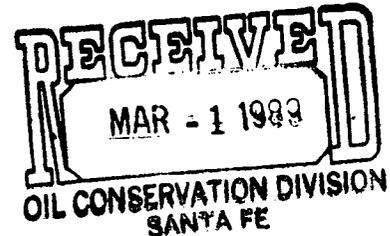


dugan production corp.

February 24, 1989

New Mexico Oil Conservation District
P. O. Box 2088
Santa Fe, New Mexico 87504



Attention: Mr. Michael Stogner

RE: Request for Non-Standard Spacing Units
Pet, Inc. #5, 6, 9, 10, 13-17 Wells
T28N-R15W, Secs. 25, 26, 35 and 36
Western Federal #7 and 9 Wells
T26N-R11W, Sec. 7
Elwood P. Dowd #1 Well
T24N-R9W, Sec. 10: SE/4
Gibraltar #1 Well
T30N-R14W, Sec. 9: NE/4

Dear Mr. Stogner:

Reference is made to our earlier communications regarding Dugan Production Corp.'s request for administrative approval of various 160 acre non-standard spacing units in the Basin Fruitland Coal Gas Pool.

This is to advise that after a meeting in Dugan Production Corp.'s office on February 23, 1989 with a representative of the NMOC (Mr. E. Busch), we have decided to withdraw our request for 160 acre non-standard spacing units covering the Pet, Inc. #5, 6, 9, 10, 13, 14, 15, 16, and 17 wells. We will be submitting C102's for 320 acres on each of these wells except the Pet, Inc. #9 which will be 280 acres.

As to our request covering the Elwood P. Dowd #1 and Western Federal #7 and #9 Wells; although we own an interest in the offsetting 160 acre tract that could be spaced with the existing proration unit for these wells, the working interest and overriding royalty interest ownership that would result under the new spacing unit would be different.

New Mexico Oil Conservation District
Page 2
February 24, 1989

In the case of the Gibraltar #1, the overriding royalty interest ownership would change if the spacing unit is expanded.

Consequently we ask that our earlier request for non-standard 160 acre spacing units for these wells be approved.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in cursive script that reads "Richard Corcoran". The signature is written in dark ink and is positioned above the typed name.

Richard Corcoran
Landman

RC/mm



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

February 24, 1989

Dugan Production Corp.
P.O. Box 5820
Farmington, NM 87499-5820

Attention: Richard Corcoran, Landman

RE: Administrative Application for a
158.75-acre non-standard gas
proration unit, Western Federal Well
No. 7, M-7-26N-11W, Basin-
Fruitland Coal (Gas) Pool, San Juan
County, New Mexico.

Dear Mr. Corcoran:

We are reviewing your application for a non-standard proration unit consisting of Lots 3 and 4 and the E/2 SW/4 of said Section 7 for the above well. Because this office is concerned that the granting of this application may impair correlative rights or result in waste, we cannot grant your application at this time.

In order to resolve those questions, this matter can be set for hearing. In lieu thereof, if you would provide information showing what impact the formation of a standard proration unit would have on the equities in the existing well, we could reconsider this preliminary decision. The information which would be necessary to satisfy this request would include:

1. ownership in the existing proration unit (royalty, override and working interests);
2. ownership in tracts which could be consolidated with the existing proration unit to form a standard proration unit (either a S/2 or W/2 dedication);
3. other wells within a possible standard proration unit; and
4. any other information which you believe may be helpful in this evaluation.

Dugan Production Corporation
February 24, 1989
Page 2

If you provide this information within 15 days, we will re-evaluate the application. If not, we will set it for hearing at the next possible examiner hearing date.

Sincerely,

Michael E. Stogner
Engineer

cc: William J. LeMay
Oil Conservation Division - Aztec



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

February 24, 1989

Dugan Production Corp.
P.O. Box 5820
Farmington, NM 87499-5820

Attention: Richard Corcoran, Landman

RE: Administrative Application for a
158.75-acre non-standard gas
proration unit, Western Federal Well
No. 7, M-7-26N-11W, Basin-
Fruitland Coal (Gas) Pool, San Juan
County, New Mexico.

Dear Mr. Corcoran:

We are reviewing your application for a non-standard proration unit consisting of Lots 3 and 4 and the E/2 SW/4 of said Section 7 for the above well. Because this office is concerned that the granting of this application may impair correlative rights or result in waste, we cannot grant your application at this time.

In order to resolve those questions, this matter can be set for hearing. In lieu thereof, if you would provide information showing what impact the formation of a standard proration unit would have on the equities in the existing well, we could reconsider this preliminary decision. The information which would be necessary to satisfy this request would include:

1. ownership in the existing proration unit (royalty, override and working interests);
2. ownership in tracts which could be consolidated with the existing proration unit to form a standard proration unit (either a S/2 or W/2 dedication);
3. other wells within a possible standard proration unit; and
4. any other information which you believe may be helpful in this evaluation.

*Set for Hearing 3/11/89 if not
Set for hearing all heard from.*

Dugan Production Corporation
February 24, 1989
Page 2

If you provide this information within 15 days, we will re-evaluate the application. If not, we will set it for hearing at the next possible examiner hearing date.

Sincerely,

Michael E. Stogner
Engineer

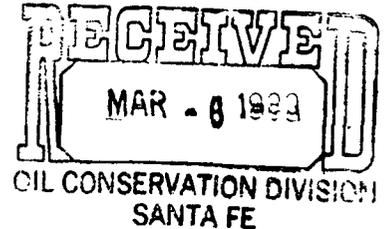
cc: William J. LeMay
Oil Conservation Division - Aztec



dugan production corp.

March 3, 1989

New Mexico Oil Conservation Division
ATTN: Mr. Michael Stogner
P. O. Box 2088
Santa Fe, New Mexico 87504



RE: ~~Request for Non-Standard Spacing Units~~
Western Federal #7 and #9 Wells
T26N-R11W, Sec. 7: NW/4 and SW/4
Elwood P. Dowd #1 Well
T24N-R9W, Sec. 10: SE/4
San Juan County, New Mexico

Dear Mr. Stogner:

Reference is made to our phone conversation of March 1, 1989 regarding the approval of the captioned non-standard spacing units.

As we discussed, enclosed are copies of Communitization Agreements and Divisions of Interest for each well indicating in excess of 80 overriding royalty owners, in addition to the royalty and working interest owners. Changing the spacing from 160 acres to 320 acres would require each of these parties to execute new division orders. Further, the existing Operating Agreement would need to be changed and ratified by the working interest owners. Additionally, revised Communitization Agreements would need to be drawn up and approved by the Bureau of Land Management.

It was my understanding that if there were no objections from surrounding interest owners and if the change in spacing would result in any difference in ownership of the well, then the NMOC would administratively approve the non-standard spacing unit request.

As the circumstances concerning the captioned wells fit the above mentioned criteria for administrative approval of non-standard spacing units, it is requested you approve our application.

Also enclosed is a copy of a letter we submitted concerning the unorthodox location of the Elwood P. Dowd #1 Well.

If there should be any questions, please contact me.

Very truly yours,

Richard Corcoran, Landman

RC/mm
Enclosures

LEASE : 3 06 96221 2 0

NAME : WESTERN FEDERAL #7

50-409252

| OWNER NUMBER | TYPE INT. | OWNER NAME | SUSP CODE | TAX CODE | REVENUE INTEREST | EXPENSE INTEREST |
|-----------------|--------------|-------------------------------|--------------|-------------|---------------------|---------------------|
| 10470 | 3 | GLEND A EARL AKE | | 2 | .00020400 | .00000000 |
| 10610 | 3 | RICHARD ALEXANDER,ADM. OF THE | 2 | 2 | .00080560 | .00000000 |
| 10620 | 3 | HUGH G.ALEXANDER LAST WILL & | | 2 | .00061180 | .00000000 |
| 10960 | 3 | AMOCO PRODUCTION CO. | | 1 | .00122370 | .00000000 |
| 11100 | 3 | ALMA BEAMON ANDERSON | | 2 | .00095580 | .00000000 |
| 11230 | 3 | JERRY J. ANDREW | | 2 | .00145440 | .00000000 |
| 13860 | 1 | ROBERT L. BAYLESS | | 2 | .12472440 | .00000000 |
| 13970 | 3 | ROBERT BEAMON | | 2 | .00141880 | .00000000 |
| 16830 | 3 | HARRY B. BOTTS | | 2 | .00015300 | .00000000 |
| 17260 | 3 | HAZEL BRACKEN | | 2 | .00007140 | .00000000 |
| 17580 | 3 | KATHRYN E. BRAY | | 2 | .00024470 | .00000000 |
| 17930 | 3 | DOROTHY OLD T BRENNER | | | .00015300 | .00000000 |
| 20710 | 3 | LYLE E. CARBAUGH | | 2 | .00009790 | .00000000 |
| 21665 | 3 | ALTO B. CERVIN | | 2 | .00061180 | .00000000 |
| 23290 | 3 | JACK L. COKE | | 2 | .00061180 | .00000000 |
| 23291 | 3 | ROBERT C. COKE | | 2 | .00061180 | .00000000 |
| 26500 | 3 | HORTENSE E. DAVANT ESTATE | | 2 | .00061180 | .00000000 |
| 26640 | 3 | J. P. DAVIS | | 2 | .00044750 | .00000000 |
| 26644 | 3 | JEREMY S. DAVIS | | 2 | .00028040 | .00000000 |
| 28445 | 3 | BARBARA REESE DINGES | | | .00002678 | .00000000 |
| 28930 | 3 | ANN HANCOCK DORIE | | 2 | .00003710 | .00000000 |
| 29585 | 3 | ELVA KALB DUMAS, TRUSTEE FOR | | 2 | .00061180 | .00000000 |
| 29590 | 3 | ELVA KALB DUMAS | | 2 | .00122370 | .00000000 |
| 29591 | 3 | ROBERT DUMBLE | | 2 | .00027970 | .00000000 |
| 32020 | 3 | ALBERT E. FAGAN | | 2 | .00079540 | .00000000 |
| 32021 | 3 | M. E. FAGAN | | 2 | .00024470 | .00000000 |
| 33550 | 3 | FONDREN OIL CO. | | 1 | .00122370 | .00000000 |
| 34010 | 3 | ELLA BOYCE FOX | | 2 | .00020400 | .00000000 |
| 34425 | 3 | W. H. FREDERKING | | 2 | .00040280 | .00000000 |
| 35915 | 3 | TEXAS COMM. BANK, N.A., ATT/F | | 2 | .00056080 | .00000000 |
| 38560 | 3 | MARY RUTH GRAHAM/W. WILSON | | 2 | .00061180 | .00000000 |
| 39745 | 3 | LAURA M. R. GUGENHEIM | | 2 | .00061180 | .00000000 |
| 41020 | 3 | JAMES D. HANCOCK, JR. | | 2 | .00003700 | .00000000 |
| 41021 | 3 | JOHN L. HANCOCK | | 2 | .00003700 | .00000000 |
| 41880 | 3 | STANLEY HARRIS, JR. | | 2 | .00122370 | .00000000 |
| 42340 | 3 | WILLIAM O. HASLBAUER | | 2 | .00020390 | .00000000 |
| 43510 | 3 | ALLISON A. HENDERSON | | 2 | .00007140 | .00000000 |
| 43920 | 3 | WILBUR E. HESS | | 2 | .00120840 | .00000000 |
| 47650 | 3 | MARY DOLL INGRAM | | 2 | .00083910 | .00000000 |
| 49380 | 3 | TOM E. JOHNSON | | 2 | .00018360 | .00000000 |
| 49420 | 3 | DOUGLAS E. JOHNSTON | | 2 | .00040280 | .00000000 |
| 49421 | 3 | EULA MAY JOHNSTON TRUST, #661 | | 2 | .00240820 | .00000000 |
| 49440 | 3 | JAMES J. JOHNSTON | | 2 | .00145440 | .00000000 |
| 49460 | 3 | V. A. JOHNSTON FAMILY TRUST | | 2 | .00060200 | .00000000 |
| 51060 | 3 | L. B. KELLY, TRUSTEE U/W/O | | 2 | .00467170 | .00000000 |
| 52560 | 3 | WILLIAM RAY KITCHEL ESTATE | | 2 | .00041670 | .00000000 |

LEASE : 3 06 96221 2 0

NAME : WESTERN FEDERAL #7

50-409252

| OWNER NUMBER | TYPE INT. | OWNER NAME | SUSP CODE | TAX CODE | REVENUE INTEREST | EXPENSE INTEREST |
|-----------------|--------------|--------------------------------|--------------|-------------|---------------------|---------------------|
| 57230 | 3 | GWINN M. LEWIS | | 2 | .00053540 | .00000000 |
| 59640 | 3 | PATTIE B. LUNDELL | | 2 | .00074750 | .00000000 |
| 61605 | 3 | THOMAS V. MCMAHAN | | 2 | .00053540 | .00000000 |
| 64195 | 3 | IDA MEHR | | 2 | .00022380 | .00000000 |
| 64647 | 1 | MERRION OIL & GAS CORP. | | | .12472440 | .00000000 |
| 66715 | 3 | CLYDE W. MORGAN | | 2 | .00061180 | .00000000 |
| 69530 | 3 | PEARL N. NORDAN | | 2 | .00061180 | .00000000 |
| 69535 | 3 | THE NORDAN TRUST | | 2 | .00061180 | .00000000 |
| 70315 | 3 | ALTA OLDT&INTERFIRST BNK DALLA | | 2 | .00000000 | .00000000 |
| 72145 | 3 | GLADYS D. PEARSON ACCOUNT | | 2 | .00030590 | .00000000 |
| 74135 | 3 | ESTATE OF PEARSON O. PORTER, J | 4 | 2 | .00007650 | .00000000 |
| 74675 | 3 | PRESBYTERIAN HOSPITAL OF DALLA | | | .00007650 | .00000000 |
| 76249 | 3 | DAVID ELBERT REESE | | | .00002678 | .00000000 |
| 76250 | 3 | DAVID E. REESE, IND. EXEC. OF | | 2 | .00000000 | .00000000 |
| 76251 | 3 | ELIZABETH GOODWIN REESE | | | .00002677 | .00000000 |
| 76252 | 3 | JEAN A. REESE | | 2 | .00007140 | .00000000 |
| 76254 | 3 | JEAN ASHLEY REESE | | 2 | .00010700 | .00000000 |
| 76600 | 1 | 1ST REPUBLIC BNK-ENERGY OPERAT | | 2 | .16629920 | .00000000 |
| 77240 | 3 | KATHRYN BURGER RICHARDSON | | 2 | .00007650 | .00000000 |
| 77242 | 3 | KATHRYN BURGER RICHARDSON | | 2 | .00007650 | .00000000 |
| 78435 | 3 | ROGERS-GIBBARD TRUST | | 2 | .00060200 | .00000000 |
| 80783 | 3 | DOROTHY WAITE SAXER | | | .00015290 | .00000000 |
| 82445 | 3 | JOHN R. SCOTT ESTATE, 010841-0 | | 2 | .00030590 | .00000000 |
| 85645 | 3 | J. DOYLE SMITH | | 2 | .00006120 | .00000000 |
| 85895 | 3 | MILDRED P. SNOWDEN | 4 | 2 | .00018360 | .00000000 |
| 91170 | 3 | RAYBOURNE THOMPSON | | 2 | .00117480 | .00000000 |
| 93095 | 3 | UNION OIL CO. OF CALIFORNIA | | 1 | .00481630 | .00000000 |
| 93115 | 3 | UNIVERSITY OF NEBRASKA | | | .00007650 | .00000000 |
| 93125 | 3 | UNIVERSITY OF ST. THOMAS | | 2 | .00335660 | .00000000 |
| 93170 | 2 | MMS;BIA;SO.UTE;ST.OF NM & UTAH | | C | .12500000 | .00000000 |
| 94227 | 3 | DONALD MCCLURE WAITE | | | .00015290 | .00000000 |
| 94495 | 3 | SECURITY PACIFIC NATIONAL BANK | 2 | 2 | .00195790 | .00000000 |
| 94745 | 3 | REBECCA ANN REESE WARD | | | .00002677 | .00000000 |
| 94800 | 3 | GRACE KELLER WARE | | 2 | .00045880 | .00000000 |
| 95035 | 3 | GLADYS WATFORD | | 2 | .00000000 | .00000000 |
| 95036 | 3 | GLADYS WATFORD TRUST | | | .00036100 | .00000000 |
| 97300 | 3 | DORIS WILLIAMS | | | .00042830 | .00000000 |
| 99999 | 1 | DUGAN PRODUCTION CORPORATION | | | .40925200 | .00000000 |
| TOTAL | | | | | 1.00000000 | .00000000 |

LEASE : 3 06 96230 1 0

NAME : WESTERN FEDERAL#9 5045-4162125

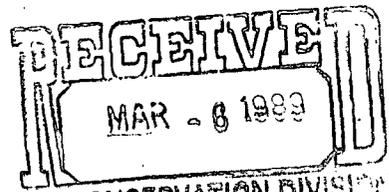
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| 10470 | 3 | GLENDA EARL AKE | | 2 | .00020400 | .00000000 |
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| 13970 | 3 | ROBERT BEAMON | | 2 | .00141880 | .00000000 |
| 16830 | 3 | HARRY B. BOTTS | | 2 | .00015300 | .00000000 |
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LEASE : 3 06 96230 1 0

NAME : WESTERN FEDERAL#9 5045-4162125

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| 57230 | 3 | GWINN M. LEWIS | | 2 | .00053540 | .00000000 |
| 59640 | 3 | PATTIE B. LUNDELL | | 2 | .00074750 | .00000000 |
| 61605 | 3 | THOMAS V. MCMAHAN | | 2 | .00053540 | .00000000 |
| 64195 | 3 | IDA MEHR | | 2 | .00022380 | .00000000 |
| 64647 | 1 | MERRION OIL & GAS CORP. | | | <u>.12263600</u> | .00000000 |
| 66715 | 3 | CLYDE W. MORGAN | | 2 | .00061180 | .00000000 |
| 69530 | 3 | PEARL N. NORDAN | | 2 | .00061180 | .00000000 |
| 69535 | 3 | THE NORDAN TRUST | | 2 | .00061180 | .00000000 |
| 70315 | 3 | ALTA OLD&INTERFIRST BNK DALLA | | 2 | .00000000 | .00000000 |
| 72145 | 3 | GLADYS D. PEARSON ACCOUNT | | 2 | .00030590 | .00000000 |
| 74135 | 3 | ESTATE OF PEARSON D. PORTER, J | 4 | 2 | .00007650 | .00000000 |
| 74675 | 3 | PRESBYTERIAN HOSPITAL OF DALLA | | | .00007650 | .00000000 |
| 76249 | 3 | DAVID ELBERT REESE | | | .00002678 | .00000000 |
| 76250 | 3 | DAVID E. REESE, IND. EXEC. OF | | 2 | .00000000 | .00000000 |
| 76251 | 3 | ELIZABETH GOODWIN REESE | | | .00002677 | .00000000 |
| 76252 | 3 | JEAN A. REESE | | 2 | .00007140 | .00000000 |
| 76254 | 3 | JEAN ASHLEY REESE | | 2 | .00010700 | .00000000 |
| 76600 | 1 | 1ST REPUBLIC BNK-ENERGY OPERAT | | 2 | <u>.16351500</u> | .00000000 |
| 77240 | 3 | KATHRYN BURGER RICHARDSON | | 2 | .00007650 | .00000000 |
| 77242 | 3 | KATHRYN BURGER RICHARDSON | | 2 | .00007650 | .00000000 |
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| 85895 | 3 | MILDRED P. SNOWDEN | 4 | 2 | .00018360 | .00000000 |
| 91170 | 3 | RAYBOURNE THOMPSON | | 2 | .00117480 | .00000000 |
| 93095 | 3 | UNION OIL CO. OF CALIFORNIA | | 1 | .00481630 | .00000000 |
| 93115 | 3 | UNIVERSITY OF NEBRASKA | | | .00007650 | .00000000 |
| 93125 | 3 | UNIVERSITY OF ST. THOMAS | | 2 | .00335660 | .00000000 |
| 93170 | 2 | MMS;BIA;SO.UTE;ST.OF NM & UTAH | | C | .12500000 | .00000000 |
| 94227 | 3 | DONALD MCCLURE WAITE | | | .00015290 | .00000000 |
| 94495 | 3 | SECURITY PACIFIC NATIONAL BANK | 2 | 2 | .00195790 | .00000000 |
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| 94800 | 3 | GRACE KELLER WARE | | 2 | .00045880 | .00000000 |
| 95035 | 3 | GLADYS WATFORD | | 2 | .00000000 | .00000000 |
| 95036 | 3 | GLADYS WATFORD TRUST | | | .00036100 | .00000000 |
| 97300 | 3 | DORIS WILLIAMS | | | <u>.00042830</u> | .00000000 |
| 99999 | 1 | DUGAN PRODUCTION CORPORATION | | | <u>.41621300</u> | .00000000 |
| TOTAL | | | | | 1.00000000 | .00000000 |

#7



APPROVAL - CERTIFICATION - DETERMINATION

OIL CONSERVATION DIVISION

Pursuant to the authority vested in the Secretary of the Interior under Section 17(j) of the Mineral Leasing Act of 1920, as amended (74 Stat. 784; 30 U.S.C. 226(j)), and delegated to the Area Oil and Gas Supervisors of the U. S. Geological Survey, I do hereby:

- A. Approve the attached communitization agreement covering the Lots 3, 4 and E $\frac{1}{2}$ SW $\frac{1}{4}$ sec. 7, T. 26 N., R. 11 W., N.M.P.M., San Juan County, County, _____, as to (natural gas and associated liquid hydrocarbons) ~~(crude oil and associated natural gas)~~ producible from the Fruitland formation.
- B. Determine that the Federal lease or leases as to the lands committed to the attached agreement cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located, and that consummation and approval of the agreement will be in the public interest.
- C. Certify and determine that the drilling, producing, rental, minimum royalty and royalty requirements of the Federal lease or leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of the agreement.

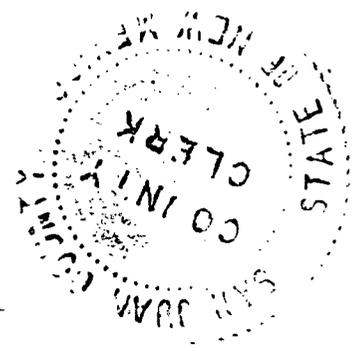
Approved: MAR 06 1979

James W. Latheland
Oil and Gas Supervisor, SRMA
U. S. Geological Survey

Effective: July 1, 1977

Contract No: SRM- 1354

FILED OR RECORDED
BOOK 848 PAGE 40
SAN JUAN COUNTY, NEW MEXICO
MAR. 14 1979
AT 11:45 O'CLOCK A M
Carol Sandy
COUNTY CLERK
James Latheland
DEPUTY
Rev 58828



7w 26

RECEIVED
FEB 15 1979
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

COMMUNITIZATION AGREEMENT

Contract No. SRM-1354

THIS AGREEMENT entered into as of the 1st day of July, 1977, by and between the parties subscribing, ratifying or consenting hereto, such parties being hereinafter referred to as "parties hereto",

W I T N E S S E T H :

WHEREAS, the act of February 25, 1920 (41 Stat. 437) as amended and supplemented authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease, or any portion thereof, with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas leases and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement:

NOW, THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 26 North, Range 11 West, NMPM
Section 7: Lots 3 and 4, E/2 SW/4
San Juan County, New Mexico

RECEIVED
AUG 9 1977

Containing 158.75 acres, more or less, and this agreement shall extend to and include only the Fruitland formation underlying said lands and the dry gas and associated liquid hydrocarbons ~~oil and associated hydrocarbons~~, herein referred to as "communitized substances", producible from such formation.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit "B", designating the operator of the communitized area and showing the acreage, percentage and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Area Oil and Gas Supervisor.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, with a log and history of any well drilled on the communitized area, monthly reports of operations, statements of oil and gas sales and royalties and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations.

5. The communitized area shall be developed and operated as an entirety, with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

6. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement shall remain in full force and effect as originally made and issued. It is agreed that for any Federal lease bearing a sliding-or step-scale rate of royalty, such rate shall be determined separately as to production from each communitization agreement to which such lease may be committed, and separately as to any non-communitized lease production, provided, however, as to leases where the rate of royalty for gas is based on total lease production per day, such rate shall be determined by the sum of all communitized production allocated to such a lease plus any noncommunitized lease production.

7. There shall be no obligation on the lessees to offset any well or wells completed in the same formation as covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees hereto shall not be released from their obligation to protect said communitized area from drainage of communitized substances by a well or wells which may be drilled offsetting said area.

8. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

9. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules or regulations.

10. This agreement is effective July 1, 1977 upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and for so long thereafter as communitized substances are, or can be, produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

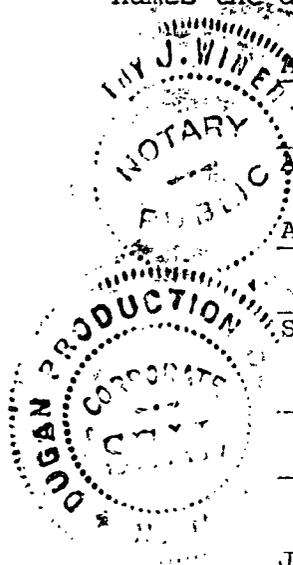
12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.

14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

15. Nondiscrimination. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.



Attest: Dorothy Winer
Assistant Secretary

Attest: _____
Secretary

J. Gregory Merrion

DUGAN PRODUCTION CORP.
By: Thomas A. Dugan
Thomas A. Dugan, President

ATOM, INC.
By: _____
Hugh J. Mitchell, President

Robert L. Bayless

STATE OF)
COUNTY OF) ss.

On this _____ day of _____, 19____, before me personally appeared _____ to me known to be the person _____ described in and who executed the foregoing instrument, and acknowledged that he executed the same as _____ free act and deed.

Notary Public

My commission expires:

STATE OF NEW MEXICO)
COUNTY OF SAN JUAN) ss.

On this 29th day of July, 1977, before me personally appeared _____ Thomas A. Dugan _____ to me personally known, who, being by me duly sworn did say that he is the _____ president of _____ Dugan Production Corp. _____, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ Thomas A. Dugan _____ acknowledged said instrument to be the free act and deed of said corporation.

Dorothy J. Winer
Notary Public

NOTARY PUBLIC
My commission expires:
November 5, 1978

10. This agreement is effective July 1, 19 77 upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and for so long thereafter as communitized substances are, or can be, produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.

14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

15. Nondiscrimination. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

Attest: _____

DUGAN PRODUCTION CORP.

Assistant Secretary

By: Thomas A. Dugan, President

Attest: _____

ATOM, INC.

Anita L. Durbaine
Secretary

By: Hugh J. Mitchell
Hugh J. Mitchell, President

J. Gregory Merrion

Robert L. Bayless



STATE OF)
COUNTY OF) ss.

On this _____ day of _____, 19____, before me personally appeared _____ to me known to be the person _____ described in and who executed the foregoing instrument, and acknowledged that he executed the same as _____ free act and deed.

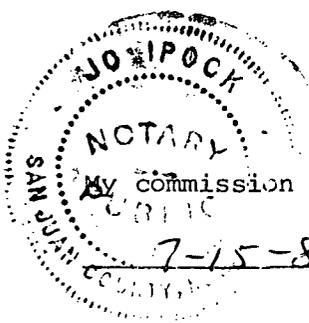
Notary Public

My commission expires:

STATE OF *New Mexico*
COUNTY OF *San Juan*) ss.

On this 5th day of July, 1977, before me personally appeared Hugh J. Mitchell to me personally known, who, being by me duly sworn did say that he is the _____ president of Atom, Inc., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Hugh J. Mitchell acknowledged said instrument to be the free act and deed of said corporation.

Jo Brock
Notary Public


My commission expires:
7-15-80

10. This agreement is effective July 1, 1977 upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and for so long thereafter as communitized substances are, or can be, produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.

11. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

13. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.

14. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

15. Nondiscrimination. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), as amended which are hereby incorporated by reference in this agreement.

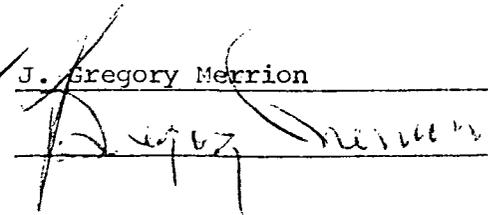
IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

Attest: _____

Assistant Secretary

Attest: _____

Secretary

✓ J. Gregory Merrion


DUGAN PRODUCTION CORP.

By: _____
 Thomas A. Dugan, President

ATOM, INC.

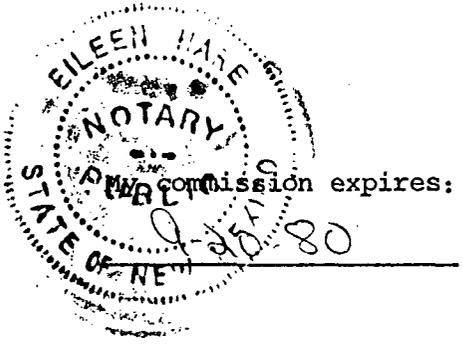
By: _____
 Hugh J. Mitchell, President

Robert L. Bayless

STATE OF)
COUNTY OF) ss.

On this 1st day of August, 1977, before me personally appeared
J. Gregory Morrison to me known to be the person
described in and who executed the foregoing instrument, and acknowledged that he
executed the same as his free act and deed.

Eileen Hare
Notary Public



STATE OF)
COUNTY OF) ss.

On this _____ day of _____, 19____, before me personally appeared
_____ to me personally known, who,
being by me duly sworn did say that he is the _____ president of
_____, and that the seal affixed
to said instrument is the corporate seal of said corporation and that said instrument
was signed and sealed in behalf of said corporation by authority of its board of
directors, and said _____ acknowledged
said instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

10. This agreement is effective July 1, 19 77 upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and for so long thereafter as communitized substances are, or can be, produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.

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12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

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IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

Attest: _____

Assistant Secretary

Attest: _____

Secretary

J. Gregory Merrion

DUGAN PRODUCTION CORP.

By: _____

Thomas A. Dugan, President

ATOM, INC.

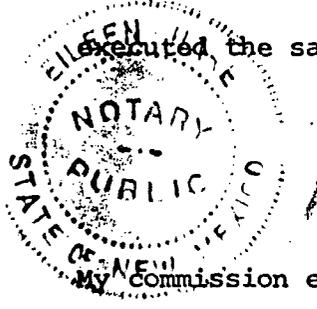
By: _____

Hugh J. Mitchell, President

Robert L. Bayless
Robert L. Bayless

STATE OF New Mexico)
COUNTY OF San Juan) ss.

On this 5th day of July, 1977, before me personally appeared
Robert J. Bayless to me known to be the person
described in and who executed the foregoing instrument, and acknowledged that he
executed the same as his free act and deed.



Eileen Hare
Notary Public

My commission expires:
9-20-80

STATE OF)
COUNTY OF) ss.

On this _____ day of _____, 19____, before me personally appeared
_____ to me personally known, who,
being by me duly sworn did say that he is the _____ president of
_____, and that the seal affixed
to said instrument is the corporate seal of said corporation and that said instrument
was signed and sealed in behalf of said corporation by authority of its board of
directors, and said _____ acknowledged
said instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

10. This agreement is effective July 1, 19 77 upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and for so long thereafter as communitized substances are, or can be, produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.

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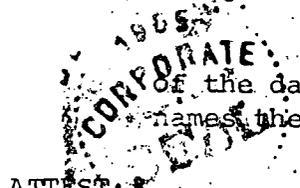
12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

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15. Nondiscrimination. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.



ATTEST: DEPCO
DEPCO, Inc.
By: J. V. Kowalski
J. V. Kowalski, Vice President

Dugan Production Corp.

By: _____

ATTEST: Husky Oil Ltd.
By: _____

Atom, Inc.

By: _____

ATTEST: El Paso Natural Gas Company
By: _____

J. Gregory Merrion

Robert L. Bayless

STATE OF)
COUNTY OF) ss.

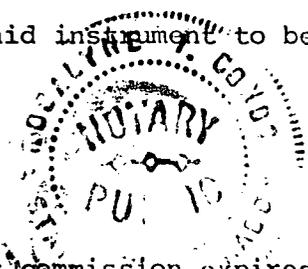
On this _____ day of _____, 19____, before me personally appeared _____ to me known to be the person _____ described in and who executed the foregoing instrument, and acknowledged that he executed the same as _____ free act and deed.

Notary Public

My commission expires:

STATE OF COLORADO)
COUNTY OF DENVER) ss.

On this 23rd day of August, 1977, before me personally appeared J. V. Kowalski to me personally known, who, being by me duly sworn did say that he is the Vice president of DEPCO, Inc., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said J. V. Kowalski acknowledged said instrument to be the free act and deed of said corporation.



J. V. Kowalski
Notary Public

My commission expires:

September 16, 1980.

10. This agreement is effective July 1, 1977 upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and for so long thereafter as communitized substances are, or can be, produced from the communitized area in paying quantities; provided, that prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction. The two-year term of this agreement will not in itself serve to extend the term of any Federal lease which would otherwise expire during said period.

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12. It is agreed between the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas regulations of the Department of the Interior.

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15. Nondiscrimination. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246 (30 F.R. 12319), as amended which are hereby incorporated by reference in this agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

ATTEST: Depco, Inc.
By: _____

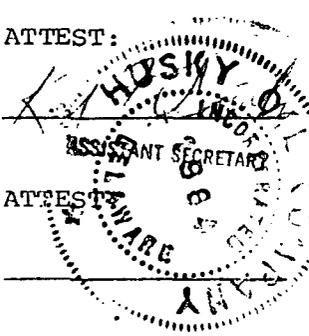
Dugan Production Corp.
By: _____

ATTEST: Husky Oil ~~Co.~~ Company
By: J. G. McKenzie
Vice-Pres.

Atom, Inc.
By: _____

ATTEST: El Paso Natural Gas Company
By: _____

J. Gregory Merrion
Robert L. Bayless



(Handwritten initials)

STATE OF)
COUNTY OF) ss.

On this _____ day of _____, 19____, before me personally appeared _____ to me known to be the person _____ described in and who executed the foregoing instrument, and acknowledged that he executed the same as _____ free act and deed.

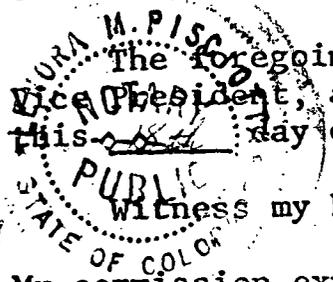
Notary Public

My commission expires:

STATE OF)
COUNTY OF) ss.

STATE OF COLORADO)
COUNTY OF ARAPAHOE) ss.

The foregoing instrument was acknowledged before me by J. G. McKenzie, Vice President, and Karl F. Anuta, Assistant Secretary for Husky Oil Company, this 18th day of August, 1977.



Witness my hand and official seal.

My commission expires:
July 10, 1978

Lorna M. Piscopoli
Notary Public

_____ and deed of said corporation.

Notary Public

My commission expires:

40.8

EXHIBIT "A"

See Well Location and Acreage Dedication Plat for the communitized area of this agreement reproduced below:

N MEXICO OIL CONSERVATION COMMISS.
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

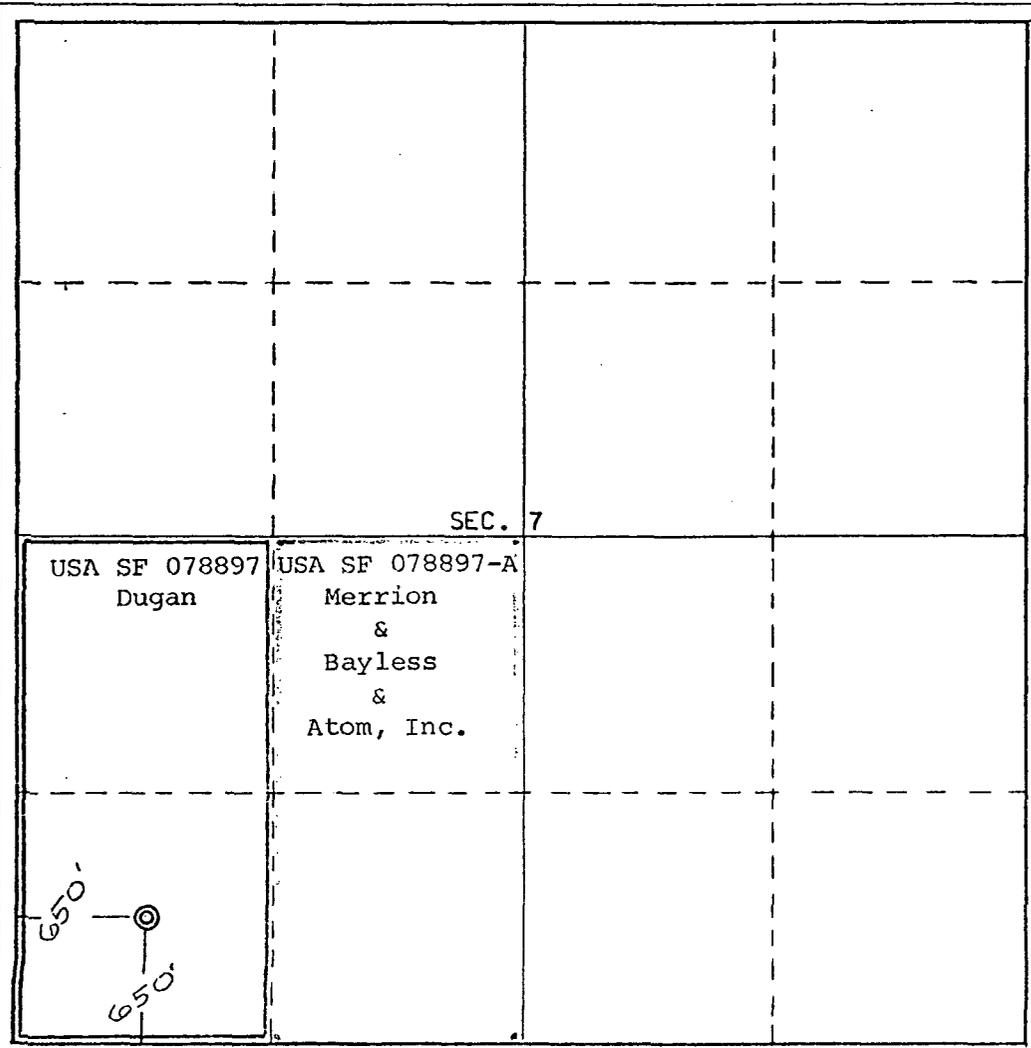
| | | | | |
|---|---|---------------------------------|---|---------------------------|
| Operator Dugan Production Corp. | | Lease Western Federal | | Well No. 7 |
| Unit Letter M | Section 7 | Township 26 North | Range 11 West | County San Juan |
| Actual Footage Location of Well: 650. feet from the South line and 650 feet from the West line | | | | |
| Ground Level Elev. 6037 | Producing Formation Fruitland-Pictured Cliffs | Pool South Gallegos | Dedicated Acreage: 158.75 Acres | |

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation Plan to communitize

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Thomas A. Dugan
Name
Thomas A. Dugan

Position
Petroleum Engineer

Company
Dugan Production Corp.

Date
6-29-77

STATE OF NEW MEXICO
REGISTERED LAND SURVEYOR

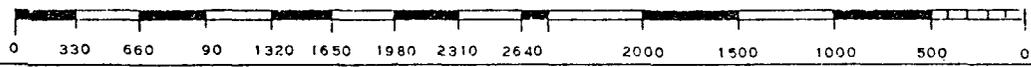
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same are true and correct to the best of my knowledge and belief.

No. 3602

Date Surveyed
June 11, 1977

Registered Professional Engineer and/or Land Surveyor

E.V. Echhawk
Certificate No. **3602**
E.V. Echhawk LS



40.1

EXHIBIT "B"

To Communitization Agreement dated July 1, 1977, embracing:

Township 26 North, Range 11 West, NMPM
Section 7: Lots 3 and 4, E/2 SW/4
Containing 158.75 acres, more or less
San Juan County, New Mexico

Operator of Communitized Area: Dugan Production Corp.

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lease Serial Number: USA SF 078897
Lease Date: July 1, 1947
Lease Term: Five Years
Lessor: United States of America
Original Lessee of Record: Sibyl Oneda Holloway
Present Lessee of Record: Dugan Production Corp.
Description of Lands Committed: Township 26 North, Range 11 West, NMPM
Section 7: Lots 3 and 4
San Juan County, New Mexico
Number of Acres: 78.75
Name and Percent ORRI Owners: See attached Sheet #1
Name and Percent WI Owners: Dugan Production Corp.
Box 234
Farmington, NM 87401

Tract No. 2

Lease Serial Number: USA SF 078897-A
(Segregated out of SF 078897 effective November 1, 1957)
Lease Date: July 1, 1947
Lease Term: Five Years
Lessor: United States of America
Original Lessee of Record: Sibyl Oneda Holloway
Present Lessee of Record: J. Gregory Merrion, Robert L. Bayless, and Atom, Inc.
Husky Oil Co. Depo. Inc.

EXHIBIT "B" (Cont'd)

Description of Lands Committed: Township 26 North, Range 11 West, NMPM
 Section 7: E/2 SW/4
 San Juan County, New Mexico

Number of Acres: 80

Name and Percent ORRI Owners: See attached Sheet #2

Name and Percent WI Owners:

| | |
|----------------------|-----|
| J. Gregory Merrion | 30% |
| Box 1541 | |
| Farmington, NM 87401 | |
| Robert L. Bayless | 30% |
| Box 1541 | |
| Farmington, NM 87401 | |
| Atom, Inc. | 40% |
| Box 1109 | |
| Farmington, NM 87401 | |

RECAPITULATION

| <u>Tract Number</u> | <u>Number of Acres Committed</u> | <u>Percentage of Interest in Communitized Area</u> |
|---------------------|----------------------------------|--|
| 1 | 78.75 | 49.61% |
| 2 | <u>80.00</u> | <u>50.39%</u> |
| | 158.75 | 100.00% |

SHEET #1

Overriding Royalty Interest Owners for USA SF 078897

| | |
|---|---------|
| T. J. Ahern 3701 Kirby Drive, Suite 916 Houston, TX 77006 | .33566% |
| Glenda Earl Ake 2408 Chimney Hill Drive Arlington, TX 76012 | .02040% |
| U. S. Treasury A/C Richard Alexander, Administrator of the Estate of Charles S. Alexander, Deceased Room 3301 New Federal Building 515 Rusk Avenue Houston, TX 77002 | .04030% |
| Hugh G. Alexander, Jr. 2181 Troon Houston, TX 77019 | .06118% |
| Amoco Production Company Box 1953 El Paso, TX 79950 | .12237% |
| Alma B. Anderson 5211 Briar Drive Houston, TX 77056 | .09558% |
| Jerry J. Andrew 408 Longwoods Houston, TX 77024 | .14544% |
| Hazel Bracken #1 Westlane Houston, TX 77019 | .00714% |
| Allison A. Henderson 6410-B Auburn Drive Austin, TX 78723 | .00714% |
| Jean R. Reese #5 Mockingbird Circle Houston, TX 77074 | .00714% |
| Robert Beamon 607 Capitol National Bank Building Houston, TX 77002 | .14188% |
| A. B. Bray 6203 Marquita Dallas, TX 75214 | .02447% |
| Lyle E. Carbaugh 2635 Exxon Building Houston, TX 77002 | .00979% |
| Alto B. Cervin 4020 Republic National Bank Tower Dallas, TX 75201 | .06118% |

SHEET #1 (Cont'd)

| | |
|--|---------|
| Jack L. Coke 3600 First National Bank Building Dallas, TX 75202 | .06118% |
| Robert C. Coke 6616 Hursey Dallas, TX 75205 | .06118% |
| Grace Keller Ware 53 Carolane Trail Houston, TX 77024 | .04588% |
| Harry B. Botts 12426 Kimberley Lane Houston, TX 77024 | .01530% |
| Hortense F. Davant Estate c/o J. E. Davant 1517 West 5th Avenue Corsicana, TX 75110 | .06118% |
| J. P. Davis Box 131 Edna, TX 77957 | .04475% |
| Jeremy S. Davis 204 Esperson Building Houston, TX 77002 | .02804% |
| Waters S. Davis III 4225 Office Parkway, Suite 103 Dallas, TX 75204 | .02804% |
| Elva Kalb Dumas 3711 San Felipe Road, Apt 9H Houston, TX 77027 | .12237% |
| Robert N. Dumble, Jr. aka Norman Dumble 10014 Locke Lane Houston, TX 77042 | .02797% |
| Albert E. Fagan 254 Maple Valley Road Houston, TX 77027 | .07954% |
| M. E. Fagan Route 1 Inez, TX 77968 | .02447% |
| Fondren Oil Company 738 Houston Natural Gas Building Houston, TX 77002 | .12237% |
| Ella Boyce Fox 9109 Villa Park Circle Dallas, TX 75225 | .02040 |
| W. H. Frederking 1325 Southwest Tower Houston, TX 77002 | .04028% |

SHEET #1 (Cont'd)

| | |
|---|---------|
| Catherine D. Gauss Bank of New York ATTN: Oil & Gas Group 48 Wall Street New York, NY 10015 | .02804% |
| Mary Ruth Graham, only heir and Executrix of the Estate of W. Wilson Graham 5500 West Purdue Avenue Dallas, TX 75209 | .06118% |
| Laura M. R. Gugenheim 9454 Wilshire Boulevard, Suite 405 Beverly Hills, CA 90210 | .06118% |
| J. D. Hancock 4323 Belclaire Dallas, TX 75205 | .01111% |
| Stanley Harris, Jr. Box 755 Chicago, IL 60690 | .12237% |
| William O. Haslbauer 6833 Colfax Drive Dallas, TX 75231 | .02039% |
| Wilbur E. Hess c/o White, Weld & Co. One Allen Center, Suite 3330 Houston, TX 77002 | .12084% |
| Mary Doll Ingram 2727 Revere, Apt 37 Houston, TX 77006 | .08391% |
| First National Bank of Fort Worth, Trustee U/A for Eula May Johnston, #661 Box 2546 Fort Worth, TX 76101 | .24082% |
| Tom E. Johnson Box 1707 Midland, TX 79701 | .01836% |
| Douglas E. Johnston Securities Corporation 2 Houston Center, Suite 3400 Houston, TX 77002 | .04028% |
| V. A. Johnston Family Trust Katherine Prewett and Mary F. Chesser, Trustees Box 925 Ralls, TX 79357 | .06020% |
| Elva Kalb Dumas and George P. Morgan, Trustees U/W/O E. F. Kalb 3711 San Felipe Road, Apt 9H Houston, TX 77027 | .06118% |

SHEET #1 (Cont'd)

| | |
|---|---------|
| James J. Johnston 2635 Exxon Building Houston, TX 77002 | .14544% |
| L. B. Kelly, Trustee U/W/O Laurence Corbett Kelly, Deceased c/o M. P. Fredgant, C.P.A. 12327 Santa Monica Boulevard, #102 Los Angeles, CA 90025 | .46717% |
| William R. Kitchell Box 96 Southwest Harbor, ME 04679 | .04167% |
| Gwinn M. Lewis 10919 Wickwild Houston, TX 77024 | .05354% |
| Pattie B. Lundell 10922 Timberglen Houston, TX 77024 | .07475% |
| Thomas V. McMahan Box 497 Houston, TX 77001 | .05354% |
| Ida Mehr 2225 San Felipe Road, Apt 3 Houston, TX 77019 | .02238% |
| Clyde W. Morgan 7048 Lavendale Dallas, TX 75230 | .06118% |
| Pearl N. Nordan 711 NBC Building San Antonio, TX 78205 | .06118% |
| Nordan Trust 711 NBC Building San Antonio, TX 78205 | .06118% |
| L. C. Oldham, Jr. 5651 Willers Way Houston, TX 77056 | .02080% |
| F. S. Oldt 6617 Lakewood Boulevard Dallas, TX 75214 | .06118% |
| First Hutchings-Sealy National Bank of Galveston Trustee U/W of Gladys D. Pearson Box 1500 Galveston, TX 77553 | .03059% |
| Estate of Pearson O. Porter, Jr. c/o Roland Bellard Box 924 League City, TX 77573 | .00765% |

SHEET #1 (Cont'd)

| | |
|---|---------|
| George R. Reese, Jr. #5 Mockingbird Circle Houston, TX 77074 | .02141% |
| Kathryn Burger Richardson 3236 Candelaria, NE Albuquerque, NM 87107 | .00765% |
| Kathryn Burger Richardson, Life Tenant 3236 Candelaria, NE Albuquerque, NM 87107 | .00765% |
| Rogers-Gibbard Trust Box 436 Sulphur, OK 73086 | .06020% |
| John R. Scott Box 5961 Dallas, TX 75221 | .03059% |
| J. Doyle Smith 2339 Southgate Houston, TX 77025 | .00612% |
| Mildred P. Snowden 8866 Norwood Avenue Chestnut Hill, PA 19118 | .01836% |
| Raybourne Thompson 2100 First City National Bank Houston, TX 77002 | .11748% |
| Union Oil Company of California Box 3100 Midland, TX 79701 | .48163% |
| David B. Heyler, Jr., William T. Walker, Jr., and Security Pacific National Bank, Co-Trustees U/W of William T. Walker, Deceased Trust #2-01434-7-E Box 2253, Terminal Annex Los Angeles, CA 90051 | .19579% |
| Gladys Watford 2635 Exxon Building Houston, TX 77002 | .01530% |
| James A. Williams Box 20489 Houston, TX 77025 | .04283% |

40-w

SHEET #2

Overriding Royalty Interest Owners for USA SF 078897-A

Same as shown on SHEET #1