between the owners thereof and Unit Operator, subject to the approval of Working Interest Owners.

5.7 **Ownership of Personal Property and Facilities.** Each Working Interest Owner, individually, shall, by virtue hereof, own an undivided interest in all personal property and facilities taken over or otherwise acquired by Unit Operator pursuant to this agreement equal to its then current Unit Participation, shown on Exhibits "B" and "C" of the Unit Agreement.

6. Any and all references to "oil and gas" in this agreement or any exhibits attached hereto shall include Unitized Substances as defined in the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area.

7. The term "Contract Area" as used in this agreement shall mean the Unit Area as defined and described in said Unit Agreement.

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ARTICLE XVI
MISCELLANEOUS

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

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

IN WITNESS WHEREOF, this agreement shall be effective as of 1st day of April, (year) 1999.

_____, who has prepared and circulated this form for execution, represents and warrants that the form was printed from and with the exception listed below, is identical to the AAPL Form 610-1982 Model Form Operating Agreement, as published in diskette form by Forms On-A-Disk, Inc. No changes, alternations, or modifications, other than those in Articles II, VI, VII, and XV, have been made to the form.

OPERATOR

Ridgeway Arizona Oil Corporation
By: Don R. Riggs, Vice President of Operations

NON-OPERATORS

EXHIBIT "A"

A. State of Arizona.

Township 12 North, Range 29 East, G.&S.R.M.
Section 24: All

Township 12 North, Range 30 East, G.&S.R.M.
Sections: S½ 9, 10, 11, 13, 14, 19-21, 23-29, 34, and 35

Township 12 North, Range 31 East, G.&S.R.M.
Sections: 18-21, 27-31, 33, and 34

Township 10 North, Range 31 East, G. & S.R.M.
Section 3: Lots 1, 2, 5, 6, 7, SW¼NE¼, SE¼NW¼, E¼SW¼, W¼SE¼
Section 10: All

Township 9 North, Range 31 East, G. & S.R.M.
Section 3: Lots 1, 2, 3, 5, 6, 7, SW¼NE¼, SE¼NW¼
Section 10: All
Section 15: Lots 1-4, W¼NE¼
Section 22: Lots 3, 4, SE¼SW¼, SW¼SE¼
Section 27: Lots 1, 2, 3, W¼NE¼, NE¼NW¼, NW¼SE¼

B. State of New Mexico.

Township 2 North, Range 20 West, N.M.P.M.
Sections: 30, 31, and 32

Township 2 North, Range 21 West, N.M.P.M.
Sections: 9, 14-16, 21-28, and 33-36

Township 1 North, Range 20 West, N.M.P.M.
Sections: 4-9, 16-21, S½ 26, S½ 27, and 28-35

Township 1 North, Range 21 West, N.M.P.M.
Sections: 1-4, 9-16, 21-28, and 33-36

Township 1 South, Range 20 West, N.M.P.M.
Sections: 2-10, 16-21, and 28-33

Township 1 South, Range 21 West, N.M.P.M.
Sections: 1-4, 9-16, 21-28, and 33-36

Township 2 South, Range 20 West, N.M.P.M.
Sections: 5-8, 18, and 19

Township 2 South, Range 21 West, N.M.P.M.
Sections: 1-4, 9-16, 21-28, and 33-36

Township 3 South, Range 21 West, N.M.P.M.
Sections: 3 and 4

Containing 109,309.33 acres, more or less.

OIL & GAS LEASE

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

_____ of _____
(Post Office Address)

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

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

take care of, treat, process, store and transport said minerals, the following described land in _____ County, New Mexico, to-wit:

Said land is estimated to comprise _____ acres, whether it actually comprises more or less.

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

3. The royalties to be paid by lessee are: (a) on oil, and other liquid hydrocarbons saved at the well, _____ of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas or other gaseous substance produced

from said land and used off the premises or used in the manufacture of gasoline or other products, the market value at the well of _____ of the gas used,

provided that on gas sold on or off the premises, the royalties shall be _____ of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance shut-in royalty equal to \$1.00 per net acre of lessor's gas acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered, this lease shall not terminate and it shall be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing. The payment or tender of royalties and shut-in royalties may be made by check or draft. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties or amounts, shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made if lessee shall correct such error within 30 days after lessee has received written notice thereof by certified mail from the party or parties entitled to receive payment together with such written instruments (or certified copies thereof) as are necessary to enable lessee to make proper payment. The amount realized from the sale of gas on or off the premises shall be the price established by the gas sales contract entered into in good faith by lessee and gas purchaser for such term 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 transports gas off the leased premises, lessee in computing royalty hereunder may deduct from such price a reasonable charge for each of such functions performed.

4. This is a paid-up lease and lessee shall not be obligated during the primary term hereof to commence or continue any operations of whatsoever character or to make any payments hereunder in order to maintain this lease in force during the primary term; however, this provision is not intended to relieve lessee of the obligation to pay royalties on actual production pursuant to the provisions of Paragraph 3 hereof.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico or by any other lawful authority for the pool or area in which said land is situated, plus a tolerance of ten percent. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the net oil or gas acreage in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit.

6. If at the expiration of the primary term there is no well upon said land capable of producing oil or gas, but lessee has commenced operations for drilling or reworking thereon, this lease shall remain in force so long as operations are prosecuted with no cessation of more than 60 consecutive 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 or gas, so long thereafter as oil or gas is produced from said land. If, after the expiration of the primary term, all wells upon said land should become incapable of producing for any cause, this lease shall not terminate if lessee commences operations for additional drilling or for reworking within 60 days thereafter. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

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

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, executors, administrators, successors and assigns; but no change in the ownership of the land or in the ownership of, or rights to receive, royalties or shut-in royalties, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may, at its option, pay or tender any royalties or shut-in royalties in the name of the deceased or to his estate or to his heirs, executor or administrator until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. An assignment of this lease in whole or in part shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of royalty or shut-in royalty due from such lessee or assignee or fail to comply with any of the provisions of this lease, such default shall not affect this lease insofar as it covers a part of said lands upon which lessee or any assignee thereof shall properly comply or make such payments.

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

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

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

Executed the day and year first above written.

STATE OF _____
County of _____
The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____
My Commission expires _____, 19____. _____ Notary Public

STATE OF _____
County of _____
The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____
My Commission expires _____, 19____. _____ Notary Public

STATE OF _____
County of _____
The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____
My Commission expires _____, 19____. _____ Notary Public

STATE OF _____
County of _____
The foregoing instrument was acknowledged before me this _____ day of _____,
19____ by _____
My Commission expires _____, 19____. _____ Notary Public

No. _____

OIL AND GAS LEASE
NEW MEXICO

FROM

TO

Date _____, 19____

Section _____, Township _____, Range _____

No. of Acres _____

County, New Mexico

Term _____

STATE OF NEW MEXICO
COUNTY OF _____

I hereby certify that this instrument was filed for
record on the _____ day of _____,
A. D., 19____, at _____ o'clock _____ m., and
was duly recorded in Book _____ at Page _____
of the Records of said County.

County Clerk.

By _____ Deputy.

STATE OF _____
County of _____
The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____, _____ President
of _____ a _____ corporation
on behalf of said corporation.
My Commission Expires: _____ Notary Public

STATE OF _____
County of _____
The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____, _____ President
of _____ a _____ corporation
on behalf of said corporation.
My Commission Expires: _____ Notary Public

EXHIBIT " C "

Attached to and made a part of That certain operating agreement dated April 1, 1999 for the development and operation of the Cottonwood Canyon Carbon Dioxide Gas Unit by and between Ridgeway Arizona Oil Corporation as Operator and the signatories thereto, as non-operators.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

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

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

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

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

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

"Parties" shall mean Operator and Non-Operators.

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

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

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

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

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

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

A. 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 within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. 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 prime rate in effect at Norwest Bank or its successor on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

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

5. Audits

- A. 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 a joint audit 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. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.
- B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

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. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

2. Rentals and Royalties

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

3. 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.
- (4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of 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 3A of this Section II. Such costs under this Paragraph 3B 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 3A 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 3A and 3B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II.

4. 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 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

5. 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.

6. 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 where like material is normally available or railway receiving point nearest the Joint Property 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 where like material is normally available, or railway receiving point nearest the Joint Property 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, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, 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.

8. 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 gross investment less accumulated depreciation not to exceed _____ percent (____%) 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 8A 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.

9. 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.

10. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgements 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.

11. 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. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

12. 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 Worker'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.

13. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

15. 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 of direct benefit to the Joint Property and 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:

(☒) 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 3A, 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 be covered by the overhead rates, or
 (☒) shall not be covered by the overhead rates.

- iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

() shall be covered by the overhead rates, or
 (☒) shall not 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 \$ 7,500.00
 (Prorated for less than a full month)

Producing Well Rate \$ 400.00

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

(a) Drilling Well Rate

- (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work 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 or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar 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 shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
- (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 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

N/A Percent (%) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 10 of Section II and all salvage credits.

(b) Operating

N/A Percent (%) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

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

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; 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 \$ N/A :

- A. N/A % of first \$100,000 or total cost if less, plus
- B. N/A % of costs in excess of \$100,000 but less than \$1,000,000, plus
- C. N/A % of 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 and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

- A. N/A % of total costs through \$100,000; plus
- B. N/A % of total costs in excess of \$100,000 but less than \$1,000,000; plus
- C. N/A % of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. 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 reasons, 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 basis exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular Goods Other than Line Pipe - At fair market value

- (a) Tubular goods, sized 2½ inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.
- (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.
- (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.
- (d) Macaroni tubing (size less than 2½ inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.

(2) Line Pipe - At fair market value.

- (a) Line pipe movements (except size 24 inch OD and larger with walls ¾ inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
 - (b) Line pipe movements (except size 24 inch OD and larger with walls ¾ inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
 - (c) Line pipe 24 inch OD and over and ¾ inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.
 - (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.
- (3) Other Material 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, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.
- (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2 A (1) and (2).

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

At ~~seventy-five percent (75%) of current new price~~ / At fair market value, as determined by Paragraph A.

(2) Material used on and moved from the Joint Property

- (a) At ~~seventy-five percent (75%) of current new price~~ / At Fair Market Value, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or
- (b) At ~~sixty-five percent (65%) of current new price~~ / At Fair Market Value, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material.

(3) Material not used on and moved from the Joint Property

At ~~seventy-five percent (75%) of current new price~~ / At fair market value, as determined by Paragraph A.

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

C. Other Used Material

(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 A. 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

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

- (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.
- (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by 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 or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.
- (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

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to 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, change of interest, or change of Operator 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. In cases involving a change of Operator, all Parties shall be governed by such inventory.

4. Expense of Conducting Inventories

- A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

EXHIBIT "D"

INSURANCE

Attached hereto and made a part of that certain Operating Agreement dated April 1, 1999, by and between Ridgeway Arizona Oil Corporation, as Operator and the signatories thereto, as Non-Operator.

Operator shall at all times during the terms of this Agreement or an extension thereof, and at all times relative thereto, carry insurance to protect the parties hereto as follows:

(a) Statutory Workmen's Compensation Insurance as may be required in the state or states where work under this Agreement, or activities relative thereto, will be performed, plus Workmen's Compensation Insurance as may be required by Federal Law, if applicable, plus Employers Liability Insurance.

(b) Public Liability Insurance with bodily injury limits of not less than \$100,000 for death or injury to one person, and not less than \$300,000 for death or injury to more than one person in any one accident; and Public Liability property damage liability insurance with a limit of not less than \$100,000 for any one accident for loss of or destruction of, or damage to property. Said public liability insurance shall include Contractual Liability coverage and shall include Products Liability and Completed Operations coverage.

(c) Automobile Liability Insurance with bodily injury policy limits of not less than \$100,000 for death or injury to one person, or not less than \$300,00 for death or injury to more than one person in any one accident and property damage liability insurance with a limit of not less than \$100,000 for any one accident, for loss of or destruction of or damage to property.

(d) Insurance coverage of the types and amounts as set out in subsections (a), (b) and (c) hereinabove on subcontractors, service companies, and all others who may have been engaged, contracted with, or otherwise employed by Operator in the performance of this Agreement with such insurance coverage to cover the subcontractors, service companies, or others so employed and all of their employees, except that Operator may require each such subcontractor, service company, or other person or organization to provide his, its or their own insurance coverage of the types and in the amounts specified hereinabove, and such person or organization, under such circumstances, shall furnish to Operator Certificates of Insurance as evidence of such insurance coverage.

EXHIBIT "E"

Attached to and made a part of that certain Operating

Agreement dated April 1, 1999

Between Ridgeway Arizona Oil Corporation

And Signatories there to

GAS STORAGE AND BALANCING AGREEMENT

1. In accordance with the terms of the Operating Agreement, each Party thereto has the right to take its share of gas produced from lands subject to said Operating Agreement and market the same. In the event any of the Parties hereto is not at any time taking or marketing its share of gas or has contracted to sell its share of gas produced to a purchaser which does not at any time while this Agreement is in effect take the full share of gas attributable to the interest of such Party, the terms of this Agreement shall automatically become effective.

2. During the period or periods when any Party hereto has no market for all of its share of gas produced or its purchaser does not take its full share of gas produced, the other Parties shall be entitled to produce each month one hundred percent (100%) of the allowable assigned or in the absence of an assigned allowable the maximum production capacity and shall be entitled to take and deliver to its or their purchaser such gas production; provided, however, no party shall be entitled to produce, own and dispose of each month more than three hundred percent (300%) of its share of the allowable or maximum production capacity as the case may be, unless it has gas in storage. All Parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests and subject to the Operating Agreement, but the Party or Parties taking such gas shall own all of such gas delivered to its or their purchaser.

3. On a cumulative basis, each party not taking or marketing its full share of the gas produced shall be credited with gas in storage equal to its full share of the gas

produced under this Agreement, less its share of gas used in lease operations, vented or lost, and less that portion such Party took or delivered to its purchaser. The Operator (as that term is defined in the Operating Agreement) will maintain a current account of the gas balance between the Parties and will furnish all Parties hereto monthly statements showing the total quantity of gas produced, the amount used in lease operations, vented or lost, the total quantity of liquid hydrocarbons recovered therefrom, and the monthly and cumulative over-and-under account of each Party.

4. At all times while gas is produced, each Party hereto will make settlement with the respective royalty owners to whom it is accountable, just as if each Party were taking or delivering to a purchaser its share, and its share only, of such gas production exclusive of gas used in lease operations, vented or lost. Each Party hereto agrees to hold each other Party harmless from any and all claims for royalty payments asserted by royalty owners to whom each Party is accountable. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments and similar interests.

5. After notice to the Operator, any Party which has gas in storage pursuant to the terms hereof at any time may begin taking or delivering to its purchaser its full share of the gas produced less such Party's share of gas used in operations, vented or lost. In addition to such share, each Party including the Operator, until it has recovered its gas in storage and balanced the gas account as to its interest, shall be entitled to take or deliver to its purchaser a share of gas determined by multiplying 50% of the interest in the current gas production of the Party or Parties without gas in storage by a fraction, the numerator of which is the interest of such party with gas in storage and the denominator of which is the total percentage interest of all Parties with gas in storage currently taking or delivering to a purchaser.

6. Each Party producing and taking or delivering gas to its purchaser shall pay any and all production taxes due on such gas.

7. Nothing herein shall be construed to deny any party the right from time to time, to produce and take or deliver to its purchaser its full share of the gas production to meet the deliverability tests required by its purchaser.

8. Should production of gas be permanently discontinued before the gas account is balanced, settlement will be made within sixty (60) days between the underproduced and overproduced Parties. In making such settlement, the underproduced Party or Parties will be paid a sum of money by the overproduced Party or Parties attributable to the overproduction which said overproduced Party received, less applicable taxes theretofore paid, at the applicable prices over the term of delivery for a volume of gas equal to that for which settlement is made. The price basis shall be the rate collected from time to time, which is not subject to possible refund, as provided by the Federal Energy Regulatory Commission pursuant to final order or settlement applicable to the gas solely, plus any additional collected amount which is not ultimately required by said Commission to be refunded, such additional collected amount to be accounted for at such time as final determination is made with respect thereto. The operator shall have no liability with respect to the correctness of the funds received by it from any overproduced party or on account of the failure of any overproduced party (other than Operator if it is overproduced) to pay into the balancing account any amount due hereunder.

9. Nothing herein shall change or affect each Party's obligations to pay its proportionate share of all costs and liabilities incurred, as its share thereof is set forth in the Operating Agreement.

10. The terms and provisions of this Agreement shall apply separately to each well and/or separate completion in each well. Underproduction on one well or completion shall not be recouped by overproduction of any other well or completion.

11. Notwithstanding anything contained herein to the contrary, no Party shall have

the right to produce more than its proportionate share of Ultimate Recoverable Reserves from any separate completion in each well without the consent of all other Parties having working interests in such completion. As used herein, the term "Ultimate Recoverable Reserves" is defined as the sum of cumulative production to date together with estimated quantities of natural gas which geological and engineering data indicate to be recoverable in future years from a completion in a particular well under existing and anticipated economic and operation conditions, as such quantities may be from time to time revised. Operator shall be responsible for determining the Ultimate Recoverable Reserves attributable to each separate completion and shall advise each of the non-operators of its determination from time to time as such determination is made, but no less frequently than once every twelve (12) months. For a period of thirty (30) days following mailing of a notice of determination, Non-Operators may submit to Operator proposed adjustments to such reserve determination which Operator may accept or reject, and any revision by Operator shall be made with said thirty (30) day period. Operator's determination, however, shall be final unless within thirty (30) days after mailing to Non-Operators of any such reserve determination or a revision thereof, Non-Operators comprising not less than fifty percent (50%) of the working interest in the completion zone for which the determination is made request an independent determination of reserves. If such a request is made, then such reserves for such completion zone shall be determined by an independent reservoir engineering consulting firm acceptable to a majority of working interest owners, and the cost of such independent determination shall be charged to the joint account.

At such time as a Party had produced eighty percent (80%) of its proportionate share of Ultimate Recoverable Reserves, such Party may make no further sales of gas production from such completion zone which will not be in balancing with the sales of other Parties without Operator's consent. Operator may refuse to consent to out of balance sales until the Party desiring to sell has furnished Operator with adequate assurance of such Party's ability to pay future costs which may be subsequently chargeable to such Party under the Operating Agreement and to pay any potential cash balancing under this Gas Balancing Agreement upon depletion. Such assurance may be

in the form of a bond or letter of credit or in any other form as the Operator deems appropriate. A Party may not produce more than one hundred percent (100%) of its proportionate share of Ultimate Recoverable Reserves without the written approval of one hundred percent (100%) of the working interest owners of such reserves.

Operator shall incur no liability to other working interest owners for its good faith administration of the gas balancing provisions contained herein. In the event Operator is sued by any third parties as a result of Operator's actions in enforcing these provisions, the costs and expenses of Operator's legal defense shall be charged to the joint account.

12. If any underproduced party sells or assigns all or any part of its interest in the well or completion, then unless the assignment instrument otherwise specifically provides, such sale or assignment shall include all of the interest of such underproduced party in gas to be produced attributable to such assigned interest, all of such underproduced party's right to make up gas attributable to such assigned interest, and all of such underproduced party's right to any cash payment that may be due hereunder after the effective date of the assignment attributable to the assigned interest. The selling or assigning party shall look solely to its purchaser or assignee for any interest in the gas or cash payment to which such party may be entitled. If any overproduced party sells or assigns all or any portion of its interest in the well or completion, the interest sold or assigned shall be burdened by the right of all underproduced parties to take a portion of the gas produced attributable to such interest as provided herein, and the assignee shall be subject to the obligation to make cash payments to the underproduced parties as provided herein that become payable after the effective date of such assignment. The assignor shall remain primarily liable to the underproduced parties for any cash payment payable with respect to the period prior to the effective date of the assignment.

EXHIBIT "F"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OPER-
ATING AGREEMENT DATED April 1, 1990
between Ridgeway Arizona Oil Corporation
and Signatories thereto

Unless exempted by Federal law, regulation or order, the following terms and conditions shall apply during the performance of this contract:

EQUAL OPPORTUNITY CLAUSE

A. During the performance of this contract, the CONTRACTOR agrees as follows:

- (1) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.
- (2) The Contractor will, in all solicitations or advertisements for employees, placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.
- (3) The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding a notice to be provided by the agency contracting officer, advising the labor union or workers' representative of the Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (4) The Contractor will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules regulations, and relevant orders of the Secretary of Labor.
- (5) The Contractor will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- (6) In the event of the Contractor's noncompliance with the Nondiscrimination clauses of this Agreement or with any of such rules, regulations, or orders, this Agreement may be cancelled, terminated or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

- (7) The Contractor will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor to vendor. The Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

B. If required to do so by Federal law, regulation, or order, Contractor agrees that he shall:

- (1) File with the Office of Federal Contract Compliance or agency designated by it, a complete and accurate report on Standard Form 100 (EEO-1) within 30 days after the signing of this Agreement (unless such a report has been filed in the last 12 months), and continue to file such reports annually, on or before March 31st;
- (2) Develop and maintain a written affirmative action compliance program for each of its establishments in accordance with the regulations of the Secretary of Labor promulgated under Executive Order 11246, as amended.

CERTIFICATE OF NONSEGREGATED FACILITIES

Contractor certifies that he does not and will not maintain or provide for his employees any segregated facilities at any of his establishments, and that he does not and will not permit his employees to perform their services at any location, under his control, where segregated facilities are maintained. Contractor understands that the phrase "segregated facilities" includes facilities which are in fact segregated on a basis of race, color, creed, or national origin, because of habit, local custom, or otherwise. Contractor understands and agrees that maintaining or providing segregated facilities for his employees or permitting his employees to perform their services at any locations, under his control, where segregated facilities are maintained is a violation of the Equal Opportunity Clause required by Executive Order No. 11246 of September 24, 1965, and the regulations of the Secretary of Labor set out in 41 CFR Chapter 60. Contractor further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity Clause; that it will retain such certifications in its files, and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR CERTIFICATIONS OF NONSEGREGATED FACILITIES: A Certification of Nonsegregated Facilities as required by the May 9, 1967, order on Elimination of Segregated Facilities, by the Secretary of Labor (32 F.R. 7439, May 19, 1967), and as required by the regulations of the Secretary of Labor set out in 41 CFR Chapter 60, and as they may be amended, must be submitted prior to the award of a subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each subcontract or for all subcontracts during a period (i.e., quarterly, semi-annually or annually).

EXHIBIT "H"

MEMORANDUM OF OPERATING AGREEMENT AND
NOTICE OF LIEN AND MORTGAGE -- FINANCING STATEMENT

STATE OF New Mexico §
Arizona

COUNTY OF Catron §
Apache

Ridgeway Arizona Oil Corporation ("Operator") and the undersigned ("Non-Operator") have entered into an Operating Agreement providing for the development and production of crude oil, natural gas and associated substances, dated April 1, 1999, covering the following described lands:

(description of lands)

or

(see Exhibit "A" attached)

The Operating Agreement provides for mutual liens and security interests to secure payment by the parties of their respective share of costs under the Operating Agreement.

Without limiting or superseding the liens and security interests provided for in the Operating Agreement and in order to further secure payment by Non-Operator of amounts due Operator from time to time under the terms of the Operating Agreement as its share of expense, Non-Operator has granted and does hereby grant to Operator, its successors and assigns, the following:

1. A lien and mortgage covering all of Non-Operator's leasehold, unleased mineral or other working interest in and under the above-referenced lands which are of record as of the effective date hereof or acquired hereafter by Non-Operator.
2. A lien and mortgage covering, and a security interest in, the undivided portion of the equipment located on the above-referenced lands, including fixtures, which is employed in the production of oil and/or gas therefrom and is owned as of the date hereof or hereafter acquired by Non-Operator.
3. A security interest in Non-Operator's undivided portion of the oil and/or gas when extracted from the above-referenced lands and in the accounts arising from the sale by Non-Operator of such oil and gas, and in rights under any gas balancing agreements.
4. A lien and security interest covering all contract rights, general intangibles, interests in partnerships or other associations, and any other interests arising from the development of the above described lands for oil and gas purposes.
5. A lien and security interest covering the proceeds of the sale of any of the collateral referenced in 1-4 above, together with a lien and security interest attaching to the collateral to the extent required to reimburse for any interest, court costs, and attorneys' fees to which a party may be entitled by reason of exercise of any lien or security rights hereunder.

In order to secure payment by Operator from time to time of its share of expense under the above-referenced Operating Agreement, Operator has granted and does hereby grant to Non-Operator and the other parties to said Operating Agreement who execute this instrument a lien and mortgage and a security interest of the same nature and effect as those described in the preceding paragraph.

The minerals or the like (including oil and gas) or accounts described in the preceding paragraphs will be financed at the wellhead or wellheads located on the lands described above. This instrument shall be filed for record in the real estate records of the county or counties named in the land description shown above. The secured party is not a seller or purchase moneylender of the collateral described in items 1-5 above.

**Memorandum of Operating Agreement and
Notice of Lien and Mortgage -- Financing Statement
Page 2 of 4**

Furthermore, this Memorandum of Operating Agreement and Notice of Lien and Mortgage -- Financing Statement incorporates by reference all other terms and conditions of said Operating Agreement. Said Operating Agreement specifically provides as follows:

1. That a party's ability to freely sell, assign, or transfer interests in land committed to the agreement is restricted or encumbered. These restrictions or encumbrances may include a preferential right to purchase the interest of any party desiring to sell its interest under the agreement, restrictions on the surrender of leases, a maintenance of uniform interest provision, provisions applicable to renewal or extension of leases, provisions applicable to acreage or cash contributions, non-consent provisions, and gas storage and balancing provisions, among others.
2. That each party to the agreement has the right to take-in-kind or separately dispose of its proportionate share of oil and gas produced.
3. That the liability of the parties to the agreement is several, and not joint and collective, with each party being liable only for its proportionate share of costs of developing and operating the contract area.

Should any person or firm desire additional information regarding the Operating Agreement or wish to inspect a copy of same, said person or firm should contact the Operator by writing to: _____

Each party to said Operating Agreement may execute as a Non-Operator a counterpart of this instrument which contains a signature page for such party. Operator may combine the signature pages executed by such parties with the first two pages identical to the first two pages hereof and file and/or record such aggregated instrument.

EXECUTED as of this ____ day of _____, 19____.

_____, Operator

BY: _____

ADDRESS: _____

TAX I.D. No.: _____

Non-Operator

BY: _____

ADDRESS: _____

_____, Non-Operator

BY: _____

ADDRESS: _____

_____,
Non-Operator

BY: _____

ADDRESS: _____

_____,
Non-Operator

BY: _____

ADDRESS: _____

STATE OF §

COUNTY OF §

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument as _____ of _____, a _____, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said _____.

GIVEN UNDER my hand and seal of office, this the ____ day of _____ A.D., 19____.

MY COMMISSION EXPIRES: _____

NOTARY PUBLIC IN AND FOR
_____, COUNTY, _____

STATE OF §

COUNTY OF §

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument as _____ of _____, a _____ Corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said _____.

GIVEN UNDER my hand and seal of office, this the ____ day of _____ A.D., 19____.

MY COMMISSION EXPIRES: _____

NOTARY PUBLIC IN AND FOR _____ COUNTY,

STATE OF §
COUNTY OF §

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument as _____ of _____, a _____, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said _____.

GIVEN UNDER my had and seal of office, this the ____ day of _____ A.D., 19____.

MY COMMISSION EXPIRES: _____

NOTARY PUBLIC IN AND FOR
_____ COUNTY, _____

STATE OF §
COUNTY OF §

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument as _____ of _____, a _____, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said _____.

GIVEN UNDER my had and seal of office, this the ____ day of _____ A.D., 19____.

MY COMMISSION EXPIRES: _____

NOTARY PUBLIC IN AND FOR
_____ COUNTY, _____

EXHIBIT "A"

A. State of Arizona.

Township 12 North, Range 29 East, G.&S.R.M.
Section 24: All

Township 12 North, Range 30 East, G.&S.R.M.
Sections: S $\frac{1}{2}$ 9, 10, 11, 13, 14, 19-21, 23-29, 34, and 35

Township 12 North, Range 31 East, G.&S.R.M.
Sections: 18-21, 27-31, 33, and 34

Township 10 North, Range 31 East, G. & S.R.M.
Section 3: Lots 1, 2, 5, 6, 7, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$
Section 10: All

Township 9 North, Range 31 East, G. & S.R.M.
Section 3: Lots 1, 2, 3, 5, 6, 7, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$
Section 10: All
Section 15: Lots 1-4, W $\frac{1}{2}$ NE $\frac{1}{4}$
Section 22: Lots 3, 4, SE $\frac{1}{4}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 27: Lots 1, 2, 3, W $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$

B. State of New Mexico.

Township 2 North, Range 20 West, N.M.P.M.
Sections: 30, 31, and 32

Township 2 North, Range 21 West, N.M.P.M.
Sections: 9, 14-16, 21-28, and 33-36

Township 1 North, Range 20 West, N.M.P.M.
Sections: 4-9, 16-21, S $\frac{1}{2}$ 26, S $\frac{1}{2}$ 27, and 28-35

Township 1 North, Range 21 West, N.M.P.M.
Sections: 1-4, 9-16, 21-28, and 33-36

Township 1 South, Range 20 West, N.M.P.M.
Sections: 2-10, 16-21, and 28-33

Township 1 South, Range 21 West, N.M.P.M.
Sections: 1-4, 9-16, 21-28, and 33-36

Township 2 South, Range 20 West, N.M.P.M.
Sections: 5-8, 18, and 19

Township 2 South, Range 21 West, N.M.P.M.
Sections: 1-4, 9-16, 21-28, and 33-36

Township 3 South, Range 21 West, N.M.P.M.
Sections: 3 and 4

Containing 109,309.33 acres, more or less.

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

Lorene Whitman
1308 West Avenue I
Lovington, NM 88260

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**

Dear Interest Owner,

Enclosed herewith please find the following items pertinent to the above referenced Unit Proposal:

- 1.) Original and one copy of a Ratification and Joinder with self addressed stamped envelope.
- 2.) Preliminary Geologic Report dated March 1, 1999.
- 3.) Unit Agreement
- 4.) Exhibit "B"
- 5.) Exhibit "C"

If you agree to the unit proposal, please execute the ratification and joinder, have same notarized and return it to me in the self addressed stamped envelope provided at your earliest possible opportunity (copy marked "COPY" is for your files). Should you have any questions, please feel free to give me a call.

J Bar Cane, Inc.



John Michael Richardson
President

EXHIBIT 7

CASE NO. _____

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

George L. Scott, Jr.
Suite 648 Petroleum Building
Roswell, NM 88202

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**

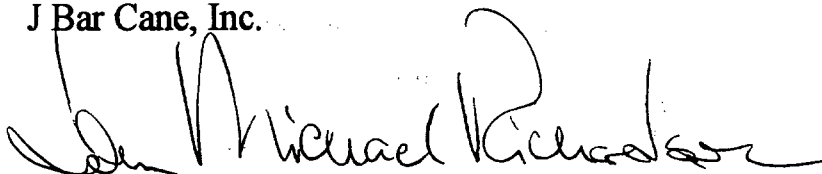
Dear Interest Owner,

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- 1.) Original and one copy of a Ratification and Joinder with self addressed stamped envelope.
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- 4.) Exhibit "B"
- 5.) Exhibit "C"

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J Bar Cane, Inc.



John Michael Richardson
President

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

Carma N. Zumwalt

P. O. Box 505

Battle Mountain, NV 89820

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**

Dear Interest Owner,

Enclosed herewith please find the following items pertinent to the above referenced Unit Proposal:

- 1.) Original and one copy of a Ratification and Joinder with self addressed stamped envelope.
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- 3.) Unit Agreement
- 4.) Exhibit "B"
- 5.) Exhibit "C"

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J. Bar Cane, Inc.



John Michael Richardson

President

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

Gregorio Orona

P. O. Box 28

Springerville, AZ 85938

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**

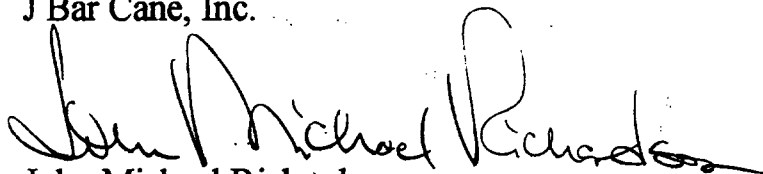
Dear Interest Owner,

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- 1.) Original and one copy of a Ratification and Joinder with self addressed stamped envelope.
- 2.) Preliminary Geologic Report dated March 1, 1999.
- 3.) Unit Agreement
- 4.) Exhibit "B"
- 5.) Exhibit "C"

If you agree to the unit proposal, please execute the ratification and joinder, have same notarized and return it to me in the self addressed stamped envelope provided at your earliest possible opportunity (copy marked "COPY" is for your files). Should you have any questions, please feel free to give me a call.

J Bar Cane, Inc.



John Michael Richardson

President

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

Charles Orona

P. O. Box 243

Springerville, AZ 85938

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**

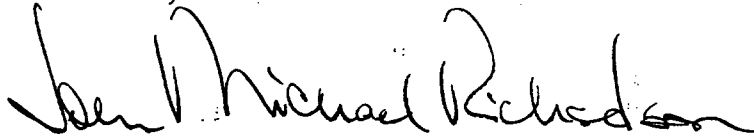
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- 1.) Original and one copy of a Ratification and Joinder with self addressed stamped envelope.
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- 3.) Unit Agreement
- 4.) Exhibit "B"
- 5.) Exhibit "C"

If you agree to the unit proposal, please execute the ratification and joinder, have same notarized and return it to me in the self addressed stamped envelope provided at your earliest possible opportunity (copy marked "COPY" is for your files). Should you have any questions, please feel free to give me a call.

J Bar Cane, Inc.



John Michael Richardson

President

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 30, 1999

Joaquin Orona

P. O. Box 243

Springerville, AZ 85938

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Ratification and Joinder
Catron County, NM
Apache County, AZ**

Dear Interest Owner,

Enclosed herewith please find the following items pertinent to the above referenced Unit Proposal:

- 1.) Original and one copy of a Ratification and Joinder with self addressed stamped envelope.
- 2.) Preliminary Geologic Report dated March 1, 1999.
- 3.) Unit Agreement
- 4.) Exhibit "B"
- 5.) Exhibit "C"

If you agree to the unit proposal, please execute the ratification and joinder, have same notarized and return it to me in the self addressed stamped envelope provided at your earliest possible opportunity (copy marked "COPY" is for your files). Should you have any questions, please feel free to give me a call.

J Bar Cane, Inc.



**John Michael Richardson
President**

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, County of Catron, State of New Mexico and County of Apache, State of Arizona, in form approved by the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands, leases, royalty interests or other interests in production in the Unit Area presently owned or which may arise under existing option agreements, consents to his, her, or its inclusion of said lands and interests within the Unit Area and expressly ratifies, approves and adopts the Unit Agreement, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms on the Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her or its several rights and interests are created or defined shall be deemed fully performed by the performance of the provisions of the Unit Agreement.

This instrument shall be binding upon the undersigned and his, her, or its heirs, devisees, personal representatives, successors and assigns.

Executed this ____ Day of _____ 1999.

Name: The Blanco Cpmpany

Signature: _____

By Phillip White, President

Address: 108 East Third Street, #400
Roswell, NM 88201

STATE OF NEW MEXICO:

COUNTY OF CHAVES:

The foregoing instrument was acknowledged before me this ____ day of _____ 1999, by Phillip White, President of The Blanco Company, on behalf of the company.

Notary Public _____

My Commission expires _____:

EXHIBIT FA

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, County of Catron, State of New Mexico and County of Apache, State of Arizona, in form approved by the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands, leases, royalty interests or other interests in production in the Unit Area presently owned or which may arise under existing option agreements, consents to his, her, or its inclusion of said lands and interests within the Unit Area and expressly ratifies, approves and adopts the Unit Agreement, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms on the Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her or its several rights and interests are created or defined shall be deemed fully performed by the performance of the provisions of the Unit Agreement.

This instrument shall be binding upon the undersigned and his, her, or its heirs, devisees, personal representatives, successors and assigns.

Executed this ____ Day of _____ 1999.

Name: Gary L. Kiehne

Signature: _____

Address: P. O. Box 3855
Midland, TX 79702

STATE OF TEXAS:

COUNTY OF MIDLAND:

The foregoing instrument was acknowledged before me this ____ day of _____ 1999, by Gary L. Kiehne.

Notary Public _____

My Commission expires _____.

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, County of Catron, State of New Mexico and County of Apache, State of Arizona, in form approved by the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands, leases, royalty interests or other interests in production in the Unit Area presently owned or which may arise under existing option agreements, consents to his, her, or its inclusion of said lands and interests within the Unit Area and expressly ratifies, approves and adopts the Unit Agreement, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms on the Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her or its several rights and interests are created or defined shall be deemed fully performed by the performance of the provisions of the Unit Agreement.

This instrument shall be binding upon the undersigned and his, her, or its heirs, devisees, personal representatives, successors and assigns.

Executed this ____ Day of _____ 1999.

Name: Lorene Whitman

Signature: _____

Address: 1308 West Avenue I
Lovington, NM 88260

STATE OF NEW MEXICO:

COUNTY OF LEA:

The foregoing instrument was acknowledged before me this ____ day of _____ 1999, by Lorene Whitman

Notary Public _____

My Commission expires _____

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, County of Catron, State of New Mexico and County of Apache, State of Arizona, in form approved by the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands, leases, royalty interests or other interests in production in the Unit Area presently owned or which may arise under existing option agreements, consents to his, her, or its inclusion of said lands and interests within the Unit Area and expressly ratifies, approves and adopts the Unit Agreement, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms on the Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her or its several rights and interests are created or defined shall be deemed fully performed by the performance of the provisions of the Unit Agreement.

This instrument shall be binding upon the undersigned and his, her, or its heirs, devisees, personal representatives, successors and assigns.

Executed this ____ Day of _____ 1999.

Name: Carma N. Zumwalt

Signature: _____

Address: P. O. Box 505
Battle Mountain, NV 89820

STATE OF NEVADA:

COUNTY OF DOUGLAS:

The foregoing instrument was acknowledged before me this ____ day of _____ 1999, by Carma N. Zumwalt

Notary Public _____

My Commission expires _____:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, County of Catron, State of New Mexico and County of Apache, State of Arizona, in form approved by the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands, leases, royalty interests or other interests in production in the Unit Area presently owned or which may arise under existing option agreements, consents to his, her, or its inclusion of said lands and interests within the Unit Area and expressly ratifies, approves and adopts the Unit Agreement, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms on the Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her or its several rights and interests are created or defined shall be deemed fully performed by the performance of the provisions of the Unit Agreement.

This instrument shall be binding upon the undersigned and his, her, or its heirs, devisees, personal representatives, successors and assigns.

Executed this ____ Day of _____ 1999.

Name: Billie Jean Gillespie

Signature: _____

Address: 8370 Golse Drive
Boise, ID 83704

STATE OF IDAHO:

COUNTY OF ADA:

The foregoing instrument was acknowledged before me this ____ day of _____ 1999, by Billie Jean Gillespie

Notary Public _____

My Commission expires _____:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, County of Catron, State of New Mexico and County of Apache, State of Arizona, in form approved by the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands, leases, royalty interests or other interests in production in the Unit Area presently owned or which may arise under existing option agreements, consents to his, her, or its inclusion of said lands and interests within the Unit Area and expressly ratifies, approves and adopts the Unit Agreement, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms on the Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her or its several rights and interests are created or defined shall be deemed fully performed by the performance of the provisions of the Unit Agreement.

This instrument shall be binding upon the undersigned and his, her, or its heirs, devisees, personal representatives, successors and assigns.

Executed this ____ Day of _____ 1999.

Name: Robert B. Hooper

Signature: _____

Name: Mary T. Hooper

Signature: _____

Address: P. O. Box 268

Springerville, AZ 85938

STATE OF ARIZONA:

COUNTY OF APACHE:

The foregoing instrument was acknowledged before me this ____ day of _____ 1999, by Robert B. Hooper and Mary T. Hooper.

Notary Public _____

My Commission expires _____:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, County of Catron, State of New Mexico and County of Apache, State of Arizona, in form approved by the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands, leases, royalty interests or other interests in production in the Unit Area presently owned or which may arise under existing option agreements, consents to his, her, or its inclusion of said lands and interests within the Unit Area and expressly ratifies, approves and adopts the Unit Agreement, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms on the Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her or its several rights and interests are created or defined shall be deemed fully performed by the performance of the provisions of the Unit Agreement.

This instrument shall be binding upon the undersigned and his, her, or its heirs, devisees, personal representatives, successors and assigns.

Executed this ____ Day of _____ 1999.

Name: Nellie R. Summers

Signature: _____

Address: 155 West 200 North, Apt. #1
Salt Lake City, UT 83704

STATE OF UTAH:

COUNTY OF SALT LAKE:

The foregoing instrument was acknowledged before me this ____ day of _____ 1999, by Nellie R. Summers.

Notary Public _____

My Commission expires _____:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, County of Catron, State of New Mexico and County of Apache, State of Arizona, in form approved by the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands, leases, royalty interests or other interests in production in the Unit Area presently owned or which may arise under existing option agreements, consents to his, her, or its inclusion of said lands and interests within the Unit Area and expressly ratifies, approves and adopts the Unit Agreement, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms on the Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her or its several rights and interests are created or defined shall be deemed fully performed by the performance of the provisions of the Unit Agreement.

This instrument shall be binding upon the undersigned and his, her, or its heirs, devisees, personal representatives, successors and assigns.

Executed this 1 Day of APRIL 1999.

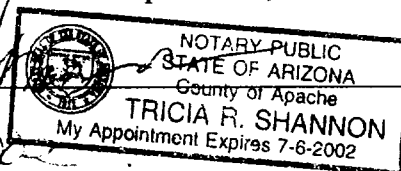
Name: Ridgeway Arizona Oil Corporation
Signature: [Signature]
By: Don R. Riggs, Vice-President Operations
Address: P. O. Box 1110
St. Johns, AZ 88201

STATE OF ARIZONA:
COUNTY OF APACHE:

The foregoing instrument was acknowledged before me this 15 day of April 1999, by Don R. Riggs, Vice-President of Operations of Ridgeway Arizona Oil Corporation, an Arizona Corporation, on behalf of the corporation.

Notary Public [Signature]

My Commission expires 7-6-2002



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, County of Catron, State of New Mexico and County of Apache, State of Arizona, in form approved by the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands, leases, royalty interests or other interests in production in the Unit Area presently owned or which may arise under existing option agreements, consents to his, her, or its inclusion of said lands and interests within the Unit Area and expressly ratifies, approves and adopts the Unit Agreement, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms on the Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her or its several rights and interests are created or defined shall be deemed fully performed by the performance of the provisions of the Unit Agreement.

This instrument shall be binding upon the undersigned and his, her, or its heirs, devisees, personal representatives, successors and assigns.

Executed this 4th Day of April 1999.

Name: Joaquín Orona

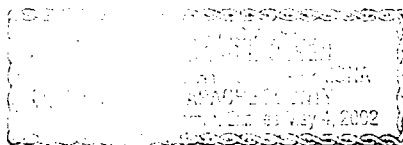
Signature: Joaquín Orona

Address: P. O. Box 243

Springerville, AZ 85938

STATE OF ARIZONA:

COUNTY OF APACHE:



4th The foregoing instrument was acknowledged before me this day of April 1999, by Joaquín Orona.

Notary Public Carmen Orona

My Commission expires May 4, 2002:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, County of Catron, State of New Mexico and County of Apache, State of Arizona, in form approved by the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands, leases, royalty interests or other interests in production in the Unit Area presently owned or which may arise under existing option agreements, consents to his, her, or its inclusion of said lands and interests within the Unit Area and expressly ratifies, approves and adopts the Unit Agreement, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms on the Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her or its several rights and interests are created or defined shall be deemed fully performed by the performance of the provisions of the Unit Agreement.

This instrument shall be binding upon the undersigned and his, her, or its heirs, devisees, personal representatives, successors and assigns.

Executed this 2 Day of April 1999.

Name: George L. Scott, Jr.
Signature: George L. Scott Jr
Address: Suite 649 Petroleum Building
Roswell, NM 88202

STATE OF NEW MEXICO:

COUNTY OF CHAVES:

The foregoing instrument was acknowledged before me this 2 day of April 1999, by George L. Scott, Jr.

Notary Public

Karen J. Herman

My Commission expires 4-16-2002:

RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, County of Catron, State of New Mexico and County of Apache, State of Arizona, in form approved by the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands, leases, royalty interests or other interests in production in the Unit Area presently owned or which may arise under existing option agreements, consents to his, her or its inclusion of said lands and interests within the Unit Area and expressly ratifies, approves and adopts the Unit Agreement, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms on the Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her or its several rights and interests are created or defined shall be deemed fully performed by the performance of the provisions of the Unit Agreement.

This instrument shall be binding upon the undersigned and his, her, or its heirs, devisees, personal representatives, successors and assigns.

Executed this _____ day of _____ 1999.

Name: Charles Orona

Signature: Charles Orona

Address: P. O. Box 243
Springerville, AZ 85938

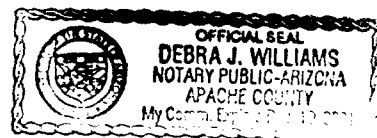
STATE OF ARIZONA:

COUNTY OF APACHE:

The foregoing instrument was acknowledged before me this _____ day of April 1999, by Charles Orona.

Notary Public Debra J. Williams

My Commission expires 12/31/2001



RATIFICATION AND JOINDER OF UNIT AGREEMENT

In consideration of the execution of the Unit Agreement for the Development and Operation of the Cottonwood Canyon Carbon Dioxide Gas Unit Area, County of Catron, State of New Mexico and County of Apache, State of Arizona, in form approved by the Secretary of the Interior and the Commissioner of Public Lands of the State of New Mexico, the undersigned owner of lands, leases, royalty interests or other interests in production in the Unit Area presently owned or which may arise under existing option agreements, consents to his, her, or its inclusion of said lands and interests within the Unit Area and expressly ratifies, approves and adopts the Unit Agreement, and agrees that the terms of any lease given by the undersigned, or under which the undersigned claims an interest, is extended and modified to the extent necessary to make the same conform to the terms on the Unit Agreement, and further agrees that the drilling, development, and producing requirements of all leases and other contracts under which his, her or its several rights and interests are created or defined shall be deemed fully performed by the performance of the provisions of the Unit Agreement.

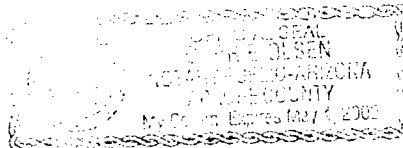
This instrument shall be binding upon the undersigned and his, her, or its heirs, devisees, personal representatives, successors and assigns.

Executed this 9 Day of April 1999.

Name: Gregorio Orona
Signature: [Signature]
Address: P. O. Box 28
Springville, AZ 85938

STATE OF ARIZONA:

COUNTY OF APACHE:



9th The foregoing instrument was acknowledged before me this
day of April 1999, by Gregorio Orona
Notary Public [Signature]

My Commission expires May 1, 2002:

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

April 15, 1999

Ridgeway Arizona Oil Corporation

P. O. Box 1110

St. Johns, AZ 85936

Attn: Don R. Riggs

NOTICE OF RECEIPT
EXHIBIT 8B
CASE NO. _____

**Re: Ridgeway Arizona Oil Corporation Cottonwood Canyon Prospect
Unit Approval Hearing, Ballott Talley
Catron County, NM, Apache County, AZ**

Dear Don,

The following is a Talley of the Ballots sent in regard to the above referenced unit application;

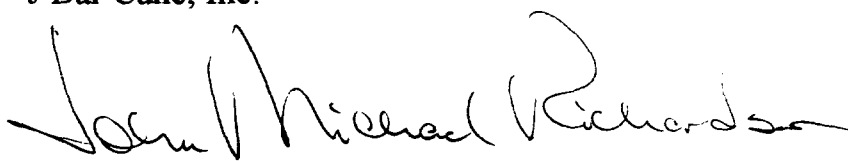
Name	Type Interest	Date Mailed	Date Received Confirmation # 0304 7990 0000 Returned	% Interest
Carma N. Zumwalt	Royalty	4-1-1999	4-5-1999 1908 9924	0.29274
Robert B. Hooper et ux	Working	4-1-1999	4-5-1999 1908 9900	0.14637
The Blanco Company	Working	4-1-1999	4-14-1999 1908 9917	0.34917
Gary L. Kiehne	Working	4-1-1999	4-5-1999 1908 9931	4.7669
Billie Jean Gillespie	Working	4-1-1999	4-8-1999 1908 9948	0.14637

Nellie R. Summers	Working	4-1-1999	4-12-1999 1908 9955	0.03659
Lorene Whitman	Royalty	3-31-1999	In route 1908 9870	0.03659
Joaquin Orona	Royalty	3-31-1999	4-5-1999 1908 9887 4-8-1999 / yes	0.04892
George L. Scott, Jr.	ORR	3-31-1999	4-2-1999 1908 9856 4-3-1999 / yes	1.000000
Gregorio Orona	Royalty	3-31-1999	4-5-1999 1908 9863 4-5-1999/yes	0.04892
Charles Orona	Royalty	3-31-1999	4-5-1999/yes 1908 9894 4-13-1999/yes	0.04892
Ridgeway AZ Oil Corp	Working	3-31-1999	Hand Delivered 4-2-1999 / yes	93.74955

Ratification and Joinder Totals

Working Interest 93.74955
Royalty Interests 99.989405 (including BLM and State Lands)
Overriding Royalty Interest 1.000000

With best regards,
J Bar Cane, Inc.



John Michael Richardson
President

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 26, 1999

Joaquin Orona

P. O. Box 243

Springerville, AZ 85938

John Michael Richardson

EXHIBIT 9

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Approval Hearing
Catron County, NM
Apache County, AZ**

Dear Ladies and Gentlemen,

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With best regards,

J Bar Cane, Inc.



John Michael Richardson

President

J Bar Cane, Inc.

Oil & Gas Properties

Petroleum and Mineral Land Services

P. O. Box 16 ■ 3660 State Hwy. 41 ■ Stanley, NM 87056 ■ Phone [505] 832-1478 ■ Fax 832-1479

March 26, 1999

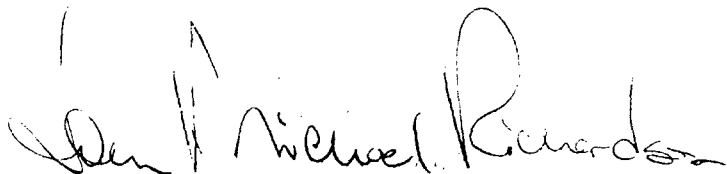
Billie Jean Gillespie
8370 Golse Drive
Boise, ID 83704

**Re: Ridgeway Arizona Oil Corporation
Cottonwood Canyon Prospect
Unit Approval Hearing
Catron County, NM
Apache County, AZ**

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March 26, 1999

Nellie R. Summers
155 West 200 North, Apt #1
Salt Lake City, UT 83704

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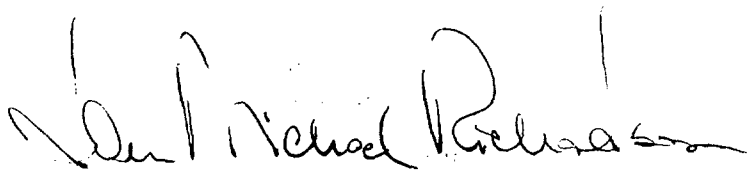
Robert B. and Mary T. Hooper
P. O. Box 268
Springerville, AZ 85938

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Cottonwood Canyon Prospect
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March 26, 1999

Gregorio Orona

P. O. Box 28

Springerville, AZ 85938

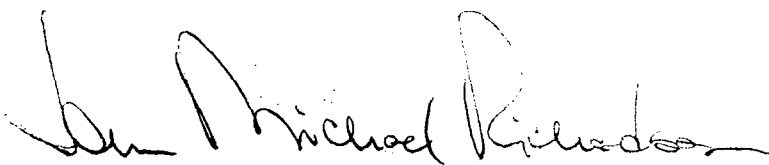
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March 26, 1999

Charles Orona

P. O. Box 243

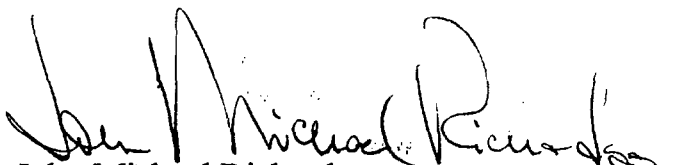
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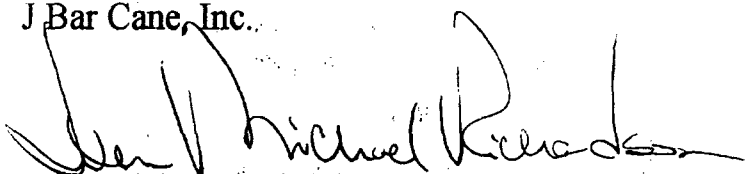
The Blanco Company
P. O. Box 1150
Roswell, NM 88201
Attn: Phil White

**Re: Ridgeway Arizona Oil Corporation
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Catron County, NM
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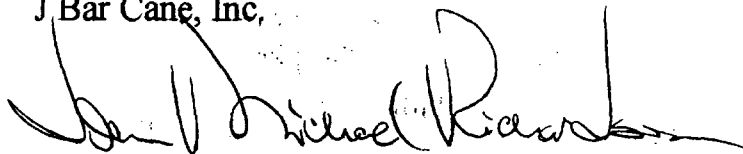
Gary L. Kiehne
P. O. Box 3855
Midland, TX 79702

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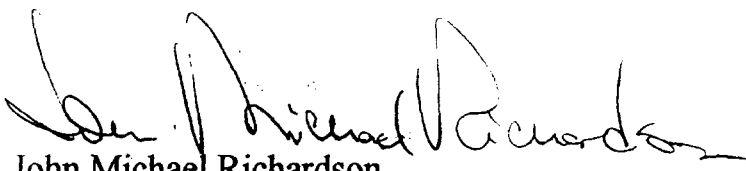
Lorene Whitman
1308 West Avenue I
Lovington, NM 88260

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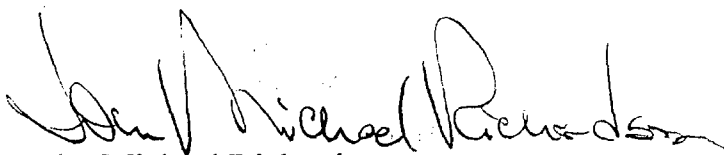
Carma N. Zumwalt
P. O. Box 505
Battle Mountain, NV 89820

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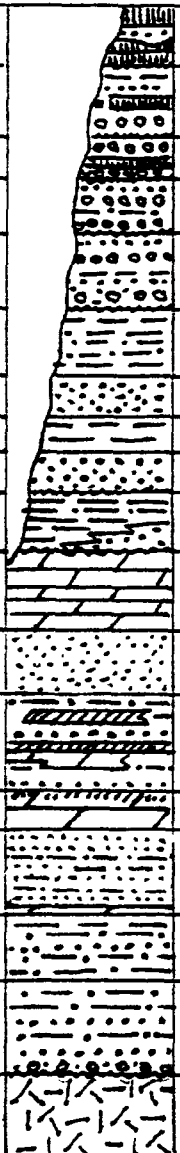
EXHIBIT

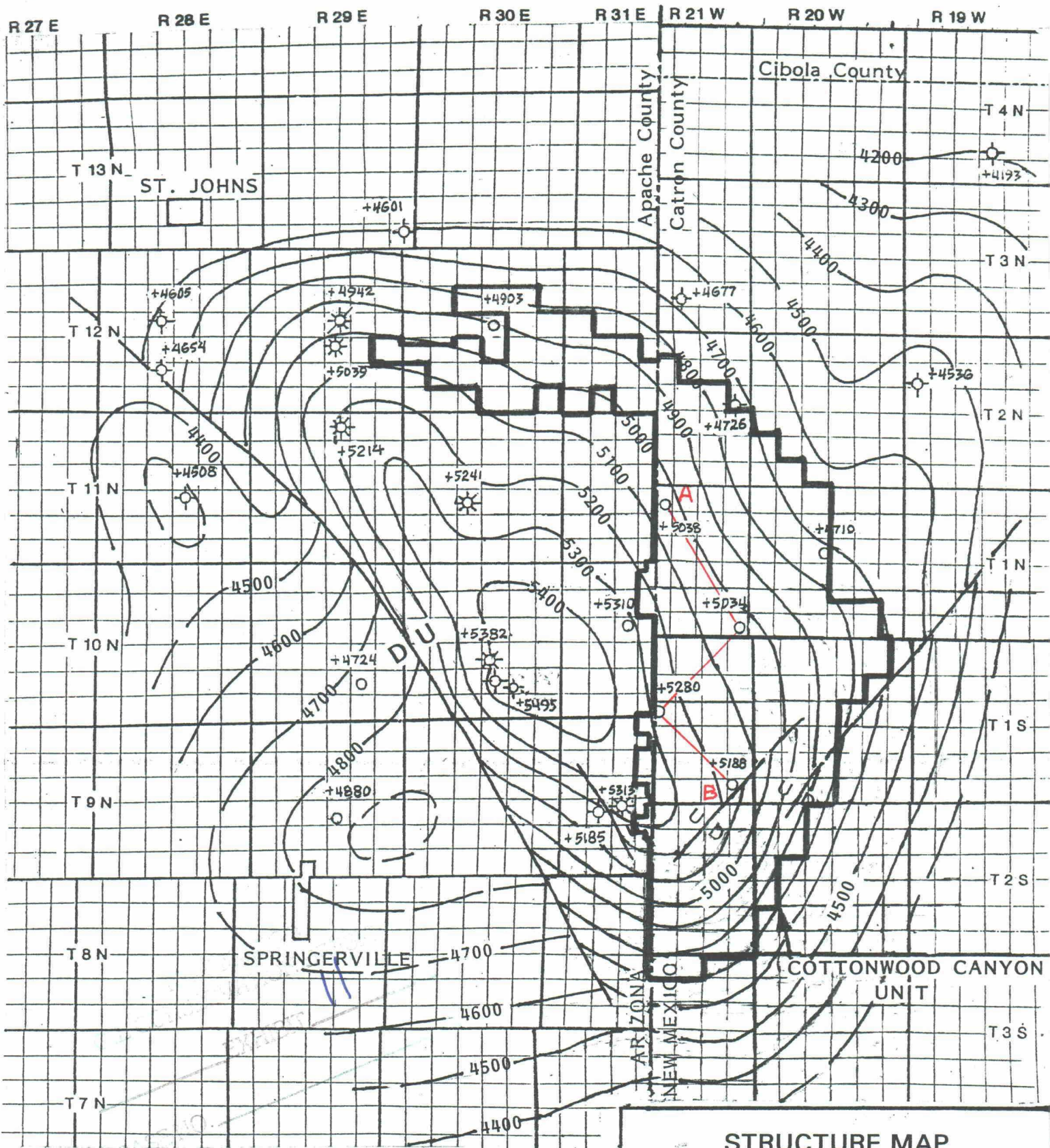
10

CASE NO.

APPENDIX I

STRATIGRAPHIC NOMENCLATURE CHART

Quaternary	Basalts & Alluvium		Quaternary lava flows & valley fill.
Pleistocene	Quemado Fm		Sandstone & conglomerate w/ rhyolite & basalt clasts, 10 to 180' thick.
Pliocene			
Miocene	Fence Lake Fm		Volcanic clastic conglomerates. Lava flows. 40 to 100' thick.
Oligocene	Spears Gp		Volcanoclastic sedimentary apron deposits. Tuffa, debris flows, etc.
Eocene	Baca Fm.		Red shales, sandstones & conglomerates. Erosional remnants on plateaus.
Upper Cretaceous	Moreno Hill Fm.		Varegated mudstone & red sandstone, carbonaceous sh & thin coal beds. 270'+ thick.
	Atargue Sandstone		Gray fine grained marine sandstone. 15'+ thick.
	Mancos Shale		Gray marine sh, 130' to 250' thick.
	Dakota Sandstone		Gray medium grained, cross laminated sandstone.
Triassic	Chinle Gp		Red, gray, green shale & siltstone with sandstone beds near base.
Permian	San Andres Fm		Gray-brown f-m crystalline. Solution collapse breccia. Lost circulation common. 250 to 350' thick.
	Glorieta Sandstone		Wh-gray-pink f-m grained well sorted sandstone. Carries fresh brackish water saturated with CO ₂ . 250 to 300' thick.
	Yeso Fm		Red-orange siltstone & very fine grained sandstone w/interbedded anhydrite & dolomite. Brackish to salty water saturated with CO ₂ . 600' thick.
	Ft. Apache Mb.		Gray-brown, vuggy dolomite. CO ₂ pay. 90 to 120' thick.
	Amos Wash Mb.		Predominantly red siltstone to vf grained sandstone. Some thin dolomite beds. Porous & permeable. CO ₂ pay zone. 250' thick.
	Abo Fm.		Red shales, siltstones, & vf grained sandstones. CO ₂ pay over higher part of the structure. 330' thick.
	Riggs Mb.		Red siltstone, vf grained sandstone & some granite wash conglomerat near base. Low porosity & permeability but highly fractured. CO ₂ pay zone. 120' thick.
Precambrian			Generally pink-orange granite. Highly fractured.



EXPLANATION

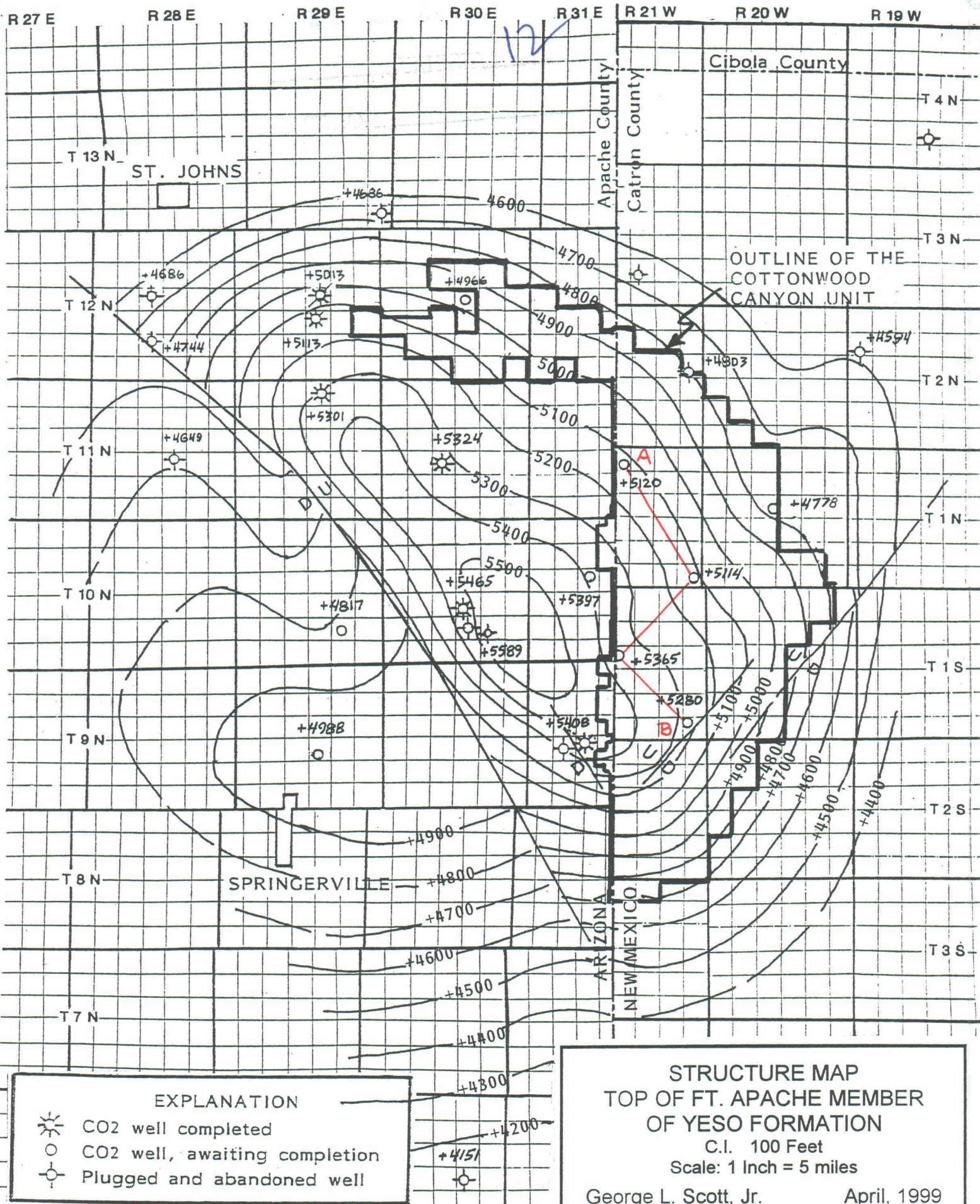
- CO2 well completed
- CO2 well, awaiting completion
- Plugged and abandoned well

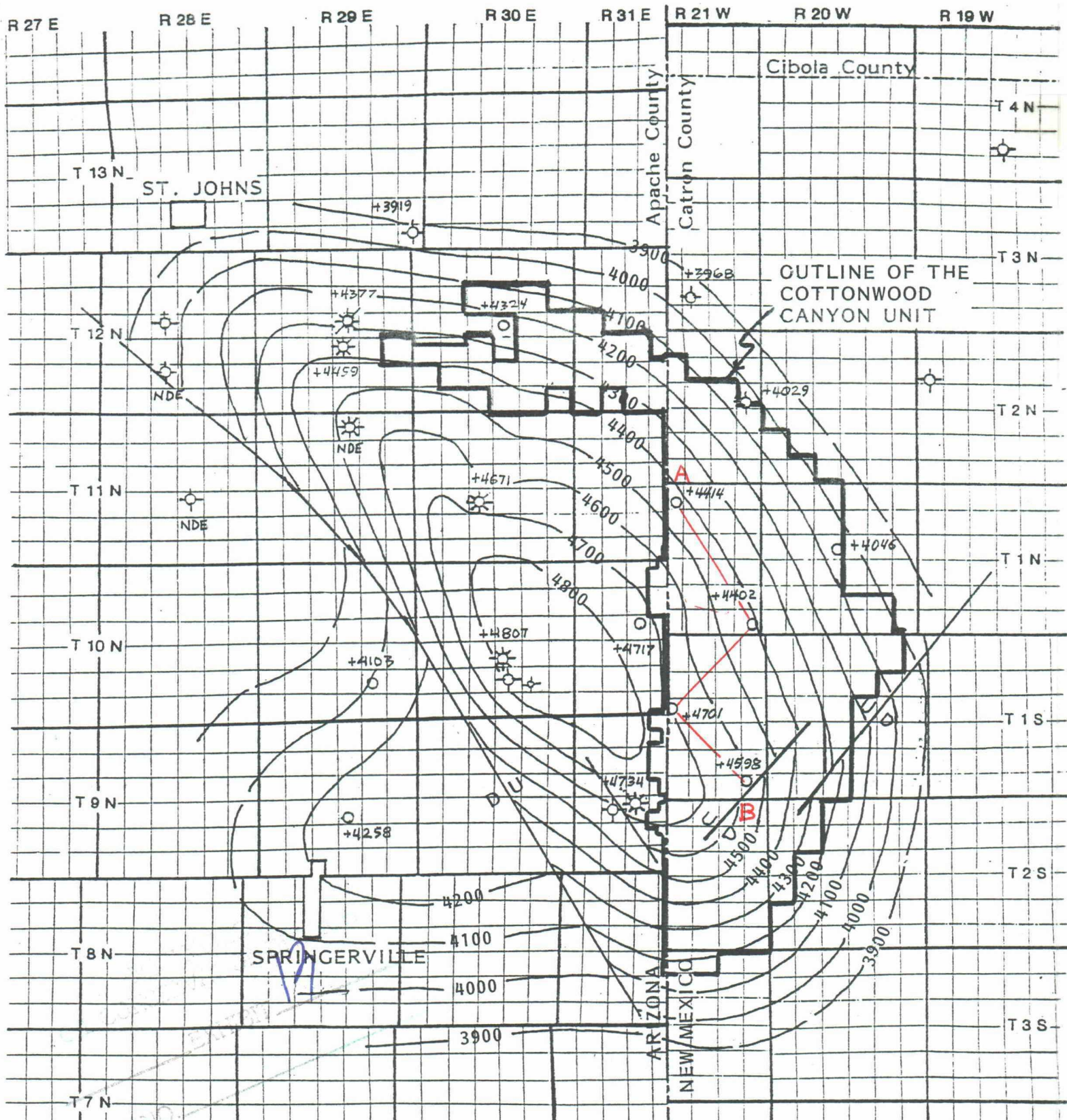
STRUCTURE MAP TOP OF AMOS WASH MEMBER OF YESO FORMATION

C.I. 100 Feet

Scale: 1 Inch = 5 miles

George L. Scott, Jr. March, 1999





EXPLANATION

- CO2 well completed
- CO2 well, awaiting completion
- Plugged and abandoned well

NDE



STRUCTURE MAP TOP OF RIGGS MEMBER OF ABO FORMATION

C.I. 100 Feet

Scale: 1 Inch = 5 miles

George L. Scott, Jr.

April, 1999