CASE 6747: YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING AND AN UNORTHODOX LOCATION, EDDY COUNTY, NEW MEXICO

Case No.

6747

Application

Transcripts.

Small Exhibits

ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
28 November 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. CASE 6747

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division:	Ernest L. Padilla, Esq. Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
For the Applicant:	Chad Dickerson, Esq. LOSEE, CARSON & DICKERSON Artesia, New Mexico

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3010 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

I N D E X

MARK WILSON

Direct Examination by Mr. Dickerson 3

SCOTT WILSON

Direct Examination by Mr. Dickerson 8

Cross Examination by Mr. Stamets 13

E X H I B I T S

Applicant Exhibit One, Plat 5

Applicant Exhibit Two, Map 5

Applicant Exhibit Three, Cross Section 6

Applicant Exhibit Four, Affidavit 9

Applicant Exhibit Five, Letters 10

Applicant Exhibit Six, Operating Agreement 11

Applicant Exhibit Seven, AFE 12

MR. STAMETS: We'll call next Case 6747.

MR. PADILLA: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico.

MR. DICKERSON: My name is Chad Dickerson, Losee, Carson, and Dickerson, Artesia, New Mexico. I have two witnesses to be sworn, Mr. Examiner.

MR. STAMETS: Any other appearances in this case? I'd like to have both witnesses stand and be sworn at this time.

(Witnesses sworn.)

MARK WILSON

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. DICKERSON:

Q. Will you state your name, where you reside, by whom you're employed, and your occupation, please?

A. Mark Wilson from Artesia, New Mexico, 1705 Briscoe. I'm independently employed, representing Yates Petroleum today.

Q. Mr. Wilson, what is your occupation?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
5010 Plaza Blanca (505) 471-8462
Santa Fe, New Mexico 87501

A. Independent geologist.

Q. Have you previously testified and qualified as a geologist before this Division?

A. I have.

MR. DICKERSON: Mr. Examiner, we tender Mr. Wilson as an expert geologist.

MR. STAMETS: He is considered so qualified.

Q. Mr. Wilson, are you familiar with the application of Yates Petroleum Corporation in Cause 6747?

A. I am.

Q. Will you briefly describe what Yates seeks by this application?

A. Let me change into my reading glasses. In Case 6747 Yates Petroleum Corporation, operator of the North Penasco working interest unit, requests approval for the unorthodox Morrow gas well location of its North Penasco MG Com No. 1, to be drilled 660 feet from the south line and 660 feet from the east line of Section 23, Township 18 South, Range 25 East, Atoka-Morrow West Field, Eddy County, New Mexico, the south half of said Section 23 is to be dedicated to the well. Compulsory pooling is requested for the proration unit.

My testimony will relate principally to the unorthodox drill site and the risk involved.

Q. Mr. Wilson, will you please refer to what

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
1030 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

is marked Exhibit Number One and describe what that exhibit depicts?

A. Exhibit One is a land plat showing the proposed well site with a red dot way down in the southeast corner and the outline of the North Penasco Unit in red. The location of acreage affected by compulsory pooling is colored yellow, and the proration unit is outlined in green.

Q. Will you kindly refer to what is marked Exhibit Number Two and describe that exhibit?

A. Exhibit Number Two shows in solid contours with a contour interval 50 feet, the total thickness of the Morrow series of the Pennsylvanian system and in dashed contours, with a contour interval of 100 feet, structure on top of the Atoka series. The Morrow thicks on this map are colored yellow and trend north/northwest and there are alluvial valleys carved into the underlying nonresistant Chester Shale section. In several places the Morrow series rest directly upon the Chester limestone with all the Chester shale having been eroded away. The three prominent thicks, three prominent thicks are shown, of which the two in Township 18 South, 25 East are separate branches of a major valley continuing southward into 19 South, 25 East.

The North Penasco Unit, shown with a red outline, occupies a portion of the eastern of these two branches. It is evident from Exhibit Two that the valley

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3010 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

occupies the eastern part of Section 23. Within the valley the Morrow thickness -- the Morrow thickens towards the south. The proposed drill site is located near the axis of the valley and as far south as possible in order to penetrate the maximum thickness of Morrow section and to provide the best chance to find the most channel sandstone reservoirs in the valley in the unit area.

Q. Please refer to what is marked Exhibit Number Three and describe that exhibit.

A. Exhibit Number Three is a northwest/southeast stratigraphic cross section showing wells in the alluvial valley of interest. The interval Isopach on enclosure two is from the top of the Morrow, which is indicated on the cross section, to the top of the Chester, which is indicated by this wiggly line which is -- which represents the unconformity.

Wells 2 and 3 are on the flanks of the valley and therefore have a portion of the Chester shale present. The other wells show the Morrow in contact with the resistant Chester limestone, because of their position near the axis of the valley. A number of Chester sandstones are shown. Only one of these is water-bearing, the uppermost sandstone in the Well No. 1 at the north end of the cross section. It will be noted that the Morrow thickness thickens southward, reaching its maximum thickness in Wells 4 and 5.

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3010 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

Q. Will you, please, Mr. Wilson, briefly recap the advantage that Yates Petroleum Corporation seeks in drilling at this requested location rather than the standard location?

A. Yes. To summarize, it is our intent to place a proposed drill site to penetrate the maximum Morrow section by spotting it in the axis of the alluvial valley and as far south as possible.

Q. Were Exhibits One, Two, and Three prepared by you, Mr. Wilson?

A. They were.

Q. Do you have an opinion as to the risk involved in drilling this well?

A. I do.

Q. Upon what factors do you base this opinion?

A. Well, this location is, as shown on Exhibit Two, is about a mile and a half south of the nearest producing well in the valley, and about two miles north of a well to the south that's producing out of a channel sand in the valley, and it is offset to the east by two dry holes, so that it's fairly evident that there is some risk involved in this location, and I would judge it to be on the order of say one chance in three of making a well here.

Q. Do you have an opinion as to a percentage that would be an appropriate penalty for the compulsory

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3030 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

pooling order requested?

A. 300 percent.

Q. 200 percent being three times actual well cost?

A. 3 times well cost.

MR. DICKERSON: Mr. Examiner, I move the admission of Exhibits One, Two, and Three.

MR. STAMETS: These exhibits will be admitted.

Q. Mr. Wilson, in your opinion would granting of this application prevent waste and be in the interest of conservation and protect correlative rights?

A. I believe that's correct.

MR. DICKERSON: Mr. Examiner, that's all the questions I have of this witness.

MR. STAMETS: Are there any questions of the witness? He may be excused.

SCOTT WILSON

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. DICKERSON:

Q. Will you state your name, your occupation,

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

and by whom you're employed, please?

A. My name is Scott Wilson. My occupation is petroleum landman and I'm employed by Mark Wilson, here representing Yates Petroleum Corporation.

A. And, Mr. Wilson, have you previously qualified and had your credentials as a landman accepted for testatimony before this Commission?

A. Yes, I have.

MR. DICKERSON: Mr. Examiner, is the witness qualified?

MR. STAMETS: Yes.

Q. Will you please refer to what is marked Exhibit Number Four and describe what that exhibit depicts?

A. Exhibit Number Four is an affidavit filed of record in Eddy County, depicting the 27 owners of Don Phillips and Associates in dissolution, who own a 3/32nds mineral interest under the acreage colored yellow on Exhibit Number One previously submitted, which amounts to 3.75 acres. Underlined on this affidavit the parties that to date have not leased that we request compulsory pooling on.

Q. Do you foresee that some of these parties will execute oil and gas leases?

A. Yes. Of the 27 parties I foresee that 17 will eventually execute oil and gas leases and 10 will not, based upon past experience of previously leasing these parties

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

Q. Are there any of these parties that you have been unsuccessful in locating?

A. Yes, there are three parties that I've been unsuccessful in locating and seven other parties who probably will not lease, for a total of ten.

Q. And what collective interest will these ten parties own in that 40-acre tract?

A. Less than one acre.

Q. Please refer to Exhibit Number Five and describe what that exhibit is.

A. Exhibit Number Five is -- consists of copies of the letters I sent to all the parties that I could locate, listed on Exhibit Number Four, that to date have not leased. There are two letters that were sent to these parties. The first group of letters, being seven letters, were sent to the parties that from past experience we believe will not execute an oil and gas lease, and the remaining letters were to parties who we believe eventually will execute an oil and gas lease.

Q. Would you just briefly describe what you stated to these parties in both the form letters?

A. In the first instance where we don't expect them to eventually execute an oil and gas lease, the letter requests, first of all, that they lease for a quarter royalty and a 5-year lease, under a 5-year lease, and if

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

they do not wish to execute the lease, we invited them to participate in the cost of drilling the well, and if they didn't want to participate in the cost of drilling the well, we informed them we would have to instigate compulsory pooling procedures under New Mexico statutes, and that the State would probably grant a 200 percent risk factor, allowing the working interest owners to recover 300 percent of the total cost of drilling and completing expenditures before they would be allowed to participate in the well, and I requested their decision by December 1st, 1979.

The second letter simply requested that the parties execute an oil and gas lease. I didn't want to invite them to participate at that time or inform them that we might have to instigate compulsory pooling because, as I said, I think they will eventually sign an oil and gas lease.

Q. Mr. Wilson, please refer to Exhibit Number Six and describe what it is.

A. Exhibit Number Six is a copy of the North Penasco Working Interest Unit Operating Agreement covering the 2-section unit that we formed, as outlined on the Exhibit Number One.

Q. And who is appointed operator under that agreement?

A. Yates Petroleum Corporation is the operator

Q. Would you refer to the accounting procedure

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

attached as an exhibit to that operating agreement and recite what producing and drilling well rates were established by that agreement?

A. The overhead rates for drilling wells was $2800 and the overhead rate for producing well was $280.

Q. Have all the other parties to the agreement executed the same and agreed to those charges?

A. Yes.

Q. Please refer to Exhibit Number Seven and describe that instrument.

A. Exhibit Number Seven is an Authority for Expenditure, which was sent to the working interest owners in the North Penasco Working Interest Unit for the drilling of the proposed well, and this would be the same AFE that we propose to send to the parties we request be force pooled.

Q. And that instrument reflects both estimated dry hole and completion costs of this well?

A. Yes, it does.

Q. When does this well -- or when does Yates intend to spud this well?

A. That's up in the air. They've got a problem with rig availability, but probably within the first quarter of next year.

Q. Mr. Wilson, did you prepare what are marked Exhibits Four, Five, Six, and Seven?

A. Yes, I did.

MR. DICKERSON: Mr. Examiner, I move the admission of Exhibits Four through Seven.

MR. STAMETS: These exhibits will be admitted.

Q. In your opinion, Mr. Wilson, would granting of this compulsory pooling application prevent waste, be in the interest of conservation, and protect correlative rights?

A. Yes.

MR. DICKERSON: That's all the questions we have, Mr. Examiner.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Wilson, what was the first contact you had with these people relative to the drilling of this well?

A. By letters dated October 29th.

Q. Okay, so that's the first --

A. Yes, sir.

Q. -- opportunity they had to lease or join with you in the drilling of the well.

A. Yes, sir.

Q. And how many of these letters did you send out?

A. We sent out a total of twenty-four, I believe.

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

Q. And how many have you --

A. We have received four and expect to receive thirteen more.

Q. So you've been in contact with people in addition to the letters that you've sent.

A. Well, no, we have leased them numerous times in the past, several times that I can think of in the past, and --

Q. This same group of people?

A. The same group of people under the same, exact situation where they own a 3/32nds interest in a very small tract, and consistently one group has leased and the other group has usually just not responded to our letters.

Q. Okay, very good.

MR. STAMETS: Any other questions of the witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
5010 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of the Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, from my notes taken at the time of the hearing.

Sally W. Boyd CSR.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6747 heard by me on 11-28 1979.

Richard L. Stamets, Examiner
Oil Conservation Division

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
26 November 1979

EXAMINER HEARING

IN THE MATTER OF:

Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico.

CASE 6747

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: Chad Dickerson, Esq.
LOSEE, CARSON & DICKERSON
Artesia, New Mexico

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

I N D E X

MARK WILSON

Direct Examination by Mr. Dickerson 3

SCOTT WILSON

Direct Examination by Mr. Dickerson 3

Cross Examination by Mr. Stamets 13

E X H I B I T S

Applicant Exhibit One, Plat 5

Applicant Exhibit Two, Map 5

Applicant Exhibit Three, Cross Section 6

Applicant Exhibit Four, Affidavit 9

Applicant Exhibit Five, Letters 10

Applicant Exhibit Six, Operating Agreement 11

Applicant Exhibit Seven, AFE 12

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

MR. [illegible]: Will call next Case 6747.

MR. PADILLA: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico.

MR. DICKERSON: My name is Chad Dickerson, Losee, Carson, and Dickerson, Artesia, New Mexico. I have two witnesses to be sworn, Mr. Examiner.

MR. STAMETS: Any other appearances in this case? I'd like to have both witnesses stand and be sworn at this time.

(Witnesses sworn.)

MARK WILSON

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. DICKERSON:

Q. Will you state your name, where you reside, by whom you're employed, and your occupation, please?

A. Mark Wilson from Artesia, New Mexico, 1705 Briscoe. I'm independently employed, representing Yates Petroleum today.

Q. Mr. Wilson, what is your occupation?

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

A. [illegible] geologist.

Q. Have you previously testified and qualified as a geologist before this Division?

A. I have.

MR. DICKINSON: Mr. Examiner, we tender Mr. Wilson as an expert geologist.

MR. STAMETS: He is considered so qualified.

Q. Mr. Wilson, are you familiar with the application of Yates Petroleum Corporation in Cause 6747?

A. I am.

Q. Will you briefly describe what Yates seeks by this application?

A. Let me change into my reading glasses. In Case 6747 Yates Petroleum Corporation, operator of the North Penasco working interest unit, requests approval for the unorthodox Morrow gas well location of its North Penasco MG Com No. 1, to be drilled 660 feet from the south line and 660 feet from the east line of Section 23, Township 18 South, Range 25 East, Atoka-Morrow West Field, Eddy County, New Mexico, the south half of said Section 23 is to be dedicated to the well. Compulsory pooling is requested for the proration unit.

My testimony will relate principally to the unorthodox drill site and the risk involved.

Q. Mr. Wilson, will you please refer to what

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

is marked Exhibit Number One and describe what that exhibit depicts?

A. Exhibit One is a land plat showing the proposed well site with a red dot way down in the southeast corner and the outline of the North Penasco Unit in red. The location of acreage affected by compulsory pooling is colored yellow, and the proration unit is outlined in green.

Q. Will you kindly refer to what is marked Exhibit Number Two and describe that exhibit?

A. Exhibit Number Two shows in solid contours with a contour interval 50 feet, the total thickness of the Morrow series of the Pennsylvanian system and in dashed contours, with a contour interval of 100 feet, structure on top of the Atoka series. The Morrow thicks on this map are colored yellow and trend north/northwest and there are alluvial valleys carved into the underlying nonresistant Chester Shale section. In several places the Morrow series rest directly upon the Chester limestone with all the Chester shale having been eroded away. The three prominent thicks, three prominent thicks are shown, of which the two in Township 18 South, 25 East are separate branches of a major valley continuing southward into 19 South, 25 East.

The North Penasco Unit, shown with a red outline, occupies a portion of the eastern of these two branches. It is evident from Exhibit Two that the valley

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

occupies the eastern part of Section 23. Within the valley the Morrow thickness -- the Morrow thickens towards the south. The proposed drill site is located near the axis of the valley and as far south as possible in order to penetrate the maximum thickness of Morrow section and to provide the best chance to find the most channel sandstone reservoirs in the valley in the unit area.

Q. Please refer to what is marked Exhibit Number Three and describe that exhibit.

A. Exhibit Number Three is a northwest/southeast stratigraphic cross section showing wells in the alluvial valley of interest. The interval Isopach on enclosure two is from the top of the Morrow, which is indicated on the cross section, to the top of the Chester, which is indicated by this wiggly line which is -- which represents the unconformity.

Wells 2 and 3 are on the flanks of the valley and therefore have a portion of the Chester shale present. The other wells show the Morrow in contact with the resistant Chester limestone, because of their position near the axis of the valley. A number of Chester sandstones are shown. Only one of these is water-bearing, the uppermost sandstone in the Well No. 1 at the north end of the cross section. It will be noted that the Morrow thickness thickens southward, reaching its maximum thickness in Wells 4 and 5.

Q. Will you, please, Mr. Wilson, briefly recap the advantage that Yates Petroleum Corporation seeks in drilling at this requested location rather than the standard location?

A. Yes. To summarize, it is our intent to place a proposed drill site to penetrate the maximum Morrow section by spotting it in the axis of the alluvial valley and as far south as possible.

Q. Were Exhibits One, Two, and Three prepared by you, Mr. Wilson?

A. They were.

Q. Do you have an opinion as to the risk involved in drilling this well?

A. I do.

Q. Upon what factors do you base this opinion?

A. Well, this location is, as shown on Exhibit Two, is about a mile and a half south of the nearest producing well in the valley, and about two miles north of a well to the south that's producing out of a channel sand in the valley, and it is offset to the east by two dry holes, so that it's fairly evident that there is some risk involved in this location, and I would judge it to be on the order of say one chance in three of making a well here.

Q. Do you have an opinion as to a percentage that would be an appropriate penalty for the compulsory

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

pooling order requested?

A. 300 percent.

Q. 200 percent being three times actual well cost?

A. 3 times well cost.

MR. DICKERSON: Mr. Examiner, I move the admission of Exhibits One, Two, and Three.

MR. STAMETS: These exhibits will be admitted.

Q. Mr. Wilson, in your opinion would granting of this application prevent waste and be in the interest of conservation and protect correlative rights?

A. I believe that's correct.

MR. DICKERSON: Mr. Examiner, that's all the questions I have of this witness.

MR. STAMETS: Are there any questions of the witness? He may be excused.

SCOTT WILSON

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. DICKERSON:

Q. Will you state your name, your occupation,

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

and by whom you're employed, please?

A. My name is Scott Wilson. My occupation is petroleum landman and I'm employed by Mark Wilson, here representing Yates Petroleum Corporation.

A. And, Mr. Wilson, have you previously qualified and had your credentials as a landman accepted for tesatimony before this Commission?

A. Yes, I have.

MR. DICKERSON: Mr. Examiner, is the witness qualified?

MR. STAMETS: Yes.

Q. Will you please refer to what is marked Exhibit Number Four and describe what that exhibit depicts?

A. Exhibit Number Four is an affidavit filed of record in Eddy County, depicting the 27 owners of Don Phillips and Associates in dissolution, who own a 3/32nds mineral interest under the acreage colored yellow on Exhibit Number One previously submitted, which amounts to 3.75 acres. Underlined on this affidavit the parties that to date have not leased that we request compulsory pooling on.

Q. Do you foresee that some of these parties will execute oil and gas leases?

A. Yes. Of the 27 parties I foresee that 17 will eventually execute oil and gas leases and 10 will not, based upon past experience of previously leasing these parties.

Q. Are there any of these parties that you have been unsuccessful in locating?

A. Yes, there are three parties that I've been unsuccessful in locating and seven other parties who probably will not lease, for a total of ten.

Q. And what collective interest will these ten parties own in that 40-acre tract?

A. Less than one acre.

Q. Please refer to Exhibit Number Five and describe what that exhibit is.

A. Exhibit Number Five is -- consists of copies of the letters I sent to all the parties that I could locate, listed on Exhibit Number Four, that to date have not leased. There are two letters that were sent to these parties. The first group of letters, being seven letters, were sent to the parties that from past experience we believe will not execute an oil and gas lease, and the remaining letters were to parties who we believe eventually will execute an oil and gas lease.

Q. Would you just briefly describe what you stated to these parties in both the form letters?

A. In the first instance where we don't expect them to eventually execute an oil and gas lease, the letter requests, first of all, that they lease for a quarter royalty and a 5-year lease, under a 5-year lease, and if

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

they do not wish to execute the lease, we invited them to participate in the cost of drilling the well, and if they didn't want to participate in the cost of drilling the well, we informed them we would have to instigate compulsory pooling procedures under New Mexico statutes, and that the State would probably grant a 200 percent risk factor, allowing the working interest owners to recover 300 percent of the total cost of drilling and completing expenditures before they would be allowed to participate in the well, and I requested their decision by December 1st, 1979.

The second letter simply requested that the parties execute an oil and gas lease. I didn't want to invite them to participate at that time or inform them that we might have to instigate compulsory pooling because, as I said, I think they will eventually sign an oil and gas lease.

Q. Mr. Wilson, please refer to Exhibit Number Six and describe what it is.

A. Exhibit Number Six is a copy of the North Penasco Working Interest Unit Operating Agreement covering the 2-section unit that we formed, as outlined on the Exhibit Number One.

Q. And who is appointed operator under that agreement?

A. Yates Petroleum Corporation is the operator.

Q. Would you refer to the accounting procedure

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

attached as an exhibit to that operating agreement and recite what producing and drilling well rates were established by that agreement?

A. The overhead rates for drilling wells was $2800 and the overhead rate for producing well was $280.

Q. Have all the other parties to the agreement executed the same and agreed to those charges?

A. Yes.

Q. Please refer to Exhibit Number Seven and describe that instrument.

A. Exhibit Number Seven is an Authority for Expenditure, which was sent to the working interest owners in the North Penasco Working Interest Unit for the drilling of the proposed well, and this would be the same AFE that we propose to send to the parties we request be force pooled.

Q. And that instrument reflects both estimated dry hole and completion costs of this well?

A. Yes, it does.

Q. When does this well -- or when does Yates intend to spud this well?

A. That's up in the air. They've got a problem with rig availability, but probably within the first quarter of next year.

Q. Mr. Wilson, did you prepare what are marked Exhibits Four, Five, Six, and Seven?

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

A. Yes, I did.

MR. DICKERSON: Mr. Examiner, I move the admission of Exhibits Four through Seven.

MR. STAMETS: These exhibits will be admitted.

Q. In your opinion, Mr. Wilson, would granting of this compulsory pooling application prevent waste, be in the interest of conservation, and protect correlative rights?

A. Yes.

MR. DICKERSON: That's all the questions we have, Mr. Examiner.

CROSS EXAMINATION

BY MR. STAMETS:

Q. Mr. Wilson, what was the first contact you had with these people relative to the drilling of this well?

A. By letters dated October 29th.

Q. Okay, so that's the first --

A. Yes, sir.

Q. -- opportunity they had to lease or join with you in the drilling of the well.

A. Yes, sir.

Q. And how many of these letters did you send out?

A. We sent out a total of twenty-four, I believe.

Q. And how many have you --

A. We have received four and expect to receive thirteen more.

Q. So you've been in contact with people in addition to the letters that you've sent.

A. Well, no, we have leased them numerous times in the past, several times that I can think of in the past, and --

Q. This same group of people?

A. The same group of people under the same, exact situation where they own a 3/32nds interest in a very small tract, and consistently one group has leased and the other group has usually just not responded to our letters.

Q. Okay, very good.

MR. STAMETS: Any other questions of the witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

reporting service
General Court Reporting Service
Santa Fe, New Mexico 87501
Phone (505)

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
3020 Plaza Blanca (505) 471-2462
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SALLY W. BOYD, a Court Reporter, DO HEREBY CERTIFY that the foregoing and attached Transcript of the Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, from my notes taken at the time of the hearing.

Sally W. Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____, heard by me on _____, 19____.

_____, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

December 31, 1979

Re: CASE NO. 6747
ORDER NO. R-6208

Mr. Chad Dickerson
Losee, Carson & Dickerson
Attorneys at Law
Post Office Box 239
Artesia, New Mexico 88210

Applicant:

Yates Petroleum Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD _____

Other _____

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6747
Order No. R-6208

APPLICATION OF YATES PETROLEUM
CORPORATION FOR COMPULSORY POOLING
AND AN UNORTHODOX LOCATION, EDDY
COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 28, 1979, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 21st day of December, 1979, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Yates Petroleum Corporation, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the S/2 of Section 23, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well at an unorthodox location in the center of Unit P of said Section 23.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by

pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That $2800.00 per month while drilling and $280.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 15, 1980, the order pooling said

unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp-Pennsylvanian formations underlying the S/2 of Section 23, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location, hereby approved, 660 feet from the South and East lines of said Section 23.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of March, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of March, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That $2800.00 per month while drilling and $280.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable

to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

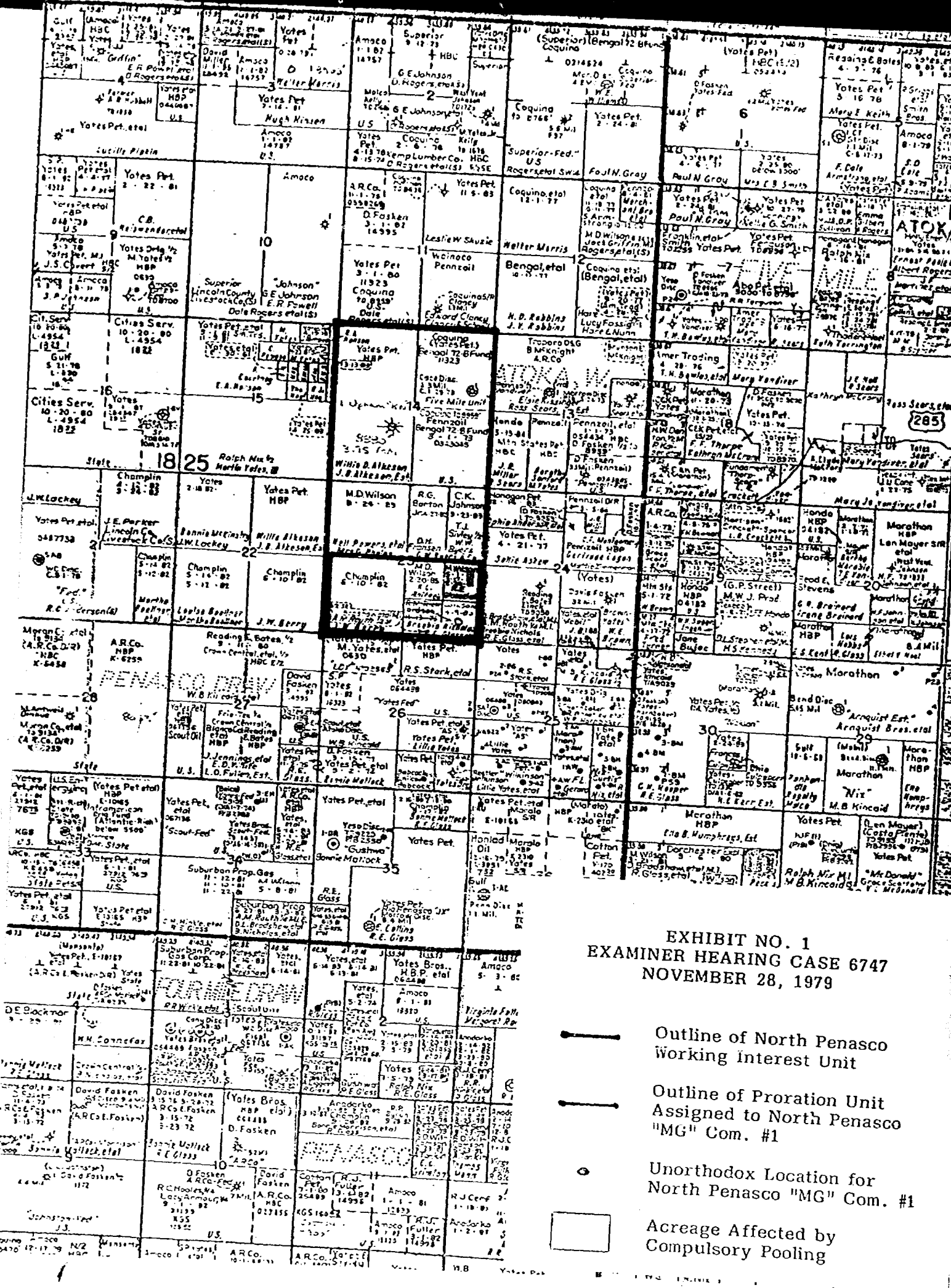
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY
Director

S E A L

fd/


NORTH PENASCO
ATOKA
Yates Pet.
Amoco
Champlin
Cities Serv.
Gulf
Marathon
Yates
Pennzoil
Coquina
Superior
Bengal, etal
Walnoco Pennzoil
Yates Pet. HBP
Champlin 6-10-82
M.D. Wilson 2-20-85
R.S. Stark, etal
Yates Pet. HBP
Yates Fed
Yates Pet. etal
Yates Pet. 11-5-83
Yates Pet. 3-1-80 11323
Coquina Disc. 3 Mi.
Five Mile Unit
Yates Pet. 4-21-77
Yates Pet. 2-22-81
Yates Pet. 2-24-81
Yates Pet. 5-16-76
Yates Pet. 2-18-82
Yates Pet. 5-14-82
Yates Pet. 5-12-82
Yates Pet. 5-13-82
Yates Pet. 5-10-82
Yates Pet. 5-11-82
Yates Pet. 5-2-82
Yates Pet. 5-1-82
Yates Pet. 5-1-81
Yates Pet. 4-1-77
Yates Pet. 4-6-76
Yates Pet. 5-24-81
Yates Pet. 5-1-79
Yates Pet. 5-2-74
Yates Pet. 5-2-79
Yates Pet. 5-1-79
Yates Pet. 5-1-82
Yates Pet. 5-1-81
Yates Pet. 5-1-79
Yates Pet. 5-1-82
Yates Pet. 5-1-82
Yates Pet. 5-1-81
Yates Pet. 5-1-79

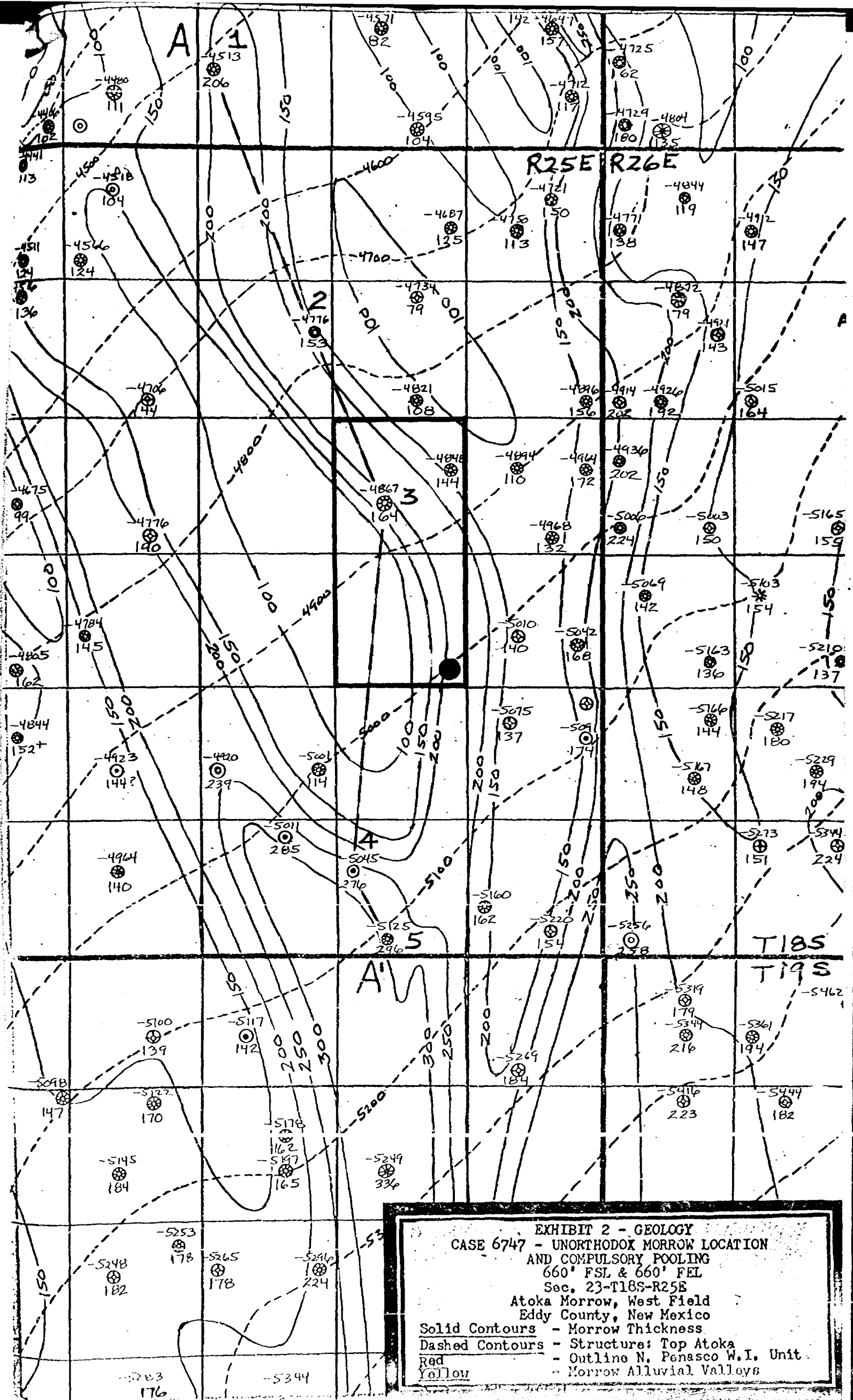


EXHIBIT 2 - GEOLOGY
CASE 6747 - UNORTHODOX MORROW LOCATION
AND COMPULSORY POOLING
660' FSL & 660' FEL
Sec. 23-T18S-R25E
Atoka Morrow, West Field
Eddy County, New Mexico

Solid Contours - Morrow Thickness
Dashed Contours - Structure: Top Atoka
Red - Outline N. Penasco W.I. Unit
Yellow - Morrow Alluvial Valleys

EXHIBIT NO. 4
EXAMINER HEARING CASE 6747
NOVEMBER 28, 1979

We respectfully request that the unleased parties underlined in red be subject to compulsory pooling. To date, the unleased parties own 3.125 net acres in the S/2 of Section 23, T-18-S, R-25-E, Eddy County, N. M. When our leasing is complete, we expect less than 1 acre to be unleased.

312

633889-90

AFFIDAVIT

BEFORE ME, the undersigned, a Notary Public in and for Midland County, State of Texas, on this day personally appeared WILLIAM S. MARSHALL, to me well known, and who, after being by me duly sworn, deposes and says the following:

My name is William S. Marshall and I am making this affidavit in regard to a limited partnership by the name of Don Phillips and Associates. Don Phillips died on or about September 24, 1972. Don Phillips was the sole general partner of Don Phillips and Associates. There were numerous limited partners in Don Phillips and Associates. The Articles of Limited Partnership for Don Phillips and Associates which were in effect at the death of Don Phillips provided that the limited partnership of Don Phillips and Associates should be dissolved upon the death of the general partner. The property standing in the name of Don Phillips and Associates was owned by the following parties in the following proportions upon the death of Don Phillips on or about September 24, 1972:

	NAME	ADDRESS	INTEREST OWNED	NET ACRES
	H. Cedric Alward, M. D. et ux	4224 Francis Ave., Los Angeles CA. 90005	1/30	.12500
	The Minneapolis Foundation, Legatee of the Estate of Frances E. Andrews, deceased	c/o The Trust Department of the First National Bank of Minneapolis, Minneapolis, Minnesota	1/30	.12500
	Hayward Ayres and Marguerite B. Ayres Sally Peyton Ellis	1204 Pine Street, South Pasadena, California 91030	1/30	.12500
	Estate of Lester R. Badger, deceased Stephen S. Badger + Barbara B. Hendrickson	c/o Stephen S. Badger, Rt. 1, Box 528B, Excelsior, Minnesota 55331	1/30	.12500
	Helen H. Bristol, deceased	151 Library Place, Princeton, N.J. 08540	1/15	.25000
	Frank H. Carleton Trust	c/o First National Bank of Minneapolis, P. O. Box A700, Minneapolis, Minn. 55480	1/30	.12500
	Evie L. Dickerson ~~Flint Dickerson~~	3145 Cahuenga Blvd., Los Angeles, California 90068	1/60	.06250
	Josephine Hildrith	1811 La Cuesta Drive, Santa Ana, California 92705	1/30	.12500
CAN'T LOCATE	Estate of James G. Bennett, deceased	2016 E. Broadway Tucson, Arizona 85719	1/15	.25000
	Joyce A. Holliday Fahlman	1034 Princeton St., Santa Monica, California 90403	1/15	.25000
	F. B. Hubachek	3220 Prudential Plaza Chicago, Illinois 60601	1/30	.12500
	Charles S. Kelly, et ux	3220 Prudential Plaza, Chicago, Ill. 60601	1/30	.12500
	Estate of E. E. MacGibbon, deceased	321 Lovell, Elk River, Minn. 55330	1/30	.12500
	Mrs. Jan M. Fox, et vir	5805 Winnequel Rd., Madison, Wis. 53716	1/90	.04167
	Mr. J. Laird Marshall, et ux	4411 Bible Camp Road, McFarland, Wis. 53558	1/90	.04167
CAN'T LOCATE	Mr. Dean Marshall	2470 Rivermont Ave., Lynchburg, Va. 24504	1/90	.04167
	Richard M. Marshall, et ux	175 Lakewood Drive, Madison, Wis. 53740	1/30	.12500
	[illegible]		1/30	.12500
	Robert Ray Newton Trust	Route 22, Meeting House Lane, Knoxville, Tennessee 37921	1/15	.25000
	Mrs. James J. Norton	2880 Lorain Rd., San Marino, Ca. 91108	1/30	.12500
CAN'T LOCATE	Mary A. Phillips	9025 National Blvd., Los Angeles, California 90034	1/12	.31250

		NET ACRES
Rufus R. Rand Estate	c/o Palmer First National Bank & Trust Co., P. O. Box 2018, Sarasota, Florida 33578	1/30 .12500
L. Raysond Scherar, M.D., et ux	1930 Irving Ave. So., Minneapolis, Minnesota 55403	1/30 .12500
Kathryan Knope, et vir	3044 12th Ave. South, Minneapolis, Minnesota 55407	1/30 .12500
Roger Westman	257 N. 117 Ave., Omaha, Nebraska 68154	1/30 .12500
Marion Whitney Trust	San Diego Trust & Savings Bank, Trust Dept., P.O.Box 1871, San Diego, Ca. 92112	1/30 .12500
Elizabeth Malone Winston	2706 W. Lake of the Isles Blvd., Minneapolis, Minnesota 55416	1/30 .12500

FURTHER I SAYETH NOT.

WITNESS MY SIGNATURE, this 15th day of March, 1974.

William S. Marshall

THE STATE OF TEXAS §

COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this 15 day of March, 1974.

My commission expires June 1, 1975

Notary Public

STATE OF NEW MEXICO, County of Eddy and Hobby
I hereby certify that this instrument was filed for record on the
21st day of March, A.D., 19 74 at 10:14 o'clock A.M.,
and duly recorded in Book 115 Page 512 of the
Records of Eddy County, New Mexico
FLORENCE MARTINEZ, County Clerk
By Deputy

EXHIBIT NO. 5
EXAMINER HEARING CASE 6747
NOVEMBER 28, 1979

LETTERS TO PARTIES AFFECTED BY REQUEST FOR COMPULSORY POOLING

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

The Minneapolis Foundation
% The Trust Department of the
First National Bank of Minneapolis
Minneapolis, Minn. 55400

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Sir:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

October 29, 1979

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

Sally Peyton Ellis
c/o Mr. Stanley A. Black
Hutchinson, Bladk, Hill, Buchanan & Cook
Attorneys at Law
P. O. Box 1170
Boulder, Colorado 80306

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Black:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Ms. Barbara B. Hendrickson
Mr. Stephen S. Badger
Route #1 Box 528B
Excelsior, Minnesota 55331

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Ms. Hendrickson and Mr. Badger:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Mr. John E. MacGibbon
321 Lowell
Elk River, Minnesota 55330

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. MacGibbon:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mrs. Jan M. Fox
5805 Winnequal Road
Madison, Wisconsin 53716

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Fox:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Mrs. Margaret M. Norton
2880 Lorain Road
San Marino, California 91108

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Norton:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Rufus R. Rand Estate
% Plamer First National Bank & Trust Co.
P. O. Box 2018
Sarasota, Florida 33578

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Gentlemen:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

/

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

H. Cedric Alward, M.D.
4224 Francis Avenue
Los Angeles, California 90005

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Alward:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

November 1, 1979

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

Mr. Gerald E. Rupp
120 Depot Park
Plainfield, New Jersey 07060

Re: Estate of Helen H. Bristol
Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Frank H. Carleton Trust
% First National Bank of Minneapolis
P. O. Box A-700
Minneapolis, Minnesota 55480

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Sir:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mrs. Paul Dickerson
3145 Cahuenga Boulvard
Los Angeles, California 90068

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Dickerson:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commenco drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Mrs. Josephine Hilditch
1811 La. Cuesta Drive
Santa Ana, California 92705

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Hilditch:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mr. F. B. Hubachek
3100 Prudential Plaza
Chicago, Illinois 60601

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Hubachek:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

October 29, 1979

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6248
LAND (505) 746-9666

Mr. J. Laird Marshall
1411 Bible Camp Road
McFarland, Wisconsin 53558

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Marshall:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mr. Richard H. Marshall, Jr.
28 Austin Crescent
Toronto M5R-3E3
Ontario, Canada

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Marshall:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mr. Donald W. Newton, Trustee
Robert Ray Newton Trust
1416 Meeting House Lane
Knoxville, Tennessee 37921

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Newton:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Dr. and Mrs. L. Raymond Scherer
1930 Irving Avenue South
Minneapolis, Minnesota 55403

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Dr. and Mrs. Scherer:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mr. Roger Westman
257 North 117th Avenue
Omaha, Nebraska 68154

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Westman:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Marian Whitney Trust
San Diego Trust & Savings Bank
P. O. Box 1871
San Diego, California 92112

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Sir:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mrs. Elizabeth Melone Winston
2706 West Lake of the Isles
Minneapolis, Minnesota 55416

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Winston:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

NORTH PENASCO
WORKING INTEREST UNITS

OPERATING AGREEMENT

DATED

January 12, 1979,

OPERATOR YATES PETROLEUM CORPORATION

CONTRACT AREA TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
SECTION 14: ALL
SECTION 23: ALL

COUNTY OR PARISH OF EDDY STATE OF NEW MEXICO

COPYRIGHT 1977 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

EXHIBIT NO. 6
EXAMINER HEARING CASE 6747
NOVEMBER 28, 1979

GUIDANCE IN THE PREPARATION OF THIS AGREEMENT:

1. Title Page - Fill in blank as applicable.

2. Preamble, Page 1 - Name of Operator.

3. Article II - Exhibits:
   (a) Indicate Exhibits to be attached.
   (b) If it is desired that no reference be made to Non-discrimination, the reference to Exhibit "F" should be deleted.

4. Article IV.A - Title Examination - Select option as agreed to by the parties.

5. Article IV.B - Loss of Title - If "Joint Loss" of Title is desired, the following changes should be made:
   (a) Delete Articles IV.B.1 and IV.B.2.
   (b) Article IV.B.3 - Delete phrase "other than those set forth in Articles IV.B.1 and IV.B.2 above."
   (c) Article VII.F. - Change reference at end of the first grammatical paragraph from "Article IV.B.2" to "Article IV.B.3."

6. Article V - Operator - Enter name of Operator.

7. Article VI.A - Initial Well:
   (a) Date of commencement of drilling.
   (b) Location of well.
   (c) Obligation depth.

8. Article VI.B.2.(b) - Subsequent Operations - Enter penalty percentage as agreed to by parties.

9. Article VII.D.1. - Limitation of Expenditures - Select option as agreed to by parties.

10. Article VII.D.3. - Limitation of Expenditures - Enter limitation of expenditure of Operator for single project and amount above which Operator may furnish information AFE.

11. Article VII.E. - Royalties, Overriding Royalties and Other Payments - Enter royalty fraction as agreed to by parties.

12. Article X. - Claims and Lawsuits - Enter claim limit as agreed to by parties.

13. Article XIII. - Term of Agreement:
   (a) Select Option as agreed to by parties.
   (b) If Option No. 2 is selected, enter agreed number of days in two (2) blanks.

14. Signature Page - Enter effective date.

TABLE OF CONTENTS

Article	Title	Page
I.	DEFINITIONS	1
II.	EXHIBITS	1
III.	INTERESTS OF PARTIES	2
	A. OIL AND GAS INTERESTS	2
	B. INTEREST OF PARTIES IN COSTS AND PRODUCTION	2
IV.	TITLES	2
	A. TITLE EXAMINATION	2
	B. LOSS OF TITLE	2
	1. Failure of Title	2-3
	2. Loss by Non-Payment or Erroneous Payment of Amount Due	3
	3. Other Losses	3
V.	OPERATOR	3
	A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR	3
	B. RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR	4
	1. Resignation or Removal of Operator	4
	2. Selection of Successor Operator	4
	C. EMPLOYEES	4
	D. DRILLING CONTRACTS	4
VI.	DRILLING AND DEVELOPMENT	4
	A. INITIAL WELL	4
	B. SUBSEQUENT OPERATIONS	5
	1. Proposed Operations	5
	2. Operations by Less than All Parties	5-6
	C. RIGHT TO TAKE PRODUCTION IN KIND	6-7
	D. ACCESS TO CONTRACT AREA AND INFORMATION	7
	E. ABANDONMENT OF WELLS	7
	1. Abandonment of Dry Holes	7
	2. Abandonment of Wells that have Produced	7-8
VII.	EXPENDITURES AND LIABILITY OF PARTIES	8
	A. LIABILITY OF PARTIES	8
	B. LIENS AND PAYMENT DEFAULTS	8
	C. PAYMENTS AND ACCOUNTING	8
	D. LIMITATION OF EXPENDITURES	9
	1. Drill or Deepen	9
	2. Rework or Plug Back	9
	3. Other Operations	9
	E. ROYALTIES, OVERRIDING ROYALTIES AND OTHER PAYMENTS	9
	F. RENTALS, SHUT-IN WELL PAYMENTS AND MINIMUM ROYALTIES	9-10
	G. TAXES	10
	H. INSURANCE	10
VIII.	ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST	10
	A. SURRENDER OF LEASES	10-11
	B. RENEWAL OR EXTENSION OF LEASES	11
	C. ACREAGE OR CASH CONTRIBUTION	11
	D. SUBSEQUENTLY CREATED INTEREST	11-12
	E. MAINTENANCE OF UNIFORM INTEREST	12
	F. WAIVER OF RIGHT TO PARTITION	12
	~~G. PREFERENTIAL RIGHT TO PURCHASE~~	~~12~~
IX.	INTERNAL REVENUE CODE ELECTION	12-13
X.	CLAIMS AND LAWSUITS	13
XI.	FORCE MAJEURE	13
XII.	NOTICES	13
XIII.	TERM OF AGREEMENT	13-14
XIV.	COMPLIANCE WITH LAWS AND REGULATIONS	14
	A. LAWS, REGULATIONS AND ORDERS	14
	B. GOVERNING LAW	14
XV.	OTHER PROVISIONS	14
XVI.	MISCELLANEOUS	15

Use of this form is not authorized unless it is printed by an authorized printer. Any unauthorized reproduction prohibited.

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between YATES PETROLEUM CORPORATION, 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 agreement,
(2) Restrictions, if any, as to depths or formations,
(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~~.

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

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

B. Interest of Parties in Costs and Production:

Exhibits "A-2" and "A-3" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibits "A-2" and "A-3". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties which will be borne by the Joint Account, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

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 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.~~

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

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

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

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear, alone, the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

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

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

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

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

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

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

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

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

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

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

YATES PETROLEUM 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 in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, 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", and not on the number of parties 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. If the Operator that is 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", and not on the number of parties 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 28th day of February, 1979, Operator shall commence the drilling of ~~a well~~ an Initial Test Well for oil and gas at the following location:

1980' FWL and 1980' FSL of Section 14, Township 18 South,
Range 25 East, Eddy County, New Mexico

and shall thereafter continue the drilling of the ~~well~~ Initial Test Well with due diligence to the "Objective Depth", being a depth sufficient to test the Morrow series of the Pennsylvanian system by drilling at least 40 feet into the Mississippian Chester Limestone, which depth is estimatod to be 9,000 feet,

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~~ Initial Test 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.

If, in Operator's judgment, the ~~well~~ Initial Test Well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the ~~well~~ Initial Test Well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

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

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, 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, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

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

(b) 300% of that portion of the costs and expenses of drilling reworking, deepening, or 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 well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non - Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non - Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non - Consenting Party's relinquished interest. If such Non - Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the recoupment period.

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, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

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

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

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

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

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

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

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

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

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

In the event any party hereto is not at any time taking or marketing its share of gas production and Operator is either (i) unwilling to purchase or sell or (ii) unable to obtain the prior written consent to purchase or sell such party's share of gas production, or in the event any party has contracted to sell its share of gas produced from the Contract Area 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, then in any such event the terms and conditions of the Gas Balancing Agreement attached hereto as Exhibit "E" and incorporated herein shall automatically become effective.

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

E. Abandonment of Wells:

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

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

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

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

B. Liens and Payment Defaults:

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

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

C. Payments and Accounting:

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

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

D. Limitation of Expenditures:

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

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

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

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

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Ten Thousand ---------- Dollars ($ 10,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Five Thousand ---------- Dollars ($ 5,000.00).

E. Royalties, Overriding Royalties and Other Payments:

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of one-fourth (1/4) due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof. If the interest of any party in any oil and gas lease covered by the agreement is subject to any overriding royalty, production payment, or other charge that is less than the aforesaid * No party shall ever be responsible, on any 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 settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

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

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

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

* royalty, such party shall retain for its own account the difference between the existing burdens and the aforesaid royalty.

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

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

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

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

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

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

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

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

B. Renewal or Extension of Leases:

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

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

Each party who participates in the purchase of a renewal lease shall be given an assignment without warranty of its proportionate interest therein by the acquiring party.

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

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Contract Area.

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

D. Subsequently Created Interest:

Notwithstanding the provisions of Article VIII.B. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement, and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

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

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

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

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 require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for 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 party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an 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 interest therein.

~~**G. Preferential Right to Purchase:**~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and~~ interests in the Contract Area, it shall promptly give written notice to the other parties, with ~~full~~ information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase ~~price~~, and all other terms 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 on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent ~~company, or to any company in which any one party owns a majority of the stock~~.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Five Thousand Dollars ($ 5,000.00) 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 expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. 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, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

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

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

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

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party 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 United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof 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 subjected 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, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.~~

☒ 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 or reworking 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 or reworking operations are commenced within 90 days from the date of abandonment of said well.

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

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage 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:

The essential validity of this agreement and all matters pertaining thereto, 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 where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

A. Test Wells:

The term "Shallow Unit Area" shall mean those horizons underlying the lands in the Contract Area that are found from the surface to a depth of 5,500 feet below the surface of the ground. The term "Deep Unit Area" shall mean those horizons underlying the lands in the Contract Area that are found between a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone. The term "Contract Area" shall mean both the Shallow Unit Area and the Deep Unit Area.

If any well is dry in the Deep Unit Area, and any party owning an interest in the Shallow Unit Area desires to attempt completion therein, then the costs of drilling the well to the total depth and plugging it back to the selected point in the Shallow Unit Area shall be borne by the Drilling Parties who initially participated in drilling the well, and such Drilling Parties shall be reimbursed by the parties attempting completion for 1/2 of the shallow and intermediate casing costs, including cementing costs and rig time used in running and cementing the casing. Thereafter, the Drilling Parties attempting completion shall own the hole and casing therein and shall be responsible for completing the well as a producer or dry hole.

No well shall be dually completed in the Contract Area until a mutual agreement is reached between all the parties who participated in the cost of drilling the well.

If in the drilling of the Initial Test Well, Operator loses the hole or encounters mechanical difficulties rendering it impracticable, in the opinion of Operator, to drill the well to the Objective Depth, then and in any of such events, on or before 30 days after completion of the Initial Test Well, Operator shall have the option to commence the actual drilling of another well ("Substitute Test Well") in the Contract Area at a lawful location mutually acceptable to the Drilling Parties, and Operator shall prosecute the drilling of said well with due diligence and in a good and workmanlike manner to the Objective Depth. For all purposes of this agreement, the drilling of the Substitute Test Well shall be

considered as the drilling of the Initial Test Well.

B. Prior Operating Agreement:

Notwithstanding anything to the contrary, the terms and provisions of this agreement shall prevail over the terms and provisions contained in that certain Operating Agreement dated December 1, 1972, by and between Coquina Oil Corporation, Operator, and Marcum Drilling Company, et al, non-operators, as it affects the E/2 Section 14, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

C. Rio Pecos Corporation Leasehold:

Yates Petroleum Corporation (1/2), Yates Drilling Company (1/6), Abo Petroleum Corporation (1/6), and MYCO Industries, Inc. (1/6), shall be assigned all of the interest owned by Rio Pecos Corporation in the oil and gas leases described in Exhibit "A-1" hereto.

D. Nondiscrimination:

In the performance of this contract, Operator shall not engage in any conduct or practice which violates any applicable law, order or regulation prohibiting discrimination against any person by reason of his race, religion, color, sex, national origin or age, and Operator further agrees to comply with the non-discrimination provision of Section 202 of Executive Order No. 11246 (30 F.R. 12319) as amended by Executive Order No. 11375.

Note: This Agreement contains no page 16.

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 12th day of January, 19 79.

OPERATOR

ATTEST:

YATES PETROLEUM CORPORATION

ASSISTANT Secretary

By: VICE President

NON-OPERATORS

ATTEST:

YATES DRILLING COMPANY

ASSISTANT Secretary

VICE President

ATTEST:

MYCO INDUSTRIES, INC.

ASSISTANT Secretary

President

Martin Yates, III

ATTEST:

ABO PETROLEUM CORPORATION

Secretary

By: President

John A. Yates

ATTEST:

CHAMPLIN PETROLEUM COMPANY

Secretary

By: President

ATTEST:

MOBIL OIL CORPORATION

Secretary

By: President

Mark D. Wilson

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 12th day of January, 1979.

OPERATOR

ATTEST:

YATES PETROLEUM CORPORATION

_____ Secretary

By: _____ President

NON-OPERATORS

ATTEST:

YATES DRILLING COMPANY

_____ Secretary

_____ President

ATTEST:

MYCO INDUSTRIES, INC.

_____ Secretary

_____ President

_____
Martin Yates, III

ATTEST:

ABO PETROLEUM CORPORATION

_____ Secretary

By: _____ President

_____
John A. Yates

ATTEST:

CHAMPLIN PETROLEUM COMPANY

_____ Asst Secretary

By: _____ Vice President

ATTEST:

MOBIL OIL CORPORATION

_____ Secretary

By: _____ President

_____
Mark D. Wilson

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 12th day of January, 19 79.

OPERATOR

ATTEST:

YATES PETROLEUM CORPORATION

_____
Secretary

By: _____
President

NON-OPERATORS

ATTEST:

YATES DRILLING COMPANY

_____
Secretary

_____
President

ATTEST:

MYCO INDUSTRIES, INC.

_____
Secretary

_____
President

_____
Martin Yates, III

ATTEST:

ABO PETROLEUM CORPORATION

_____
Secretary

By: _____
President

_____
John A. Yates

ATTEST:

CHAMPLIN PETROLEUM COMPANY

_____
Secretary

By: _____
President

ATTEST:
S. T. Alexander
Assistant Secretary
S. T. ALEXANDER

MOBIL OIL CORPORATION

By: P E Harrison
Attorney-in-Fact
P.E. HARRISON

_____
Mark D. Wilson

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 12th day of January, 1979.

OPERATOR

ATTEST:

YATES PETROLEUM CORPORATION

_____ Secretary

By: _____ President

NON-OPERATORS

ATTEST:

YATES DRILLING COMPANY

_____ Secretary

_____ President

ATTEST:

MYCO INDUSTRIES, INC.

_____ Secretary

_____ President

_____ Martin Yates, III

ATTEST:

ABO PETROLEUM CORPORATION

_____ Secretary

By: _____ President

_____ John A. Yates

ATTEST:

CHAMPLIN PETROLEUM COMPANY

_____ Secretary

By: _____ President

ATTEST:

MOBIL OIL CORPORATION

_____ Secretary

By: _____ President

Mark D. Wilson

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

Carol Smith
Carol Smith, Assistant Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: James H. Shaw
James H. Shaw, Attorney-in-Fact

ATTEST:

Carol Smith
Carol Smith, Assistant Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: James H. Shaw
James H. Shaw, Attorney-in-Fact

ATTEST:

Carol Smith
Carol Smith, Assistant Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: James H. Shaw
James H. Shaw, Attorney-in-Fact

George A. Donnelly, Jr.

Richard Donnelly

Peggy Donnelly McConnell

ATTEST:

Secretary

THE EASTLAND OIL COMPANY

By: _____
President

R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

A. J. Losee

Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

George A. Donnelly, Jr.

Richard Donnelly

Peggy Donnelly McConnell

ATTEST:

Eugene J. Roga
Secretary

THE EASTLAND OIL COMPANY

By: Geo. A. Donnelly Jr.
President

R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

A. J. Losee

Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

Peggy Donnelly McConnell
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

_____
R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja ıry 12, 1979, Township 18 Soutl Range 25 East, Eddy County, New Mexico.

//

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THS EASTLAND OIL COMPANY

By: _____
President

R. T. Roark

R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja ary 12, 1979, Township 18 Sout Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

_____
R. T. Roark

HOOKER-O'KELLEY, LTD.

By: Herschel O'Kelley
Herschel O'Kelley, General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja ary 12, 1979, Towmship 18 Sout' Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

_____
R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:
B.C. Goddard
Secretary

J.H. Marks Trucking Co., Inc.
~~MARKS CRANE & RIGGING COMPANY~~

By: Richard D. Gallion
~~President~~ Chairman of the Board

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

_____
R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

//

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

_____
R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

Fernando U. Duralde

Fernando U. Duralde

//

William Edwin Green, Jr.

Hugo S. Moreno

Charles W. Thompson

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

Fernando U. Duralde

William Edwin Green, Jr.

William Edwin Green, Jr.

Hugo S. Moreno

Charles W. Thompson

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja ary 12, 1979, Township 18 South Range 25 East, Eddy County, New Mexico.

Fernando U. Duralde

William Edwin Green, Jr.

ATTEST:

Secretary

Mahun Oil & Gas Partnership No.3 of which Mahun Oil & Gas Corp. is sole General Partner.

Charles W. Thompson

Attached to and mad a part of North Penasco Workin Interest Units Operating Agreement, dated Ja ary 12, 1979, Township 18 South, Rango 25 East, Eddy County, New Mexico.

Fernando U. Duralde

William Edwin Green, Jr.

Hugo S. Moreno

Charles W. Thompson 1-22-79

Attached to and made a part of North Ponasco Working Interest Units Operating Agreement, dated Janu[illegible] 12, 1979, Township 18 South, [illegible]nge 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 6th day of March, 1979, by John A. Yates, VICE President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by S. P. Yates, VICE President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by Frank Yates, _____ President of MYCO INDUSTRIES, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by FRANK YATES, Attorney-in-Fact for MARTIN YATES, III.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by John A. Yates, _____ President of ABO PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by JOHN A. YATES.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

The foregoing instrument was acknowledged before me this 19th day of January, 1979, by E.H. Chittick, Jr, Vice President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

Virginia L DeCamp
Notary Public
VIRGINIA L. DeCAMP
Notary Public in and for Harris County, Texas
My Commission Expires May 11, 1979

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of MOBIL OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by MARK D. WILSON.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of BENGAL 72-B FUND, a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of TR, LTD., a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, General Partner of THE NAUTILUS VENTURE, a General Partnership.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated J) ry 12, 1979, Township 18 Sou) Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____/President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF Louisiana)
COUNTY OF Orleans) ss.

The foregoing instrument was acknowledged before me this 9th day of February, 1979, by P.E. HARRISON, ATTORNEY-IN-FACT ~~President~~ of MOBIL OIL CORPORATION, a New York corporation, on behalf of said corporation.

My commission expires:
AGNES MALONE
Notary Public in and for Harris County, Texas
My Commission Expires 6-7-79

Agnes Malone
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by MARK D. WILSON.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of BENGAL 72-B FUND, a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of TR, LTD., a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, General Partner of THE NAUTILUS VENTURE, a General Partnership.

My commission expires:
_____

_____
Notary Public

attached to and made a part of North Ponasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of MOBIL OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 19 day of JANUARY, 1979, by MARK D. WILSON.

My commission expires:
4-1-80

Mark D. Wilson
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of BENGAL 72-B FUND, a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of TR, LTD., a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, General Partner of THE NAUTILUS VENTURE, a General Partnership.

My commission expires:
_____

_____
Notary Public

...ttached to and made a part of North Penasco Working Interest Units Operating Agreement, dated J...uary 12, 1979, Township 18 Sou... Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of MOBIL OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by MARK D. WILSON.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 26 day of January, 1979, by JAMES H. SHAW, Attorney-in-Fact of Coquina Oil Corporation, Sole General Partner of BENGAL 72-B FUND, a Texas Limited Partnership.

My commission expires:
2/28/79

Ann Robey
Notary Public - Ann Robey

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 26 day of January, 1979, by JAMES H. SHAW, Attorney-in-Fact of Coquina Oil Corporation, Sole General Partner of TR, LTD., a Texas Limited Partnership.

My commission expires:
2/28/79

Ann Robey
Notary Public - Ann Robey

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 26 day of January, 1979, by JAMES H. SHAW, Attorney-in-Fact of Coquina Oil Corporation, General Partner of THE NAUTILUS VENTURE, a General Partnership.

My commission expires:
2/28/79

Ann Robey
Notary Public - Ann Robey

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 15th day of January, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
7-31-80

Willie L. Crockett
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 15th day of January, 1979, by RICHARD DONNELLY.

My commission expires:
7-31-80

Willie L. Crockett
Notary Public

STATE OF TEXAS)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

GEORGE A. DONNELLY, JR.

The foregoing instrument was acknowledged before me this 15th day of January, 1979, by [redacted], Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
7-31-80

Willie L. Crockett
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by R. T. ROARK, a single man.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD GILLHAM, _____ of MARKS CRANE & RIGGING COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and mad[illegible] part of North Penasco Workin[illegible] nterest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this [illegible] day of _____, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF Tarrant) ss.

The foregoing instrument was acknowledged before me this 18th day of January, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
March 30, 1980

Clarice B. Haden
Notary Public
Tarrant County, Texas

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by R. T. ROARK, a single man.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD GILLHAM, _____ of MARKS CRANE & RIGGING COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ~~MIDLAND~~ Tarrant) ss.

The foregoing instrument was acknowledged before me this 25th day of January, 1979, by R. T. ROARK,

My commission expires:
12-31-80

Gladys Holamon
Notary Public

GLADYS HOLAMON, Notary Public
In and for Tarrant County, Texas
My Commission Expires Oct. 31, 1980

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD GILLHAM, _____ of MARKS CRANE & RIGGING COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Workir Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by RICHARD DONNELLY.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by RICHARD DONNELLY, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS .)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by R. T. ROARK, a single man.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 22 day of January, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
9-10-79

Joyce Barthelemy
Notary Public Midland County, Texas
Joyce Barthelemy

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by RICHARD GILLHAM, _____ of MARKS CRANE & RIGGING COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Workin Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by R. T. ROARK, a single man.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this 16 day of JANUARY, 1979, by RICHARD GILLHAM, CHAIRMAN of HANKS J.W. Marks Trucking Co, Inc. ~~CRANE & RIGGING COMPANY~~, a TEXAS corporation, on behalf of said corporation.

My commission expires:
10-23-79

Charlotte A. Gray
Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated January 12, 1979, Township 18 South Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 15 day of January, 1979, by A. J. LOSEE.

My commission expires:
1-27-81

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ___ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated J: ary 12, 1979, Township 18 Sout Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 21 day of January, 1979, by MARTON MAJOROS.

My commission expires:
Notary Public, Georgia, State at Large
My Commission Expires Sept. 7, 1979

Juanita E. Monroe
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Workir- Interst Units Operating Agreement, dated J lary 12, 1979, Township 18 Sout , Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this ___ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF_____) ss.

The foregoing instrument was acknowledged before me this ___ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 26th day of Jan., 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

Elaine D. Purcell
Notary Public

Notary Public, Georgia, State at Large
My Commission Expires July 25, 1981

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ___ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ___ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ___ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF_____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 19th day of January, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
[illegible]

Notary Public
NOTARY PUBLIC, GEORGIA, STATE AT LARGE
MY COMMISSION EXPIRES SEPT. 14, 1980

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated J: ary 12, 1979, Township 18 Sout Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF_____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 22 day of January, 1979, by Mahun Oil & Gas Partnership No.3, of which Mahun Oil & Gas Corp. is sole General Partner.

My commission expires:
Notary Public, [illegible] County, Georgia
My Commission Expires April 7, 1979

Juanita E. Monroe
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated Ja ary 12, 1979, Township 18 Sout Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF_____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 22 day of January, 1979, by CHARLES W. THOMPSON.

My commission expires:
12-6-82

Claudia Middlebrook
Notary Public

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF
NORTH PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

1. Contract Area.

Township 18 South, Range 25 East, N.M.P.M.

Section 14: All
Section 23: All

2. Depth Restrictions.

a. The Shallow Unit Area covers only the oil and gas rights from the surface to a depth of 5,500 feet below the surface of the ground.

b. The Deep Unit Area covers only the oil and gas rights from a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone.

3. The interests of the parties to this agreement are set forth in Exhibits "A-2" and "A-3".

4. The oil and gas leases and interests subject to this agreement are set forth in Exhibit "A-1".

5. Addressess of Parties for Notices:

Yates Petroleum Corporation
Yates Drilling Company
MYCO Industries, Inc.
Martin Yates, III
Abo Petroleum Corporation
John A. Yates
207 South Fourth Street
Artesia, New Mexico 88210
Attention: Mr. Jack W. McCaw

Champlin Petroleum Company
300 Wilco Building
Midland, Texas 79701
Attention: Mr. R. L. Lanning

Mobil Oil Corporation
9 Greenway Plaza
Suite 2700
Houston, Texas 77046
Attention: Ms. Martha J. Mealy

Mark D. Wilson
212 American Home Life Building
Artesia, New Mexico 88210
Attention: Mr. Scott E. Wilson

Coquina Oil Corporation
P. O. Box 2960
Midland, Texas 79702
Attention: Mr. Tracy P. Clark

The Eastland Oil Company
George A. Donnelly, Jr.
Richard Donnelly
P. O. Drawer 3488
Midland, Texas 79702

Mrs. Peggy Donnelly McConnell
c/o Doug Sanford
2305 Ft. Worth National Bank Bldg.
Fort Worth, Texas 76101

R. T. Roark
Hooker-O'Kelley, Ltd.
P. O. Box 3106
Midland, Texas 79702

J. H. Marks Trucking Co., Inc.
Box 2192
Odessa, Texas 79760

A. J. Losee
P. O. Drawer 239
Artesia, New Mexico 88210

Mahun Oil & Gas Partnership No. 3
Marton Majoros
230 Broadland Road, N.W.
Atlanta, Georgia 30342

Fernando U. Duralde
2760 Felton Drive
East Point, Georgia 30344

William Edward Green, Jr.
8895 North Mount Drive
Alpharetta, Georgia 30201

Charles W. Thompson
2744 Felton Drive
East Point, Georgia 30344

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
THE FOLLOWING PARTIES DERIVE THEIR OWNERSHIP IN THE NORTH PENASCO WORKING INTEREST UNITS BY VIRTUE OF THEIR OWNERSHIP IN THE E/2 SECTION 14 UNDER ASSIGNMENT OF OPERATING RIGHTS DATED SEPTEMBER 13, 1973, RECORDED BOOK 112, PAGE 804, MISCELLANEOUS RECORDS OF EDDY COUNTY, NEW MEXICO.							
COQUINA OIL CORP., GENERAL PARTNER -- BENGAL 72-B FUND (72.950820%), TR, LTD. (24.590163%), THE NAUTILUS VENTURE (2.459016%)							
1. NM 11323 Sec. 14: NE/4	160.00	37.5000	60.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	37.5000	60.0000	HBP	12.50	14.125	73.375
GEORGE A. DONNELLY, JR.							
1. NM 11323 Sec. 14: NE/4	160.00	3.1250	5.0000	HBP	12.50	10.875	76.625
NM 0343045 Sec. 14: SE/4	160.00	3.1250	5.0000	HBP	12.50	14.125	73.375
RICHARD DONNELLY							
1. NM 11323 Sec. 14: NE/4	160.00	3.1250	5.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	3.1250	5.0000	HBP	12.50	14.125	73.375

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
THE FOLLOWING PARTIES DERIVE THEIR OWNERSHIP IN THE NORTH PENASCO WORKING INTEREST UNITS BY VIRTUE OF THEIR OWNERSHIP IN THE E/2 SECTION 14 UNDER ASSIGNMENT OF OPERATING RIGHTS DATED SEPTEMBER 13, 1973, RECORDED BOOK 112, PAGE 804, MISCELLANEOUS RECORDS OF EDDY COUNTY, NEW MEXICO.							
PEGGY DONNELLY McCONNELL							
1. NM 11323 Sec. 14: NE/4	160.00	3.1250	5.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	3.1250	5.0000	HBP	12.50	14.125	73.375
THE EASTLAND OIL COMPANY							
1. NM 11323 Sec. 14: NE/4	160.00	3.1250	5.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	3.1250	5.0000	HBP	12.50	14.125	73.375
. T. ROARK							
1. NM 11323 Sec. 14: NE/4	160.00	6.2500	10.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	6.2500	10.0000	HBP	12.50	14.125	73.375
HOOKER-O'KELLEY, LTD.							
1. NM 11323 Sec. 14: NE/4	160.00	6.2500	10.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	6.2500	10.0000	HBP	12.50	14.125	73.375

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
THE FOLLOWING PARTIES DERIVE THEIR OWNERSHIP IN THE NORTH PENASCO WORKING INTEREST UNITS BY VIRTUE OF THEIR OWNERSHIP IN THE E/2 SECTION 14 UNDER ASSIGNMENT OF OPERATING RIGHTS DATED SEPTEMBER 13, 1973, RECORDED BOOK 112, PAGE 804, MISCELLANEOUS RECORDS OF EDDY COUNTY, NEW MEXICO.							
J. H. MARKS TRUCKING CO., INC.							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375
A. J. LOSEE							
1. NM 11323 Sec. 14: NE/4	160.00	2.5000	4.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	2.5000	4.0000	HBP	12.50	14.125	73.375
MARTON MAJOROS							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	16.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	16.0000	HBP	12.50	14.125	73.375
FERNANDO U. DURALDE							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
THE FOLLOWING PARTIES DERIVE THEIR OWNERSHIP IN THE NORTH PENASCO WORKING INTEREST UNITS BY VIRTUE OF THEIR OWNERSHIP IN THE E/2 SECTION 14 UNDER ASSIGNMENT OF OPERATING RIGHTS DATED SEPTEMBER 13, 1973, RECORDED BOOK 112, PAGE 804, MISCELLANEOUS RECORDS OF EDDY COUNTY, NEW MEXICO.							
WILLIAM EDWARD GREEN, JR.							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375
MAHUN OIL & GAS PARTNERSHIP NO. 3							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375
CHARLES W. THOMPSON							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375

Footnote: The interests of the above parties on pages 1 through 4 are limited to the rights from the surface down to a depth of 8959 feet.

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY YATES PETROLEUM CORPORATION:							
1. EDWARD L. UPHAM, ET AL Sec. 14: W/2	320.00			HBP	12.50	-0-	87.50
a) Surface to 5,500'		100.0000	320.0000	(MOBIL OIL CORPORATION HAS			
b) Below 5,500'		50.0000	160.0000	CALL ON THE PRODUCTION)			
2. ROY E. GLASS Sec. 23: NE/4 SE/4 BELOW 5,800 FEET	40.00	25.0000	10.0000	HBP	12.50	5.00 PP	82.50
3. CORDELLA M. KINCAID, ET AL Sec. 23: NE/4 SE/4 BELOW 5,800 FEET	40.00	25.0000	10.0000	HBP	12.50	-0-	87.50
LEASES OWNED BY MARK D. WILSON (16.96013%) AND RIO PECOS CORPORATION (83.03987%):							
1. JOHN MARSHALL PHELPS, ET AL Sec. 23: NW/4	160.00	50.0000	80.0000	3-24-83	16.67	8.33	75.00
MARY E. MASSINGILL, ET AL Sec. 23: NW/4	160.00	50.0000	80.0000	3-24-83	16.67	8.33	75.00
3. ROBERT L. WHITNEY, ET UX Sec. 23: NW/4 SE/4	40.00	100.0000	40.0000	2-20-83	12.50	12.50	75.00
4. MARGARET W. CHILDRESS, ET AL Sec. 23: NE/4 SE/4	40.00	6.2500	2.5000	3-17-81	18.75	6.25	75.00
5. C. A. BAR LAND AND CATTLE COMPANY Sec. 23: NE/4 SE/4	40.00	3.1250	1.2500	2-20-81	18.75	6.25	75.00

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
6. CLARENCE E. HINKLE, ET UX Sec. 23: NE/4 SE/4	40.00	6.2500	2.5000	2-20-81	18.75	6.25	75.00
7. I. J. MARSHALL, ET UX Sec. 23: NE/4 SE/4	40.00	3.1250	1.2500	2-20-81	18.75	6.25	75.00
8. ROLLA ROBERTS HINKLE TRUST Sec. 23: NE/4 SE/4	40.00	6.2500	2.5000	5-1-81	18.75	6.25	75.00
9. MARSHALL & WINSTON, INC. Sec. 23: NE/4 SE/4	40.00	12.5000	5.000	7-12-80	25.00	-0-	75.00
10. QUETICO SUPERIOR FOUNDATION Sec. 23: NE/4 SE/4	40.00	3.1250	1.2500	7-12-80	25.00	-0-	75.00
11. CLAUDIA JANE RAMSLAND, ET AL (4 Leases) Sec. 23: S/2 SE/4	80.00	100.0000	80.0000	4-5-80	25.00	-0-	75.00
12. REED W. AND WARD W. BYERS TRUST Sec. 23: E/2 NE/4	80.00	100.0000	80.0000	3-23-83	12.50	12.50	75.00
LEASES OWNED BY CHAMPLIN PETROLEUM COMPANY:							
1. WILMA CONNER Sec. 23: SW/4	160.00	50.0000	80.0000	6-10-82	18.75	-0-	81.25
2. DOROTHY SMITH Sec. 23: SW/4	160.00	50.0000	80.0000	6-10-82	18.75	-0-	81.25
3. DOROTHY H. FRANSEN Sec. 23: W/2 NE/4	80.00	100.0000	80.0000	4-27-82	12.50	6.25	81.25

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASE OWNED BY MOBIL OIL CORPORATION:							
1. EDWARD L. UPHAM, ET AL Sec. 14: W/2 BELOW 5,500 FEET	320.00	50.0000	160.0000	HBP	12.50	-0-	87.50
LEASES OWNED BY EAGLE GROUP (YATES PETROLEUM CORPORATION - 1/2; YATES DRILLING COMPANY - 1/6; MARTIN YATES, III - 1/6; JOHN A. YATES - 1/6):							
1. ROY E. GLASS Sec. 23: NE/4 SE/4 FROM SURFACE TO 5,800 FEET	40.00	25.0000	10.0000	HBP	12.50	5.00 PP	82.50
2. CORDELLA M. KINCAID, ET AL Sec. 23: NE/4 SE/4 FROM SURFACE TO 5,800 FEET	40.00	25.0000	10.0000	HBP	12.50	-0-	87.50

EXHIBIT "A-2"

NORTH PENASCO DEEP UNIT
TOWNSHIP 18 SOUTH, RANGE 25 EAST
EDDY COUNTY, NEW MEXICO

INTERESTS OF THE PARTIES UNDER AGREEMENT

	Column 1	Column 2	Column 3	Column 4
	Net Acres	Percentage of Unit	Working Interest In Initial, Substitute, or Optional Test Well Before Payout	Working Interest In Initial, Substitute, or Optional Test Well After Payout and In Subsequent Wells
Yates Petroleum Corporation	336.21874	26.3443	26.3443	26.3443
Yates Drilling Company	52.07292	4.0802	4.0802	4.0802
MYCO Industries, Inc.	52.07292	4.0802	4.0802	4.0802
Abo Petroleum Corporation	52.07292	4.0802	4.0802	4.0802
Champlin Petroleum Company	240.00000	18.8051	18.8051	18.8051
Mobil Oil Corporation	160.00000	12.5367	12.5367	12.5367
Mark D. Wilson	63.81250	5.0000	5.0000	5.0000
Coquina Oil Corporation, General Partner				
Bengal 72-B Fund	87.54099	6.8592	6.8592	6.8592
TR, Ltd.	29.50819	2.3121	2.3121	2.3121
The Nautilus Venture	2.95082	.2312	.2312	.2312
eorge A. Donnelly, Jr.	10.00000	.7835	.7835	.7835
Richard Donnelly	10.00000	.7835	.7835	.7835
Peggy Donnelly McConnell	10.00000	.7835	.7835	.7835
The Eastland Oil Company	10.00000	.7835	.7835	.7835
R. T. Roark	20.00000	1.5671	1.5671	1.5671
Hooker-O'Kelley, Ltd.	20.00000	1.5671	1.5671	1.5671
J. H. Marks Trucking Co., Inc.	16.00000	1.2537	1.2537	1.2537
A. J. Losee	8.00000	.6268	.6268	.6268
Marton Majoros	32.00000	2.5073	2.5073	2.5073
Fernando U. Duralde	16.00000	1.2537	1.2537	1.2537
William Edward Green, Jr.	16.00000	1.2537	1.2537	1.2537
Mahun Oil & Gas Partnership No. 3	16.00000	1.2537	1.2537	1.2537
Charles W. Thompson	16.00000	1.2537	1.2537	1.2537
	1276.25000	100.0000	100.0000	100.0000

EXHIBIT "A-3"

NORTH PENASCO SHALLOW UNIT
TOWNSHIP 18 SOUTH, RANGE 25 EAST
EDDY COUNTY, NEW MEXICO

INTERESTS OF THE PARTIES UNDER AGREEMENT

	Column 1	Column 2	Column 3	Column 4
	Net Acres	Percentage of Unit	Working Interest In Initial, Substitute, or Optional Test Well Before Payout	Working Interest In Initial, Substitute, or Optional Test Well After Payout and In Subsequent Wells
Yates Petroleum Corporation	486.21875	38.0974	38.0974	38.0974
Yates Drilling Company	55.40625	4.3414	4.3414	4.3414
MYCO Industries, Inc.	52.07292	4.0802	4.0802	4.0802
Martin Yates, III	3.33333	.2612	.2612	.2612
Abo Petroleum Corporation	52.07292	4.0802	4.0802	4.0802
John A. Yates	3.33333	.2612	.2612	.2612
Champlin Petroleum Company	240.00000	18.8051	18.8051	18.8051
Mark D. Wilson	63.81250	5.0000	5.0000	5.0000
Coquina Oil Corporation, General Partner				
Bengal 72-B Fund	87.54099	6.8592	6.8592	6.8592
TR, Ltd.	29.50819	2.3121	2.3121	2.3121
The Nautilus Venture	2.95082	.2312	.2312	.2312
George A. Donnelly, Jr.	10.00000	.7835	.7835	.7835
Richard Donnelly	10.00000	.7835	.7835	.7835
Peggy Donnelly McConnell	10.00000	.7835	.7835	.7835
The Eastland Oil Company	10.00000	.7835	.7835	.7835
R. T. Roark	20.00000	1.5671	1.5671	1.5671
Hooker-O'Kelley, Ltd.	20.00000	1.5671	1.5671	1.5671
J. H. Marks Trucking Co., Inc.	16.00000	1.2537	1.2537	1.2537
A. J. Losee	8.00000	.6268	.6268	.6268
Marton Majoros	32.00000	2.5073	2.5073	2.5073
Fernando U. Duralde	16.00000	1.2537	1.2537	1.2537
William Edward Green, Jr.	16.00000	1.2537	1.2537	1.2537
Mahun Oil & Gas Partnership No. 3	16.00000	1.2537	1.2537	1.2537
Charles W. Thompson	16.00000	1.2537	1.2537	1.2537
	1276.25000	100.0000	100.0000	100.0000

Kraftbilt 601, BOX 600 TULSA OK 74101

COPAS — 1974
Recommended by the Council of Petroleum Accountants Societies of North America

COPAS

EXHIBIT " C "

Attached to and made a part of North Penasco Working Interest Units, Operating Agreement, Dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

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

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

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

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

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

"Parties" shall mean Operator and Non-Operators.

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

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

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

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

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

2. Statement and Billings

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

3. Advances and Payments by Non-Operators

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

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

4. Adjustments

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

5. Audits

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

6. Approval by Non-Operators

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

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**

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

2. **Labor**

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

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

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

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

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

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

3. **Employee Benefits**

   Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. **Material**

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

5. **Transportation**

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

   A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

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

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

6. **Services**

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

7. Equipment and Facilities Furnished by Operator

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

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

8. Damages and Losses to Joint Property

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

9. Legal Expense

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

10. Taxes

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

11. Insurance

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

12. Other Expenditures

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

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

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

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

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

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

A. Overhead - Fixed Rate Basis

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

Drilling Well Rate $ 2,800.00
Producing Well Rate $ 280.00

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

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

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

(a) Development

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

(b) Operating

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

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

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000.00 :

A. 5 % of total costs if such costs are more than $ 25,000.00 but less than $ 100,000.00 ; plus

B. 3 % of total costs in excess of $ 100,000.00 but less than $1,000,000; plus

C. 2 % of total costs in excess of $1,000,000.

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

3. Amendment of Rates

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

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

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

1. Purchases

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

2. Transfers and Dispositions

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

A. New Material (Condition A)

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

(2) Line Pipe

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

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

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

B. Good Used Material (Condition B)

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

(1) Material moved to the Joint Property

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

(2) Material moved from the Joint Property

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

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

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

C. Other Used Material (Condition C and D)

(1) Condition C

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

(2) Condition D

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

D. Obsolete Material

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

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

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

4. Warranty of Material Furnished by Operator

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

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

2. Reconciliation and Adjustment of Inventories

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

3. Special Inventories

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

4. Expense of Conducting Periodic Inventories

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

EXHIBIT "D"

ATTACHED TO AND MADE A PART OF
NORTH PENASCO WORKING INTEREST UNITS
OPERATING AGREEMENT, DATED JANUARY 12, 1979
EDDY COUNTY, NEW MEXICO

INSURANCE:

Operator shall secure and maintain during the term of this agreement, with insurance companies satisfactory to Non-Operator, insurance to cover Operator's operations on the Unit Area covered by this agreement, as follows:

Workmen's Compensation Insurance which shall fully comply with the laws of the State where operations are to be performed, and with employer's liability insurance including, if any operations hereunder are to be conducted in inland waters, bays or marshes, endorsements covering:

(1) United States Longshoremen's and Harbor Workers' Compensation Act.

(2) Employer's Liability covering marine operations with limits of liability of $500,000 for death or injury to one person and $500,000 for deaths or injuries arising out of one accident.

The Operator shall not be required to carry any other insurance for the joint account. The liability, if any, of the parties hereto in damages for claims growing out of personal injury to or death of third persons or injury or destruction of property of third parties resulting from the operation and development of the premises covered hereby shall be borne by the parties hereto in the proportions of their respective interests in the production therefrom; and each party individually may acquire such insurance as it deems proper to protect itself against such claims. Operator shall require all third party contractors performing work in or on the premises covered hereby to carry such insurance and in such amounts as Operator shall deem necessary.

EXHIBIT "E"

ATTACHED TO AND MADE A PART OF
NORTH PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
DATED JANUARY 12, 1979
TOWNSHIP 18 SOUTH, RANGE 25 EAST
EDDY COUNTY, NEW MEXICO

GAS BALANCING AGREEMENT

In accordance with the terms of the Operating Agreement and upon completion of a gas well, this Gas Balancing Agreement shall become effective in accordance with Article VI.C and shall apply to each well severally.

It is the intention of the parties hereto that Operator shall have the duty of controlling gas well production and the responsibility of administering the provisions of this agreement. Operator shall cause deliveries to be made to gas purchasers at such rates as may be required to give effect to the intent that the gas production accounts of all parties are to be brought into balance under the provisions contained herein.

Each party has made (or will make) arrangements to sell or utilize its share of the gas produced from each well in the Contract Area. It appears, however, that the respective gas markets of the parties may be limited from time to time; therefore, to permit the parties as much flexibility as possible in meeting the demands of their respective markets, the parties hereto agree to the storage arrangements herein set forth.

1.

From and after the date of initial delivery of gas from said well, during any period when a party is taking less than its share of the gas produced from said well, any other party may produce from said well and take or deliver to a purchaser, each month, all or a part of that portion of the allowable gas production which is not produced by a party taking less than its full share. The parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests.

2.

On a cumulative basis, a party taking less than its full share of the gas produced shall be credited with gas in storage equal to its full share of the total gas produced and saved, less that portion of the gas such party took or delivered to a purchaser. Operator will maintain an account of the gas balance as between the parties hereto and will furnish each party monthly statements showing the total quantity of gas produced, the total quantity of gas taken by each party, and the monthly and cumulative over and under delivery of each party.

3.

After notice to the Operator, any party may at any time begin taking or delivering to a purchaser its full share of gas produced (less such party's share of gas used in operations, vented or lost). To allow the recovery of gas in storage and to balance the gas account of the parties in accordance with their respective interests, a party with gas in storage shall be entitled to take or deliver to a purchaser its current share of the gas produced, plus a share of gas not exceeding its gas storage, 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 in said well of such party with gas in storage and the denominator of which is the total percentage interest in said well of all parties with gas in storage currently taking or delivering to a purchaser.

4.

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 allowable gas production to meet the deliverability test required by its purchaser. Each party shall, at all times, use its best efforts to regulate its takes and deliveries from said well so that said well will not be shut in for over producing the allowable thereto assigned by the applicable regulatory authority.

5.

Other provisions contained in the Operating Agreement notwithstanding, each party shall be responsible for the entire payment to each royalty, overriding royalty and production payment owner entitled to a portion of the proceeds received for the gas which such party takes, such payment to be based upon the gas produced and the price received. Each party hereto hereby indemnifies the other parties hereto against the claims, demands and causes of action which have as their basis an alleged entitlement to payment in excess of that received by the party taking the gas, of royalty, overriding royalty and production payment owners to whom such indemnitor is obligated under the applicable leases or other instruments which create such interests.

If, however, any party is obligated pursuant to said Operating Agreement or instruments of title as reflected in the chain of title to such party's interest to assume and alone bear any overriding royalty or other obligation or portion hereon out of such obligated party's share of production, such obligated party shall promptly reimburse each party taking gas for all amounts paid to the owner of such excess interest, which are attributable to such excess interest. If such obligated party fails to make such reimbursement within 15 days after receiving a statement therefor, all reimbursed amounts shall thereafter bear interest at the rate of 10% per annum and the unreimbursed party (whether Operator or Non-Operator) shall have the benefits of all of the liens and other rights provided for in Article VII.8 of the Operating Agreement to secure the payment of such unreimbursed amounts plus interest thereon.

6.

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

7.

Should production of gas from said well be permanently discontinued before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid by the overproduced party or parties, based on the actual price received, month by month, for the volumes of gas as and when the same were produced, less applicable taxes theretofore paid.

8.

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.

9.

This agreement shall be considered as a separate and distinct agreement with respect to each separate common source of supply for each separate Contract Area well.

10.

This agreement is binding upon the heirs, successors and assigns of the signatory parties hereto, it being agreed that this agreement is a covenant

running with the oil and gas leases contributed by the parties to this agreement. The parties hereto agree to give notice of the existence of this agreement to any successor in interest of such signatory party to any oil and gas lease subject to the terms of this agreement. This agreement shall be and remain in force and effect for a term concurrent with the term of the Operating Agreement between the parties hereto.

Yates Petroleum Corporation
AUTHORITY FOR EXPENDITURE

AFE # 79-086-0
Revision #
Date

Lease Name No. Penasco MG Com #1 Location 660/s 660/e Sec 23-18s-25e
County Eddy State NM Field Undesignated Morrow
Horizon Morrow Est.T.D. 9050 Est. Spud Date January 1980
Est. Completion Date February 1980 Drilling Contractor Landis Drlg. Co.

Primary Objective: ☐ Oil ☐ Gas ☒ Oil and/or Gas
Purpose : ☒ Drilling-New ☐ Recompletion ☐ Other (Supplement AFE, etc)
Type Well : ☐ Development ☒ Exploratory

	INTANGIBLE COSTS:	Dry Hole	Completion
9210	Staking Permit & Legal Fees	$ 1,100	$ 1,100
9211	Location, Right-of-Way	$ 5,600	$ 6,500
9212	Drilling, Footage 9050' @ $16.50	$ 149,300	$ 149,300
9213	Drilling, Daywork 5 days @ 4050 /day	$ 20,200	$ 20,200
9212/9213	Moving in, Rigging up, Rigging down	$ ---	$ ---
9224	Bits, Tools & Supplies	$ 400	$ 600
9214	Drilling Water	$ 9,300	$ 10,500
9215	Drilling Mud & Additives	$ 26,300	$ 26,300
9216	Mud Logging Unit	$ 8,100	$ 8,100
9217	Cement, Tools & Services, Temp. Surveys	$ 13,200	$ 17,400
9218	Drill Stem Testing	$ 5,200	$ 5,200
9219	Electric Logs & Perforating	$ 19,100	$ 25,600
9220	Tool & Equip. Rental, Trucking, Welding	$ 4,400	$ 5,400
9221	Supervision & Overhead	$ 3,300	$ 4,500
9223	Coring, Tools & Services	$ ---	$ ---
9241	Completion Unit 11 days @ $1000 /day	$ ---	$ 11,000
9247	Stimulation	$ ---	$ 26,000
9222	Contingency	$ 29,500	$ 35,300
	TOTAL INTANGIBLES	$ 295,000	$ 353,000
	WELL EQUIPMENT COSTS:		
9301	Christmas Tree and Well Head	$ 1,200	$ 13,800
9302	Casing: 13 3/8" 48# J-55 - 380	$ 7,100	$ 7,100
9302	8 5/8" 24# J-55 - 1250'	$ 11,700	$ 11,700
9302	5 1/2" 15.5 - 17# J-55 - 9050'	$ ---	$ 61,300
9303	Tubing: 2 7/8" 6.5# J-55 - 9050'	$ ---	$ 29,200
9304	Packer & Special Equipment	$ ---	$ 3,700
9350	Contingency	$ 2,000	$ 8,200
	TOTAL WELL EQUIPMENT	$ 22,000	$ 135,000
	LEASE & BATTERY EQUIPMENT COSTS:		
9401	Pumping Equipment	$	$
9402	Storage 2-210 b. Welded w/Stair, Walk, Fbrgls	$	$ 9,400
9403	Separation Eq., Flowlines, Valves & Fittings Tk.	$	$ 19,200
9404	Trucking & Construction Costs	$	$ 6,400
	TOTAL LEASE & BATTERY EQUIP.	$	$ 35,000
	TOTALS	$ 317,000	$ 523,000

Approval of this AFE constitutes approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

YATES PETROLEUM CORPORATION Share -

By Eddie M. Mitchell Date 10-23-79 26.3443

YATES DRILLING COMPANY

By _____ Date _____ 4.0802

MYCO INDUSTRIES, INC.

By _____ Date _____ 4,0802

EXHIBIT NO. 7
EXAMINER HEARING CASE 6747
NOVEMBER 28, 1979

Share-

ABO PETROLEUM CORPORATION

By_____ Date_____ 4.0802

CHAMPLIN PETROLEUM COMPANY

By_____ Date_____ 18.8051

MOBIL OIL CORPORATION

By_____ Date_____ 12.5367

MARK D. WILSON

By_____ Date_____ 5.0000

COQUINA OIL CORPORATION, GENERAL PARTNER
FOR BENGAL 72-B FUND

By_____ Date_____ 6.8592

CONQUINA OIL CORPORATION, GENERAL PARTNER
FOR TR, LTD.

By_____ Date_____ 2.3121

CONQUINA OIL CORPORATION, GENERAL PARTNER
FOR THE NAUTILUS VENTURE

By_____ Date_____ .2312

GEORGE A. DONNELLY, JR.

By_____ Date_____ .7835

RICHARD DONNELLY

By_____ Date_____ .7835

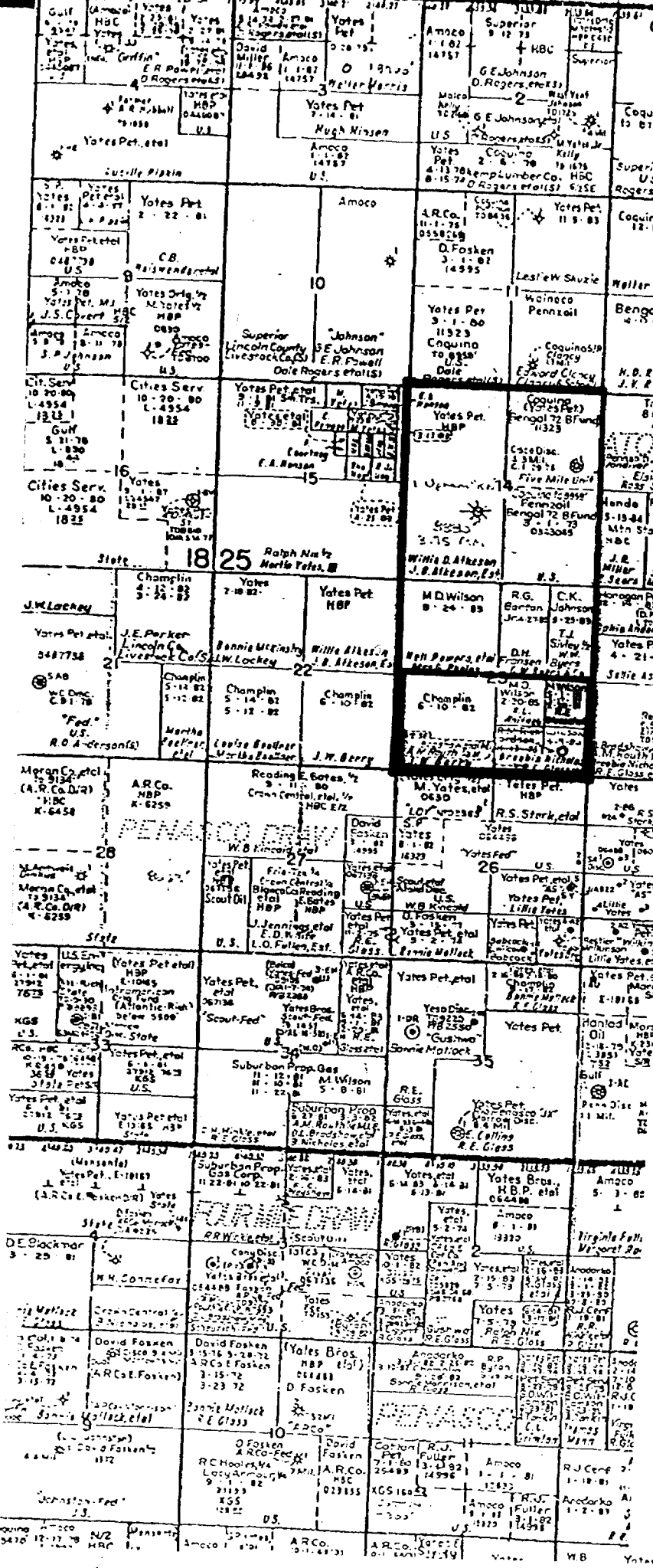
PEGGY DONNELLY McCONNELL

By_____ Date_____ .7835

THE EASTLAND OIL COMPANY

By_____ Date_____ .7835

		Share-
R. T. ROARK		
By_____	Date_____	1.5671
HOOKER-O'KELLEY, LTD.		
By_____	Date_____	1.5671
J. H. MARKS TRUCKING CO., INC.		
By_____	Date_____	1.2537
A. J. LOSEE		
By_____	Date_____	.6268
MARTON MAJOROS		
By_____	Date_____	2.5073
FERNANDO U. DURALDE		
By_____	Date_____	1.2537
WILLIAM EDWARD GREEN, JR.		
By_____	Date_____	1.2537
MAHUN OIL & GAS PARTNERSHIP NO. 3		
By_____	Date_____	1.2537
CHARLES W. THOMPSON		
By_____	Date_____	1.2537


NORTH PENASCO
ATOKA
Yates Pet.
Amoco
Yates Pet. HBP
Champlin
Champlin 6-10-82
M.D. Wilson 9-24-83
Yates Pet. 4-21-77
Sadie Ashew
Champlin 6-10-82
Champlin 5-14-82
5-12-82
Champlin 6-10-82
Champlin 5-12-82
Champlin 6-10-82
Champlin 6-10-82
Champlin 6-10

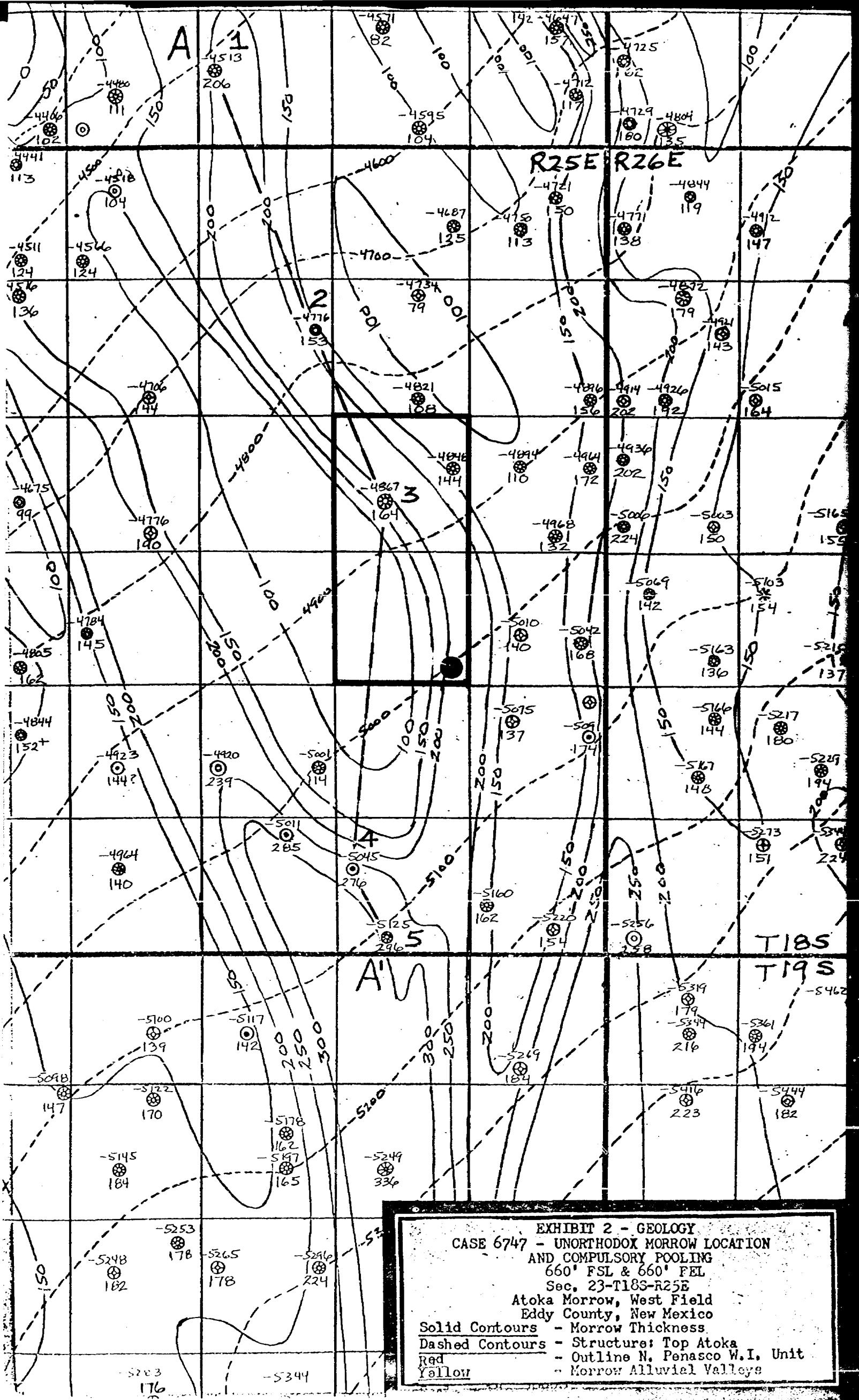


EXHIBIT 2 - GEOLOGY
CASE 6747 - UNORTHODOX MORROW LOCATION
AND COMPULSORY POOLING
660' FSL & 660' FEL
Sec. 23-T18S-R25E
Atoka Morrow, West Field
Eddy County, New Mexico

Solid Contours - Morrow Thickness
Dashed Contours - Structure: Top Atoka
Red - Outline N. Penasco W.I. Unit
Yellow - Morrow Alluvial Valleys

EXHIBIT NO. 4
EXAMINER HEARING CASE 6747
NOVEMBER 28, 1979

We respectfully request that the unleased parties underlined in red be subject to compulsory pooling. To date, the unleased parties own 3.125 net acres in the S/2 of Section 23, T-18-S, R-25-E, Eddy County, N. M. When our leasing is complete, we expect less than 1 acre to be unleased.

312

633889-90

AFFIDAVIT

BEFORE ME, the undersigned, a Notary Public in and for Midland County, State of Texas, on this day personally appeared WILLIAM S. MARSHALL, to me well known, and who, after being by me duly sworn, deposes and says the following:

My name is William S. Marshall and I am making this affidavit in regard to a limited partnership by the name of Don Phillips and Associates. Don Phillips died on or about September 24, 1972. Don Phillips was the sole general partner of Don Phillips and Associates. There were numerous limited partners in Don Phillips and Associates. The Articles of Limited Partnership for Don Phillips and Associates which were in effect at the death of Don Phillips provided that the limited partnership of Don Phillips and Associates should be dissolved upon the death of the general partner. The property standing in the name of Don Phillips and Associates was owned by the following parties in the following proportions upon the death of Don Phillips on or about September 24, 1972:

	NAME	ADDRESS	INTEREST OWNED	NET ACRES
	H. Cedric Alward, M. D. et ux	4224 Francis Ave., Los Angeles CA.90005	1/30	.12500
	The Minneapolis Foundation, Legatee of the Estate of Frances E. Andrews, deceased	c/o The Trust Department of the First National Bank of Minneapolis, Minneapolis, Minnesota	1/30	.12500
	Hayward Ayres and Marguerite E. Ayres Sally Payton Ellis	1204 Pine Street, South Pasadena, California 91030	1/30	.12500
	Estate of Lester R. Badger, deceased Stephen S. Badger & Barbara B. Hendrickson	c/o Stephen S. Badger, Rt. 1, Box 5288, Excelsior, Minnesota 55331	1/30	.12500
	Helen H. Bristol, deceased	151 Library Place, Princeton, N.J. 08540	1/15	.25000
	Frank H. Carleton Trust	c/o First National Bank of Minneapolis, P. O. Box A700, Minneapolis, Minn. 55480	1/30	.12500
	Evie L. Dickerson	3145 Cahuenga Blvd., Los Angeles, California 90068	1/60	.06250
	Josephine Hildrith	1811 La Cuesta Drive, Santa Ana, California 92705	1/30	.12500
CAN'T LOCATE	Estate of James C. Bennett, deceased	2016 E. Broadway Tucson, Arizona 85719	1/15	.25000
	Joyce A. Holliday Fehlman	1034 Princeton St., Santa Monica, California 90403	1/15	.25000
	F. B. Hubachek	3220 Prudential Plaza Chicago, Illinois 60601	1/30	.12500
	Charles S. Kelly, et ux	3220 Prudential Plaza, Chicago, Ill.60601	1/30	.12500
	Estate of K. K. MacGibbon, deceased	321 Lovell, Elk River, Minn. 55330	1/30	.12500
	Mrs. Jan M. Fox, et vir	5805 Winnequal Rd., Madison, Wis. 53716	1/90	.04167
	Mr. J. Laird Marshall, et ux	1411 Bible Camp Road, McFarland, Wis.53558	1/90	.04167
CAN'T LOCATE	Mr. Owen Marshall	2470 Rivermont Ave., Lynchburg, Va. 24504	1/90	.04167
	Richard M. Marshall, et ux	175 Lakewood Drive, Madison, Wis. 53740	1/30	.12500
	Douglas D. MacKinnon, M. D.		1/30	.12500
	Robert Ray Newton Trust	Route 22, Meeting House Lane, Knoxville, Tennessee 37921	1/15	.25000
	Mrs. James J. Norton	2880 Lorain Rd., San Marino, Ca. 91108	1/30	.12500
CAN'T LOCATE	Mary A. Phillips	9025 National Blvd., Los Angeles, California 90034	1/12	.31250

		NET ACRES
Rufus R. Rand Estate	c/o Palmer First National Bank & Trust Co., P. O. Box 2018, Sarasota, Florida 33578	1/30 .12500
L. Raymond Scherer, M.D., et ux	1930 Irving Ave. So., Minneapolis, Minnesota 55403	1/30 .12500
Kathryn Knops, et vir	3044 12th Ave. South, Minneapolis, Minnesota 55407	1/30 .12500
Roger Westman	257 N. 117 Ave., Omaha, Nebraska 68154	1/30 .12500
Marian Whitney Trust	San Diego Trust & Savings Bank, Trust Dept., P.O.Box 1871, San Diego, Ca. 92112	1/30 .12500
Elizabeth Helene Winston	2706 W. Lake of the Isles Blvd., Minneapolis, Minnesota 55416	1/30 .12500

FURTHER I SAYETH NOT.

WITNESS MY SIGNATURE, this 15th day of March, 1974.

William S. Marshall

THE STATE OF TEXAS)
)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 15 day of March, 1974.

My commission expires:
June 1, 1975

Notary Public

STATE OF NEW MEXICO, County of Eddy ss/ Hereby certify that this instrument was filed for record on the 2nd day of April, 19 74 at 10:47 o'clock A.M. and duly recorded in Book 115 Page 312 of the Records of Eddy County, New Mexico.

EDDY COUNTY, County Clerk
By Deputy

EXHIBIT NO. 5
EXAMINER HEARING CASE 6747
NOVEMBER 28, 1979

LETTERS TO PARTIES AFFECTED BY REQUEST FOR COMPULSORY POOLING

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

The Minneapolis Foundation
% The Trust Department of the
First National Bank of Minneapolis
Minneapolis, Minn. 55400

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Sir:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Sally Peyton Ellis
c/o Mr. Stanley A. Black
Hutchinson, Bladk, Hill, Buchanan & Cook
Attorneys at Law
P. O. Box 1170
Boulder, Colorado 80306

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Black:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Ms. Barbara B. Hendrickson
Mr. Stephen S. Badger
Route #1 Box 528B
Excelsior, Minnesota 55331

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Ms. Hendrickson and Mr. Badger:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PERTOLEUM LANDMAN
HOME PHONE (505) 746-9843

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Mr. John E. MacGibbon
321 Lowell
Elk River, Minnesota 55330

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. MacGibbon:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Mrs. Jan M. Fox
5805 Winnequal Road
Madison, Wisconsin 53716

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Fox:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mrs. Margaret M. Norton
2880 Lorain Road
San Marino, California 91108

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Norton:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Rufus R. Rand Estate
% Plamer First National Bank & Trust Co.
P. O. Box 2018
Sarasota, Florida 33578

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Gentlemen:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

H. Cedric Alward, M.D.
4224 Francis Avenue
Los Angeles, California 90005

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Alward:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

November 1, 1979

Mr. Gerald E. Rupp
120 Depot Park
Plainfield, New Jersey 07060

Re: Estate of Helen H. Bristol
Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

October 29, 1979

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9843

GEOLOGIST (505) 746-6246
LAND (505) 746-9888

Frank H. Carleton Trust
-% First National Bank of Minneapolis
P. O. Box A-700
Minneapolis, Minnesota 55480

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Sir:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mrs. Paul Dickerson
3145 Cahuenga Boulvard
Los Angeles, California 90068

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Dickerson:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mrs. Josephine Hilditch
1811 La. Cuesta Drive
Santa Ana, California 92705

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Hilditch:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mr. F. B. Hubachek
3100 Prudential Plaza
Chicago, Illinois 60601

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Hubachek:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

October 29, 1979

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

Mr. J. Laird Marshall
1411 Bible Camp Road
McFarland, Wisconsin 53558

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Marshall:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mr. Richard R. Marshall, Jr.
28 Austin Crescent
Toronto M5R-3E3
Ontario, Canada

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Marshall:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mr. Donald W. Newton, Trustee
Robert Ray Newton Trust
1416 Meeting House Lane
Knoxville, Tennessee 37921

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Newton:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Dr. and Mrs. L. Raymond Scherer
1930 Irving Avenue South
Minneapolis, Minnesota 55403

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Dr. and Mrs. Scherer:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mr. Roger Westman
257 North 117th Avenue
Omaha, Nebraska 68154

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Westman:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Marian Whitney Trust
San Diego Trust & Savings Bank
P. O. Box 1971
San Diego, California 92112

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Sir:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Mrs. Elizabeth Melone Winston
2706 West Lake of the Isles
Minneapolis, Minnesota 55416

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Winston:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

NORTH PENASCO
WORKING INTEREST UNITS

OPERATING AGREEMENT

DATED

January 12, 1979,

OPERATOR YATES PETROLEUM CORPORATION

CONTRACT AREA TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
SECTION 14: ALL
SECTION 23: ALL

COUNTY OR PARISH OF EDDY STATE OF NEW MEXICO

COPYRIGHT 1977 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

EXHIBIT NO. 6
EXAMINER HEARING CASE 6747
NOVEMBER 28, 1979

GUIDANCE IN THE PREPARATION OF THIS AGREEMENT:

1. Title Page - Fill in blank as applicable.

2. Preamble, Page 1 - Name of Operator.

3. Article II - Exhibits:
   (a) Indicate Exhibits to be attached.
   (b) If it is desired that no reference be made to Non-discrimination, the reference to Exhibit "F" should be deleted.

4. Article IV.A - Title Examination - Select option as agreed to by the parties.

5. Article IV.B - Loss of Title - If "Joint Loss" of Title is desired, the following changes should be made:
   (a) Delete Articles IV.B.1 and IV.B.2.
   (b) Article IV.B.3 - Delete phrase "other than those set forth in Articles IV.B.1 and IV.B.2 above."
   (c) Article VII.F. - Change reference at end of the first grammatical paragraph from "Article IV.B.2" to "Article IV.B.3."

6. Article V - Operator - Enter name of Operator.

7. Article VI.A - Initial Well:
   (a) Date of commencement of drilling.
   (b) Location of well.
   (c) Obligation depth.

8. Article VI.B.2.(b) - Subsequent Operations - Enter penalty percentage as agreed to by parties.

9. Article VII.D.1. - Limitation of Expenditures - Select option as agreed to by parties.

10. Article VII.D.3. - Limitation of Expenditures - Enter limitation of expenditure of Operator for single project and amount above which Operator may furnish information AFE.

11. Article VII.E. - Royalties, Overriding Royalties and Other Payments - Enter royalty fraction as agreed to by parties.

12. Article X. - Claims and Lawsuits - Enter claim limit as agreed to by parties.

13. Article XIII. - Term of Agreement:
   (a) Select Option as agreed to by parties.
   (b) If Option No. 2 is selected, enter agreed number of days in two (2) blanks.

14. Signature Page - Enter effective date.

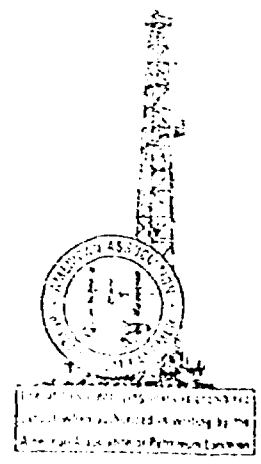


TABLE OF CONTENTS

Article	Title	Page
I.	DEFINITIONS	1
II.	EXHIBITS	1
III.	INTERESTS OF PARTIES	2
	A. OIL AND GAS INTERESTS	2
	B. INTEREST OF PARTIES IN COSTS AND PRODUCTION	2
IV.	TITLES	2
	A. TITLE EXAMINATION	2
	B. LOSS OF TITLE	2
	1. Failure of Title	2-3
	2. Loss by Non-Payment or Erroneous Payment of Amount Due	3
	3. Other Losses	3
V.	OPERATOR	3
	A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR	3
	B. RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR	4
	1. Resignation or Removal of Operator	4
	2. Selection of Successor Operator	4
	C. EMPLOYEES	4
	D. DRILLING CONTRACTS	4
VI.	DRILLING AND DEVELOPMENT	4
	A. INITIAL WELL	4
	B. SUBSEQUENT OPERATIONS	5
	1. Proposed Operations	5
	2. Operations by Less than All Parties	5-6
	C. RIGHT TO TAKE PRODUCTION IN KIND	6-7
	D. ACCESS TO CONTRACT AREA AND INFORMATION	7
	E. ABANDONMENT OF WELLS	7
	1. Abandonment of Dry Holes	7
	2. Abandonment of Wells that have Produced	7-8
VII.	EXPENDITURES AND LIABILITY OF PARTIES	8
	A. LIABILITY OF PARTIES	8
	B. LIENS AND PAYMENT DEFAULTS	8
	C. PAYMENTS AND ACCOUNTING	8
	D. LIMITATION OF EXPENDITURES	9
	1. Drill or Deepen	9
	2. Rework or Plug Back	9
	3. Other Operations	9
	E. ROYALTIES, OVERRIDING ROYALTIES AND OTHER PAYMENTS	9
	F. RENTALS, SHUT-IN WELL PAYMENTS AND MINIMUM ROYALTIES	9-10
	G. TAXES	10
	H. INSURANCE	10
VIII.	ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST	10
	A. SURRENDER OF LEASES	10-11
	B. RENEWAL OR EXTENSION OF LEASES	11
	C. ACREAGE OR CASH CONTRIBUTION	11
	D. SUBSEQUENTLY CREATED INTEREST	11-12
	E. MAINTENANCE OF UNIFORM INTEREST	12
	F. WAIVER OF RIGHT TO PARTITION	12
	~~G. PREFERENTIAL RIGHT TO PURCHASE~~	~~12~~
IX.	INTERNAL REVENUE CODE ELECTION	12-13
X.	CLAIMS AND LAWSUITS	13
XI.	FORCE MAJEURE	13
XII.	NOTICES	13
XIII.	TERM OF AGREEMENT	13-14
XIV.	COMPLIANCE WITH LAWS AND REGULATIONS	14
	A. LAWS, REGULATIONS AND ORDERS	14
	B. GOVERNING LAW	14
XV.	OTHER PROVISIONS	14
XVI.	MISCELLANEOUS	15

AMERICAN ASSOCIATION OF PETROLEUM LANDMEN

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between YATES PETROLEUM CORPORATION _____, 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 agreement,
- (2) Restrictions, if any, as to depths or formations,
- (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.~~

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

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

B. Interest of Parties in Costs and Production:

Exhibits "A-2" and "A-3" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibits "A-2" and "A-3". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties which will be borne by the Joint Account, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

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 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.~~

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

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

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

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear, alone, the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

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

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

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

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

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

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

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

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

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

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

YATES PETROLEUM 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.

To avoid unnecessary changes in this standard form, additions or changes have been made by typewriting or printing in the margins or on attached riders. Attention is directed to this fact and to the advisability of having changes or additions approved by the Association of Petroleum Landmen

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 in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, 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", and not on the number of parties 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. If the Operator that is 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", and not on the number of parties 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 28th day of February, 1979, Operator shall commence the drilling of ~~a well~~ an Initial Test Well for oil and gas at the following location:

1980' FWL and 1980' FSL of Section 14, Township 18 South,
Range 25 East, Eddy County, New Mexico

and shall thereafter continue the drilling of the ~~well~~ Initial Test Well with due diligence to the "Objective Depth", being a depth sufficient to test the Morrow series of the Pennsylvanian system by drilling at least 40 feet into the Mississippian Chester Limestone, which depth is estimated to be 9,000 feet,

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~~ Initial Test 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.

If, in Operator's judgment, the ~~well~~ Initial Test Well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the ~~well~~ Initial Test Well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

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

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, 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, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

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

(b) 300% of that portion of the costs and expenses of drilling reworking, deepening, or 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 well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non - Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non - Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non - Consenting Party's relinquished interest. If such Non - Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the recoupment period.

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, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

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

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

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

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

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

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

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

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

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

In the event any party hereto is not at any time taking or marketing its share of gas production and Operator is either (i) unwilling to purchase or sell or (ii) unable to obtain the prior written consent to purchase or sell such party's share of gas production, or in the event any party has contracted to sell its share of gas produced from the Contract Area 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, then in any such event the terms and conditions of the Gas Balancing Agreement attached hereto as Exhibit "E" and incorporated herein shall automatically become effective.

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

E. Abandonment of Wells:

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

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

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

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

B. Liens and Payment Defaults:

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

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

C. Payments and Accounting:

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

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

D. Limitation of Expenditures:

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

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

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

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

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Ten Thousand ---------- Dollars ($ 10,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Five Thousand ---------- Dollars ($ 5,000.00).

E. Royalties, Overriding Royalties and Other Payments:

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of one-fourth (1/4) due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof. If the interest of any party in any oil and gas lease covered by the agreement is subject to any overriding royalty, production payment, or other charge that is less than the aforesaid * No party shall ever be responsible, on any 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 settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

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

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

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

* royalty, such party shall retain for its own account the difference between the existing burdens and the aforesaid royalty.

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

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

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

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

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

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

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

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

B. Renewal or Extension of Leases:

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

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

Each party who participates in the purchase of a renewal lease shall be given an assignment without warranty of its proportionate interest therein by the acquiring party.

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

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Contract Area.

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

D. Subsequently Created Interest:

Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement, and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

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

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

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

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 require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for 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 party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an 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 interest therein.

~~**G. Preferential Right to Purchase:**~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and~~ interests in the Contract Area, it shall promptly give written notice to the other parties, with ~~full~~ information concerning its proposed sale, which shall include the name and address of ~~the~~ prospective purchaser (who must be ready, willing and able to purchase), the purchase ~~price~~, and all other terms 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 on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that ~~the~~ interest of each bears to the total interest of all purchasing parties. However, there shall ~~be~~ no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or ~~substantially~~ all of its assets to a subsidiary or parent company or to a subsidiary of a parent ~~company, or to any company in which any one party owns a majority of the stock~~.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Five Thousand Dollars ($ 5,000.00) 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 expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. 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, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

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

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

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

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party 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 United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof 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 subjected 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, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.~~

☒ 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 or reworking 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 or reworking operations are commenced within 90 days from the date of abandonment of said well.

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

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage 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:

The essential validity of this agreement and all matters pertaining thereto, 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 where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

A. Test Wells:

The term "Shallow Unit Area" shall mean those horizons underlying the lands in the Contract Area that are found from the surface to a depth of 5,500 feet below the surface of the ground. The term "Deep Unit Area" shall mean those horizons underlying the lands in the Contract Area that are found between a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone. The term "Contract Area" shall mean both the Shallow Unit Area and the Deep Unit Area.

If any well is dry in the Deep Unit Area, and any party owning an interest in the Shallow Unit Area desires to attempt completion therein, then the costs of drilling the well to the total depth and plugging it back to the selected point in the Shallow Unit Area shall be borne by the Drilling Parties who initially participated in drilling the well, and such Drilling Parties shall be reimbursed by the parties attempting completion for 1/2 of the shallow and intermediate casing costs, including cementing costs and rig time used in running and cementing the casing. Thereafter, the Drilling Parties attempting completion shall own the hole and casing therein and shall be responsible for completing the well as a producer or dry hole.

No well shall be dually completed in the Contract Area until a mutual agreement is reached between all the parties who participated in the cost of drilling the well.

If in the drilling of the Initial Test Well, Operator loses the hole or encounters mechanical difficulties rendering it impracticable, in the opinion of Operator, to drill the well to the Objective Depth, then and in any of such events, on or before 30 days after completion of the Initial Test Well, Operator shall have the option to commence the actual drilling of another well ("Substitute Test Well") in the Contract Area at a lawful location mutually acceptable to the Drilling Parties, and Operator shall prosecute the drilling of said well with due diligence and in a good and workmanlike manner to the Objective Depth. For all purposes of this agreement, the drilling of the Substitute Test Well shall be

considered as the drilling of the Initial Test Well.

B. Prior Operating Agreement:

Notwithstanding anything to the contrary, the terms and provisions of this agreement shall prevail over the terms and provisions contained in that certain Operating Agreement dated December 1, 1972, by and between Coquina Oil Corporation, Operator, and Marcum Drilling Company, et al, non-operators, as it affects the E/2 Section 14, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

C. Rio Pecos Corporation Leasehold:

Yates Petroleum Corporation (1/2), Yates Drilling Company (1/6), Abo Petroleum Corporation (1/6), and MYCO Industries, Inc. (1/6), shall be assigned all of the interest owned by Rio Pecos Corporation in the oil and gas leases described in Exhibit "A-1" hereto.

D. Nondiscrimination:

In the performance of this contract, Operator shall not engage in any conduct or practice which violates any applicable law, order or regulation prohibiting discrimination against any person by reason of his race, religion, color, sex, national origin or age, and Operator further agrees to comply with the non-discrimination provision of Section 202 of Executive Order No. 11246 (30 F.R. 12319) as amended by Executive Order No. 11375.

Note: This Agreement contains no page 16.

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 12th day of January, 1979.

OPERATOR

ATTEST:

ASSISTANT Secretary

YATES PETROLEUM CORPORATION

By: VICE President

NON-OPERATORS

ATTEST:

ASSISTANT Secretary

YATES DRILLING COMPANY

VICE President

ATTEST:

ASSISTANT Secretary

MYCO INDUSTRIES, INC.

President

Martin Yates, III

ATTEST:

Secretary

ABO PETROLEUM CORPORATION

By: President

John A. Yates

ATTEST:

Secretary

CHAMPLIN PETROLEUM COMPANY

By: President

ATTEST:

Secretary

MOBIL OIL CORPORATION

By: President

Mark D. Wilson

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 12th day of January, 19 79.

OPERATOR

ATTEST:

YATES PETROLEUM CORPORATION

_____ Secretary

By: _____ President

NON-OPERATORS

ATTEST:

YATES DRILLING COMPANY

_____ Secretary

_____ President

ATTEST:

MYCO INDUSTRIES, INC.

_____ Secretary

_____ President

_____
Martin Yates, III

ATTEST:

ABO PETROLEUM CORPORATION

By: _____ President

_____
John A. Yates

ATTEST:

CHAMPLIN PETROLEUM COMPANY

_____ Asst Secretary

By: _____ Vice President

ATTEST:

MOBIL OIL CORPORATION

_____ Secretary

By: _____ President

_____
Mark D. Wilson

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 12th day of January, 19 79 .

OPERATOR

ATTEST:

YATES PETROLEUM CORPORATION

_____ Secretary

By: _____ President

NON-OPERATORS

ATTEST:

YATES DRILLING COMPANY

_____ Secretary

_____ President

ATTEST:

MYCO INDUSTRIES, INC.

_____ Secretary

_____ President

_____ Martin Yates, III

ATTEST:

ABO PETROLEUM CORPORATION

_____ Secretary

By: _____ President

_____ John A. Yates

ATTEST:

CHAMPLIN PETROLEUM COMPANY

_____ Secretary

By: _____ President

ATTEST:

S. T. Alexander
Assistant Secretary
S. T. ALEXANDER

MOBIL OIL CORPORATION

By: P E Harrison
Attorney-in-Fact
P.E. HARRISON

_____ Mark D. Wilson

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 12th day of January, 1979.

OPERATOR

ATTEST:

YATES PETROLEUM CORPORATION

_____ Secretary

By: _____ President

NON-OPERATORS

ATTEST:

YATES DRILLING COMPANY

_____ Secretary

_____ President

ATTEST:

MYCO INDUSTRIES, INC.

_____ Secretary

_____ President

_____ Martin Yates, III

ATTEST:

ABO PETROLEUM CORPORATION

_____ Secretary

By: _____ President

_____ John A. Yates

ATTEST:

CHAMPLIN PETROLEUM COMPANY

_____ Secretary

By: _____ President

ATTEST:

MOBIL OIL CORPORATION

_____ Secretary

By: _____ President

Mark D. Wilson

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja ary 12, 1979, Township 18 Sout Range 25 East, Eddy County, New Mexico.

ATTEST:

Carol Smith
Carol Smith, Assistant Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: James H. Shaw
James H. Shaw, Attorney-in-Fact

ATTEST:

Carol Smith
Carol Smith, Assistant Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: James H. Shaw
James H. Shaw, Attorney-in-Fact

ATTEST:

Carol Smith
Carol Smith, Assistant Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: James H. Shaw
James H. Shaw, Attorney-in-Fact

George A. Donnelly, Jr.

Richard Donnelly

Peggy Donnelly McConnell

ATTEST:

Secretary

THE EASTLAND OIL COMPANY

By: President

R. T. Roark

HOOKER-O'KELLEY, LTD.

By: General Partner

ATTEST:

Secretary

MARKS CRANE & RIGGING COMPANY

By: President

A. J. Losee

Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

George A. Donnelly, Jr.

Richard Donnelly

Peggy Donnelly McConnell

ATTEST:

Eugene J. Roy
Secretary

THE EASTLAND OIL COMPANY

By: Geo. A. Donnelly, Jr.
President

R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

A. J. Losee

Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

_____
R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja ıry 12, 1979, Township 18 Soutl Range 25 East, Eddy County, New Mexico.

//

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

R. T. Roark

R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja ary 12, 1979, Township 18 Sout' Range 25 East, Eddy County, New Mexico.

ATTEST:

Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: President

ATTEST:

Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: President

ATTEST:

Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: President

George A. Donnelly, Jr.

Richard Donnelly

Peggy Donnelly McConnell

ATTEST:

Secretary

THE EASTLAND OIL COMPANY

By: President

R. T. Roark

HOOKER-O'KELLEY, LTD.

By: Herschel O'Kelley, General Partner

ATTEST:

Secretary

MARKS CRANE & RIGGING COMPANY

By: President

A. J. Losee

Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

_____
R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

J.H. Marks Trucking Co., Inc.
~~MARKS CRANE & RIGGING COMPANY~~

ATTEST:
J.C. Goddard
Secretary

By: Richard D. Gillian
~~President~~ Chairman of the Boa

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

_____
R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja ıry 12, 1979, Township 18 Sout Range 25 East, Eddy County, New Mexico.

//

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

_____
R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

Fernando U. Duralde

Fernando U. Duralde

//

William Edwin Green, Jr.

Hugo S. Moreno

Charles W. Thompson

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

Fernando U. Duralde

William Edwin Green, Jr.

Hugo S. Moreno

Charles W. Thompson

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja ary 12, 1979, Township 18 Soutl Range 25 East, Eddy County, New Mexico.

Fernando U. Duralde

William Edwin Green, Jr.

ATTEST:

Secretary

Mahun Oil & Gas Partnership No.3
of which Mahun Oil & Gas Corp. is
sole General Partner.

Charles W. Thompson

Attached to and mad a part of North Penasco Workin Interest Units Operating Agreement, dated Ja ary 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

Fernando U. Duralde

William Edwin Green, Jr.

Hugo S. Moreno

Charles W. Thompson

Charles W. Thompson 1-22-79

Attached to and made a part of North Ponasco Working Interest Units Operating Agreement, dated Janu r 12, 1979, Township 18 South, ange 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by John A. Yates, VICE President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by S. P. Yates, VICE President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by Frank Yates, _____ President of MYCO INDUSTRIES, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by FRANK YATES, Attorney-in-Fact for MARTIN YATES, III.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by John A. Yates, _____ President of ABS PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by JOHN A. YATES.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

The foregoing instrument was acknowledged before me this 19th day of January, 1979, by E.H. Chittick, Jr, Vice President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

Virginia L DeCamp
Notary Public
VIRGINIA L. DeCAMP
Notary Public in and for Harris County, Texas
My Commission Expires May 11, 1979

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of MOBIL OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by MARK D. WILSON.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of BENGAL 72-B FUND, a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of TR, LTD., a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, General Partner of THE NAUTILUS VENTURE, a General Partnership.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated J) ry 12, 1979, Township 18 Sou) Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____/President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF Lafa)
COUNTY OF Harris) ss.

The foregoing instrument was acknowledged before me this 9th day of February, 1979, by P.E. HARRISON, ATTORNEY-IN-FACT ~~President~~ of MOBIL OIL CORPORATION, a New York corporation, on behalf of said corporation.

My commission expires:
AGNES MALONE
Notary Public in and for Harris County, Texas
My Commission Expires 6-7-79

Agnes Malone
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by MARK D. WILSON.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of BENGAL 72-B FUND, a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of TR, LTD., a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, General Partner of THE NAUTILUS VENTURE, a General Partnership.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of MOBIL OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 19 day of JANUARY, 1979, by MARK D. WILSON.

My commission expires:
4-1-80

Mark D. Wilson
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of BENGAL 72-B FUND, a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of TR, LTD., a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, General Partner of THE NAUTILUS VENTURE, a General Partnership.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of MOBIL OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by MARK D. WILSON.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 26 day of January, 1979, by JAMES H. SHAW, Attorney-in-Fact of Coquina Oil Corporation, Sole General Partner of BENGAL 72-B FUND, a Texas Limited Partnership.

My commission expires:
2/28/79

Ann Robey
Notary Public - Ann Robey

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 26 day of January, 1979, by JAMES H. SHAW, Attorney-in-Fact of Coquina Oil Corporation, Sole General Partner of TR, LTD., a Texas Limited Partnership.

My commission expires:
2/28/79

Ann Robey
Notary Public - Ann Robey

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 26 day of January, 1979, by JAMES H. SHAW, Attorney-in-Fact of Coquina Oil Corporation, General Partner of THE NAUTILUS VENTURE, a General Partnership.

My commission expires:
2/28/79

Ann Robey
Notary Public - Ann Robey

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 15th day of January, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
7-31-80

Willie L. Crockett
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 15th day of January, 1979, by RICHARD DONNELLY.

My commission expires:
7-31-80

Willie L. Crockett
Notary Public

STATE OF TEXAS)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

GEORGE A. DONNELLY, JR.

The foregoing instrument was acknowledged before me this 15th day of January, 1979, by [redacted], President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
7-31-80

Willie L. Crockett
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by R. T. ROARK, a single man.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD GILLHAM, _____ of MARKS CRANE & RIGGING COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this /____ day of _____, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF Jarnant) ss.

The foregoing instrument was acknowledged before me this 18th day of January, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
March 30, 1980

Clarice B. Haden
Notary Public
Jarnant County, Texas

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by R. T. ROARK, a single man.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD GILLHAM, _____ of MARKS CRANE & RIGGING COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by RICHARD DONNELLY.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by RICHARD DONNELLY, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ~~MIDLAND~~ Tarrant) ss.

The foregoing instrument was acknowledged before me this 25th day of January, 1979, by R. T. ROARK,

My commission expires:
10-31-80

Gladys Holamon
Notary Public

GLADYS HOLAMON, Notary Public
In and for Tarrant County, Texas
My Commission Expires Oct. 31, 1980

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by RICHARD GILLHAM, _____ of MARKS CRANE & RIGGING COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Workir Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS .)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by R. T. ROARK, a single man.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 22 day of January, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
9-10-79

Joyce Barthelemy
Notary Public Midland County, Texas
Joyce Barthelemy

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD GILLHAM, _____ of MARKS CRANE & RIGGING COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Workin Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by R. T. ROARK, a single man.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this 16 day of January, 1979, by RICHARD GILLHAM, Chairman of ~~HARKS~~ J.W. Marks Trucking Co., Inc. ~~CRANE & RIGGING COMPANY~~, a Texas corporation, on behalf of said corporation.

My commission expires:
11-23-79

Charlotte A. Wolf
Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated January 12, 1979, Township 18 South Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 15 day of January, 1979, by A. J. LOSEE.

My commission expires:
1-27-81

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated J: ary 12, 1979, Township 18 Sout Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 21 day of January, 1979, by MARTON MAJOROS.

My commission expires:
Notary Public, Georgia, State at Large
~~My Commission Expires Sept. 7, 1979~~

Juanita E. Monroe
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Workir- Interst Units Operating Agreement, dated J lary 12, 1979, Township 18 Sout , Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF_____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 26th day of Jan, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

Elaine D. Purcell
Notary Public

Notary Public, Georgia, State at Large
My Commission Expires July 25, 1981

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 19th day of January, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
[illegible] SEPT. 14, 1980

Notary Public
NOTARY PUBLIC, FULTON COUNTY, GEORGIA AT LARGE
MY COMMISSION EXPIRES SEPT. 14, 1980

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated J: ary 12, 1979, Township 18 Sout Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF_____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 22 day of January, 1979, by Mahun Oil & Gas Partnership No.3, of which Mahun Oil & Gas Corp. is sole General Partner.

My commission expires:
Notary Public, State of Georgia
My Commission Expires June 7, 1979

Juanita E. Monroe
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated Ja ary 12, 1979, Township 18 Sout Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF_____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 22 day of January, 1979, by CHARLES W. THOMPSON.

My commission expires:
12-6-82

Claudia Middlebrook
Notary Public

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF
NORTH PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

1. Contract Area.

Township 18 South, Range 25 East, N.M.P.M.

Section 14: All
Section 23: All

2. Depth Restrictions.

a. The Shallow Unit Area covers only the oil and gas rights from the surface to a depth of 5,500 feet below the surface of the ground.

b. The Deep Unit Area covers only the oil and gas rights from a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone.

3. The interests of the parties to this agreement are set forth in Exhibits "A-2" and "A-3".

4. The oil and gas leases and interests subject to this agreement are set forth in Exhibit "A-1".

5. Addressess of Parties for Notices:

Yates Petroleum Corporation
Yates Drilling Company
MYCO Industries, Inc.
Martin Yates, III
Abo Petroleum Corporation
John A. Yates
207 South Fourth Street
Artesia, New Mexico 88210
Attention: Mr. Jack W. McCaw

Champlin Petroleum Company
300 Wilco Building
Midland, Texas 79701
Attention: Mr. R. L. Lanning

Mobil Oil Corporation
9 Greenway Plaza
Suite 2700
Houston, Texas 77046
Attention: Ms. Martha J. Mealy

Mark D. Wilson
212 American Home Life Building
Artesia, New Mexico 88210
Attention: Mr. Scott E. Wilson

Coquina Oil Corporation
P. O. Box 2960
Midland, Texas 79702
Attention: Mr. Tracy P. Clark

The Eastland Oil Company
George A. Donnelly, Jr.
Richard Donnelly
P. O. Drawer 3488
Midland, Texas 79702

Mrs. Peggy Donnelly McConnell
c/o Doug Sanford
2305 Ft. Worth National Bank Bldg.
Fort Worth, Texas 76101

R. T. Roark
Hooker-O'Kelley, Ltd.
P. O. Box 3106
Midland, Texas 79702

J. H. Marks Trucking Co., Inc.
Box 2192
Odessa, Texas 79760

A. J. Losee
P. O. Drawer 239
Artesia, New Mexico 88210

Mahun Oil & Gas Partnership No. 3
Marton Majoros
230 Broadland Road, N.W.
Atlanta, Georgia 30342

Fernando U. Duralde
2760 Felton Drive
East Point, Georgia 30344

William Edward Green, Jr.
8895 North Mount Drive
Alpharetta, Georgia 30201

Charles W. Thompson
2744 Felton Drive
East Point, Georgia 30344

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
THE FOLLOWING PARTIES DERIVE THEIR OWNERSHIP IN THE NORTH PENASCO WORKING INTEREST UNITS BY VIRTUE OF THEIR OWNERSHIP IN THE E/2 SECTION 14 UNDER ASSIGNMENT OF OPERATING RIGHTS DATED SEPTEMBER 13, 1973, RECORDED BOOK 112, PAGE 804, MISCELLANEOUS RECORDS OF EDDY COUNTY, NEW MEXICO.							
COQUINA OIL CORP., GENERAL PARTNER -- BENGAL 72-B FUND (72.950820%), TR, LTD. (24.590164%), THE NAUTILUS VENTURE (2.459016%)							
1. NM 11323 Sec. 14: NE/4	160.00	37.5000	60.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	37.5000	60.0000	HBP	12.50	14.125	73.375
GEORGE A. DONNELLY, JR.							
1. NM 11323 Sec. 14: NE/4	160.00	3.1250	5.0000	HBP	12.50	10.875	76.625
NM 0343045 Sec. 14: SE/4	160.00	3.1250	5.0000	HBP	12.50	14.125	73.375
RICHARD DONNELLY							
1. NM 11323 Sec. 14: NE/4	160.00	3.1250	5.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	3.1250	5.0000	HBP	12.50	14.125	73.375

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
THE FOLLOWING PARTIES DERIVE THEIR OWNERSHIP IN THE NORTH PENASCO WORKING INTEREST UNITS BY VIRTUE OF THEIR OWNERSHIP IN THE E/2 SECTION 14 UNDER ASSIGNMENT OF OPERATING RIGHTS DATED SEPTEMBER 13, 1973, RECORDED BOOK 112, PAGE 804, MISCELLANEOUS RECORDS OF EDDY COUNTY, NEW MEXICO.							
PEGGY DONNELLY McCONNELL							
1. NM 11323 Sec. 14: NE/4	160.00	3.1250	5.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	3.1250	5.0000	HBP	12.50	14.125	73.375
THE EASTLAND OIL COMPANY							
1. NM 11323 Sec. 14: NE/4	160.00	3.1250	5.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	3.1250	5.0000	HBP	12.50	14.125	73.375
.. T. ROARK							
1. NM 11323 Sec. 14: NE/4	160.00	6.2500	10.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	6.2500	10.0000	HBP	12.50	14.125	73.375
HOOKER-O'KELLEY, LTD.							
1. NM 11323 Sec. 14: NE/4	160.00	6.2500	10.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	6.2500	10.0000	HBP	12.50	14.125	73.375

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
THE FOLLOWING PARTIES DERIVE THEIR OWNERSHIP IN THE NORTH PENASCO WORKING INTEREST UNITS BY VIRTUE OF THEIR OWNERSHIP IN THE E/2 SECTION 14 UNDER ASSIGNMENT OF OPERATING RIGHTS DATED SEPTEMBER 13, 1973, RECORDED BOOK 112, PAGE 804, MISCELLANEOUS RECORDS OF EDDY COUNTY, NEW MEXICO.							
J. H. MARKS TRUCKING CO., INC.							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375
A. J. LOSEE							
1. NM 11323 Sec. 14: NE/4	160.00	2.5000	4.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	2.5000	4.0000	HBP	12.50	14.125	73.375
MARTON MAJOROS							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	16.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	16.0000	HBP	12.50	14.125	73.375
FERNANDO U. DURALDE							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
THE FOLLOWING PARTIES DERIVE THEIR OWNERSHIP IN THE NORTH PENASCO WORKING INTEREST UNITS BY VIRTUE OF THEIR OWNERSHIP IN THE E/2 SECTION 14 UNDER ASSIGNMENT OF OPERATING RIGHTS DATED SEPTEMBER 13, 1973, RECORDED BOOK 112, PAGE 804, MISCELLANEOUS RECORDS OF EDDY COUNTY, NEW MEXICO.							
WILLIAM EDWARD GREEN, JR.							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375
MAHUN OIL & GAS PARTNERSHIP NO. 3							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375
CHARLES W. THOMPSON							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375

Footnote: The interests of the above parties on pages 1 through 4 are limited to the rights from the surface down to a depth of 8959 feet.

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY YATES PETROLEUM CORPORATION:							
1. EDWARD L. UPHAM, ET AL Sec. 14: W/2	320.00			HBP	12.50	-0-	87.50
a) Surface to 5,500'		100.0000	320.0000	(MOBIL OIL CORPORATION HAS			
b) Below 5,500'		50.0000	160.0000	CALL ON THE PRODUCTION)			
2. ROY E. GLASS Sec. 23: NE/4 SE/4 BELOW 5,800 FEET	40.00	25.0000	10.0000	HBP	12.50	5.00 PP	82.50
3. CORDELLA M. KINCAID, ET AL Sec. 23: NE/4 SE/4 BELOW 5,800 FEET	40.00	25.0000	10.0000	HBP	12.50	-0-	87.50
LEASES OWNED BY MARK D. WILSON (16.96013%) AND RIO PECOS CORPORATION (83.03987%):							
1. JOHN MARSHALL PHELPS, ET AL Sec. 23: NW/4	160.00	50.0000	80.0000	3-24-83	16.67	8.33	75.00
MARY E. MASSINGILL, ET AL Sec. 23: NW/4	160.00	50.0000	80.0000	3-24-83	16.67	8.33	75.00
3. ROBERT L. WHITNEY, ET UX Sec. 23: NW/4 SE/4	40.00	100.0000	40.0000	2-20-83	12.50	12.50	75.00
4. MARGARET W. CHILDRESS, ET AL Sec. 23: NE/4 SE/4	40.00	6.2500	2.5000	3-17-81	18.75	6.25	75.00
5. C. A. BAR LAND AND CATTLE COMPANY Sec. 23: NE/4 SE/4	40.00	3.1250	1.2500	2-20-81	18.75	6.25	75.00

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
6. CLARENCE E. HINKLE, ET UX Sec. 23: NE/4 SE/4	40.00	6.2500	2.5000	2-20-81	18.75	6.25	75.00
7. I. J. MARSHALL, ET UX Sec. 23: NE/4 SE/4	40.00	3.1250	1.2500	2-20-81	18.75	6.25	75.00
8. ROLLA ROBERTS HINKLE TRUST Sec. 23: NE/4 SE/4	40.00	6.2500	2.5000	5-1-81	18.75	6.25	75.00
9. MARSHALL & WINSTON, INC. Sec. 23: NE/4 SE/4	40.00	12.5000	5.000	7-12-80	25.00	-0-	75.00
10. QUETICO SUPERIOR FOUNDATION Sec. 23: NE/4 SE/4	40.00	3.1250	1.2500	7-12-80	25.00	-0-	75.00
11. CLAUDIA JANE RAMSLAND, ET AL (4 Leases) Sec. 23: S/2 SE/4	80.00	100.0000	80.0000	4-5-80	25.00	-0-	75.00
12. REED W. AND WARD W. BYERS TRUST Sec. 23: E/2 NE/4	80.00	100.0000	80.0000	3-23-83	12.50	12.50	75.00
LEASES OWNED BY CHAMPLIN PETROLEUM COMPANY:							
1. WILMA CONNER Sec. 23: SW/4	160.00	50.0000	80.0000	6-10-82	18.75	-0-	81.25
2. DOROTHY SMITH Sec. 23: SW/4	160.00	50.0000	80.0000	6-10-82	18.75	-0-	81.25
3. DOROTHY H. FRANSEN Sec. 23: W/2 NE/4	80.00	100.0000	80.0000	4-27-82	12.50	6.25	81.25

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASE OWNED BY MOBIL OIL CORPORATION:							
? EDWARD L. UPHAM, ET AL Sec. 14: W/2 BELOW 5,500 FEET	320.00	50.0000	160.0000	HBP	12.50	-0-	87.50
LEASES OWNED BY EAGLE GROUP (YATES PETROLEUM CORPORATION - 1/2; YATES DRILLING COMPANY - 1/6; MARTIN YATES, III - 1/6; JOHN A. YATES - 1/6):							
1. ROY E. GLASS Sec. 23: NE/4 SE/4 FROM SURFACE TO 5,800 FEET	40.00	25.0000	10.0000	HBP	12.50	5.00 PP	82.50
2. CORDELLA M. KINCAID, ET AL Sec. 23: NE/4 SE/4 FROM SURFACE TO 5,800 FEET	40.00	25.0000	10.0000	HBP	12.50	-0-	87.50

EXHIBIT "A-2"

NORTH PENASCO DEEP UNIT
TOWNSHIP 18 SOUTH, RANGE 25 EAST
EDDY COUNTY, NEW MEXICO

INTERESTS OF THE PARTIES UNDER AGREEMENT

	Column 1	Column 2	Column 3	Column 4
	Net Acres	Percentage of Unit	Working Interest In Initial, Substitute, or Optional Test Well Before Payout	Working Interest In Initial, Substitute, or Optional Test Well After Payout and In Subsequent Wells
Yates Petroleum Corporation	336.21874	26.3443	26.3443	26.3443
Yates Drilling Company	52.07292	4.0802	4.0802	4.0802
MYCO Industries, Inc.	52.07292	4.0802	4.0802	4.0802
Abo Petroleum Corporation	52.07292	4.0802	4.0802	4.0802
Champlin Petroleum Company	240.00000	18.8051	18.8051	18.8051
Mobil Oil Corporation	160.00000	12.5367	12.5367	12.5367
Mark D. Wilson	63.81250	5.0000	5.0000	5.0000
Coquina Oil Corporation, General Partner				
Bengal 72-B Fund	87.54099	6.8592	6.8592	6.8592
TR, Ltd.	29.50819	2.3121	2.3121	2.3121
The Nautilus Venture	2.95082	.2312	.2312	.2312
eorge A. Donnelly, Jr.	10.00000	.7835	.7835	.7835
Richard Donnelly	10.00000	.7835	.7835	.7835
Peggy Donnelly McConnell	10.00000	.7835	.7835	.7835
The Eastland Oil Company	10.00000	.7835	.7835	.7835
R. T. Roark	20.00000	1.5671	1.5671	1.5671
Hooker-O'Kelley, Ltd.	20.00000	1.5671	1.5671	1.5671
J. H. Marks Trucking Co., Inc.	16.00000	1.2537	1.2537	1.2537
A. J. Losee	8.00000	.6268	.6268	.6268
Marton Majoros	32.00000	2.5073	2.5073	2.5073
Fernando U. Duralde	16.00000	1.2537	1.2537	1.2537
William Edward Green, Jr.	16.00000	1.2537	1.2537	1.2537
Mahun Oil & Gas Partnership No. 3	16.00000	1.2537	1.2537	1.2537
Charles W. Thompson	16.00000	1.2537	1.2537	1.2537
	1276.25000	100.0000	100.0000	100.0000

EXHIBIT "A-3"

NORTH PENASCO SHALLOW UNIT
TOWNSHIP 18 SOUTH, RANGE 25 EAST
EDDY COUNTY, NEW MEXICO

INTERESTS OF THE PARTIES UNDER AGREEMENT

	Column 1	Column 2	Column 3	Column 4
	Net Acres	Percentage of Unit	Working Interest In Initial, Substitute, or Optional Test Well Before Payout	Working Interest In Initial, Substitute, or Optional Test Well After Payout and In Subsequent Wells
Yates Petroleum Corporation	486.21875	38.0974	38.0974	38.0974
Yates Drilling Company	55.40625	4.3414	4.3414	4.3414
MYCO Industries, Inc.	52.07292	4.0802	4.0802	4.0802
Martin Yates, III	3.33333	.2612	.2612	.2612
Abo Petroleum Corporation	52.07292	4.0802	4.0802	4.0802
John A. Yates	3.33333	.2612	.2612	.2612
Champlin Petroleum Company	240.00000	18.8051	18.8051	18.8051
Mark D. Wilson	63.81250	5.0000	5.0000	5.0000
Coquina Oil Corporation, General Partner				
Bengal 72-B Fund	87.54099	6.8592	6.8592	6.8592
TR, Ltd.	29.50819	2.3121	2.3121	2.3121
The Nautilus Venture	2.95082	.2312	.2312	.2312
George A. Donnelly, Jr.	10.00000	.7835	.7835	.7835
Richard Donnelly	10.00000	.7835	.7835	.7835
Peggy Donnelly McConnell	10.00000	.7835	.7835	.7835
The Eastland Oil Company	10.00000	.7835	.7835	.7835
R. T. Roark	20.00000	1.5671	1.5671	1.5671
Hooker-O'Kelley, Ltd.	20.00000	1.5671	1.5671	1.5671
J. H. Marks Trucking Co., Inc.	16.00000	1.2537	1.2537	1.2537
A. J. Losee	8.00000	.6268	.6268	.6268
Marton Majoros	32.00000	2.5073	2.5073	2.5073
Fernando U. Duralde	16.00000	1.2537	1.2537	1.2537
William Edward Green, Jr.	16.00000	1.2537	1.2537	1.2537
Mahun Oil & Gas Partnership No. 3	16.00000	1.2537	1.2537	1.2537
Charles W. Thompson	16.00000	1.2537	1.2537	1.2537
	1276.25000	100.0000	100.0000	100.0000

Kraftbilt 601, BOX 600 TULSA OK 74101

COPAS — 1974
Recommended by the Council of Petroleum Accountants Societies of North America
COPAS

EXHIBIT " C "

Attached to and made a part of North Penasco Working Interest Units, Operating Agreement, Dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

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

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

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

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

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

"Parties" shall mean Operator and Non-Operators.

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

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

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

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

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

2. Statement and Billings

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

3. Advances and Payments by Non-Operators

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

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

4. Adjustments

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

5. Audits

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

6. Approval by Non-Operators

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

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

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

2. Labor

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

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

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

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

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

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

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

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

5. Transportation

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

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

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

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

6. Services

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

7. Equipment and Facilities Furnished by Operator

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

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

8. Damages and Losses to Joint Property

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

9. Legal Expense

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

10. Taxes

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

11. Insurance

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

12. Other Expenditures

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

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

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

(XX) Fixed Rate Basis, Paragraph 1A, or

( ) Percentage Basis, Paragraph 1B.

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

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

A. Overhead - Fixed Rate Basis

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

Drilling Well Rate $ 2,800.00

Producing Well Rate $ 280.00

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

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

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

(a) Development

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

(b) Operating

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

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

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000.00 :

A. 5 % of total costs if such costs are more than $ 25,000.00 but less than $ 100,000.00 ; plus

B. 3 % of total costs in excess of $ 100,000.00 but less than $1,000,000; plus

C. 2 % of total costs in excess of $1,000,000.

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

3. Amendment of Rates

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

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

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

1. Purchases

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

2. Transfers and Dispositions

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

A. New Material (Condition A)

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

(2) Line Pipe

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

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

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

B. Good Used Material (Condition B)

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

(1) Material moved to the Joint Property

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

(2) Material moved from the Joint Property

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

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

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

C. Other Used Material (Condition C and D)

(1) Condition C

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

(2) Condition D

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

D. Obsolete Material

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

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

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

4. Warranty of Material Furnished by Operator

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

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

2. Reconciliation and Adjustment of Inventories

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

3. Special Inventories

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

4. Expense of Conducting Periodic Inventories

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

EXHIBIT "D" //

ATTACHED TO AND MADE A PART OF
NORTH PENASCO WORKING INTEREST UNITS
OPERATING AGREEMENT, DATED JANUARY 12, 1979
EDDY COUNTY, NEW MEXICO

INSURANCE:

Operator shall secure and maintain during the term of this agreement, with insurance companies satisfactory to Non-Operator, insurance to cover Operator's operations on the Unit Area covered by this agreement, as follows:

Workmen's Compensation Insurance which shall fully comply with the laws of the State where operations are to be performed, and with employer's liability insurance including, if any operations hereunder are to be conducted in inland waters, bays or marshes, endorsements covering:

(1) United States Longshoremen's and Harbor Workers' Compensation Act.

(2) Employer's Liability covering marine operations with limits of liability of $500,000 for death or injury to one person and $500,000 for deaths or injuries arising out of one accident.

The Operator shall not be required to carry any other insurance for the joint account. The liability, if any, of the parties hereto in damages for claims growing out of personal injury to or death of third persons or injury or destruction of property of third parties resulting from the operation and development of the premises covered hereby shall be borne by the parties hereto in the proportions of their respective interests in the production therefrom; and each party individually may acquire such insurance as it deems proper to protect itself against such claims. Operator shall require all third party contractors performing work in or on the premises covered hereby to carry such insurance and in such amounts as Operator shall deem necessary.

EXHIBIT "E"

ATTACHED TO AND MADE A PART OF
NORTH PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
DATED JANUARY 12, 1979
TOWNSHIP 18 SOUTH, RANGE 25 EAST
EDDY COUNTY, NEW MEXICO

GAS BALANCING AGREEMENT

In accordance with the terms of the Operating Agreement and upon completion of a gas well, this Gas Balancing Agreement shall become effective in accordance with Article VI.C and shall apply to each well severally.

It is the intention of the parties hereto that Operator shall have the duty of controlling gas well production and the responsibility of administering the provisions of this agreement. Operator shall cause deliveries to be made to gas purchasers at such rates as may be required to give effect to the intent that the gas production accounts of all parties are to be brought into balance under the provisions contained herein.

Each party has made (or will make) arrangements to sell or utilize its share of the gas produced from each well in the Contract Area. It appears, however, that the respective gas markets of the parties may be limited from time to time; therefore, to permit the parties as much flexibility as possible in meeting the demands of their respective markets, the parties hereto agree to the storage arrangements herein set forth.

1.

From and after the date of initial delivery of gas from said well, during any period when a party is taking less than its share of the gas produced from said well, any other party may produce from said well and take or deliver to a purchaser, each month, all or a part of that portion of the allowable gas production which is not produced by a party taking less than its full share. The parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests.

2.

On a cumulative basis, a party taking less than its full share of the gas produced shall be credited with gas in storage equal to its full share of the total gas produced and saved, less that portion of the gas such party took or delivered to a purchaser. Operator will maintain an account of the gas balance as between the parties hereto and will furnish each party monthly statements showing the total quantity of gas produced, the total quantity of gas taken by each party, and the monthly and cumulative over and under delivery of each party.

3.

After notice to the Operator, any party may at any time begin taking or delivering to a purchaser its full share of gas produced (less such party's share of gas used in operations, vented or lost). To allow the recovery of gas in storage and to balance the gas account of the parties in accordance with their respective interests, a party with gas in storage shall be entitled to take or deliver to a purchaser its current share of the gas produced, plus a share of gas not exceeding its gas storage, 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 in said well of such party with gas in storage and the denominator of which is the total percentage interest in said well of all parties with gas in storage currently taking or delivering to a purchaser.

4.

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 allowable gas production to meet the deliverability test required by its purchaser. Each party shall, at all times, use its best efforts to regulate its takes and deliveries from said well so that said well will not be shut in for over producing the allowable thereto assigned by the applicable regulatory authority.

5.

Other provisions contained in the Operating Agreement notwithstanding, each party shall be responsible for the entire payment to each royalty, overriding royalty and production payment owner entitled to a portion of the proceeds received for the gas which such party takes, such payment to be based upon the gas produced and the price received. Each party hereto hereby indemnifies the other parties hereto against the claims, demands and causes of action which have as their basis an alleged entitlement to payment in excess of that received by the party taking the gas, of royalty, overriding royalty and production payment owners to whom such indemnitor is obligated under the applicable leases or other instruments which create such interests.

If, however, any party is obligated pursuant to said Operating Agreement or instruments of title as reflected in the chain of title to such party's interest to assume and alone bear any overriding royalty or other obligation or portion hereon out of such obligated party's share of production, such obligated party shall promptly reimburse each party taking gas for all amounts paid to the owner of such excess interest, which are attributable to such excess interest. If such obligated party fails to make such reimbursement within 15 days after receiving a statement therefor, all reimbursed amounts shall thereafter bear interest at the rate of 10% per annum and the unreimbursed party (whether Operator or Non-Operator) shall have the benefits of all of the liens and other rights provided for in Article VII.8 of the Operating Agreement to secure the payment of such unreimbursed amounts plus interest thereon.

6.

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

7.

Should production of gas from said well be permanently discontinued before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid by the overproduced party or parties, based on the actual price received, month by month, for the volumes of gas as and when the same were produced, less applicable taxes theretofore paid.

8.

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.

9.

This agreement shall be considered as a separate and distinct agreement with respect to each separate common source of supply for each separate Contract Area well.

10.

This agreement is binding upon the heirs, successors and assigns of the signatory parties hereto, it being agreed that this agreement is a covenant

running with the oil and gas leases contributed by the parties to this agreement. The parties hereto agree to give notice of the existence of this agreement to any successor in interest of such signatory party to any oil and gas lease subject to the terms of this agreement. This agreement shall be and remain in force and effect for a term concurrent with the term of the Operating Agreement between the parties hereto.

Yates Petroleum Corporation
AUTHORITY FOR EXPENDITURE

AFE # 79-086-0
Revision #
Date

Lease Name No. Penasco MG Com #1 Location 660/s 660/e Sec 23-18s-25e
County Eddy State NM Field Undesignated Morrow
Horizon Morrow Est.T.D. 9050 Est. Spud Date January 1980
Est. Completion Date February 1980 Drilling Contractor Landis Drlg. Co.

Primary Objective: ☐ Oil ☐ Gas ☒ Oil and/or Gas
Purpose : ☒ Drilling-New ☐ Recompletion ☐ Other (Supplement AFE, etc)
Type Well : ☐ Development ☒ Exploratory

	INTANGIBLE COSTS:	Dry Hole	Completion
9210	Staking Permit & Legal Fees	$ 1,100	$ 1,100
9211	Location, Right-of-Way	$ 5,600	$ 6,500
9212	Drilling, Footage 9050' @ $16.50	$ 149,300	$ 149,300
9213	Drilling, Daywork 5 days @ 4050 /day	$ 20,200	$ 20,200
9212/9213	Moving in, Rigging up, Rigging down	$ ---	$ ---
9224	Bits, Tools & Supplies	$ 400	$ 600
9214	Drilling Water	$ 9,300	$ 10,500
9215	Drilling Mud & Additives	$ 26,300	$ 26,300
9216	Mud Logging Unit	$ 8,100	$ 8,100
9217	Cement, Tools & Services, Temp. Surveys	$ 13,200	$ 17,400
9218	Drill Stem Testing	$ 5,200	$ 5,200
9219	Electric Logs & Perforating	$ 19,100	$ 25,600
9220	Tool & Equip. Rental, Trucking, Welding	$ 4,400	$ 5,400
9221	Supervision & Overhead	$ 3,300	$ 4,500
9223	Coring, Tools & Services	$ ---	$ ---
9241	Completion Unit 11 days @ $1000 /day	$ ---	$ 11,000
9247	Stimulation	$ ---	$ 26,000
9222	Contingency	$ 29,500	$ 35,300
	TOTAL INTANGIBLES	$ 295,000	$ 353,000

	WELL EQUIPMENT COSTS:		
9301	Christmas Tree and Well Head	$ 1,200	$ 13,800
9302	Casing: 13 3/8" 48# J-55 - 380	$ 7,100	$ 7,100
9302	8 5/8" 24# J-55 - 1250'	$ 11,700	$ 11,700
9302	5 1/2" 15.5 - 17# J-55 - 9050'	$ ---	$ 61,300
9303	Tubing: 2 7/8" 6.5# J-55 - 9050'	$ ---	$ 29,200
9304	Packer & Special Equipment	$ ---	$ 3,700
9350	Contingency	$ 2,000	$ 8,200
	TOTAL WELL EQUIPMENT	$ 22,000	$ 135,000

	LEASE & BATTERY EQUIPMENT COSTS:		
9401	Pumping Equipment	$	$
9402	Storage 2-210 b. Welded w/Stair, Walk, Fbrgls	$	$ 9,400
9403	Separation Eq., Flowlines, Valves & Fittings Tk.	$	$ 19,200
9404	Trucking & Construction Costs	$	$ 6,400
	TOTAL LEASE & BATTERY EQUIP.	$	$ 35,000
	TOTALS	$ 317,000	$ 523,000

Approval of this AFE constitutes approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

YATES PETROLEUM CORPORATION Share -

By Eddie M. Mitchell Date 10-23-79 26.3443

YATES DRILLING COMPANY

By _____ Date _____ 4.0802

MYCO INDUSTRIES, INC.

By _____ Date _____ 4.0802

EXHIBIT NO. 7
EXAMINER HEARING CASE 6747
NOVEMBER 28, 1979

Share-

ABO PETROLEUM CORPORATION

By_____ Date_____ 4.0802

CHAMPLIN PETROLEUM COMPANY

By_____ Date_____ 18.8051

MOBIL OIL CORPORATION

By_____ Date_____ 12.5367

MARK D. WILSON

By_____ Date_____ 5.0000

COQUINA OIL CORPORATION, GENERAL PARTNER
FOR BENGAL 72-B FUND

By_____ Date_____ 6.8592

CONQUINA OIL CORPORATION, GENERAL PARTNER
FOR TR, LTD.

By_____ Date_____ 2.3121

CONQUINA OIL CORPORATION, GENERAL PARTNER
FOR THE NAUTILUS VENTURE

By_____ Date_____ .2312

GEORGE A. DONNELLY, JR.

By_____ Date_____ .7835

RICHARD DONNELLY

By_____ Date_____ .7835

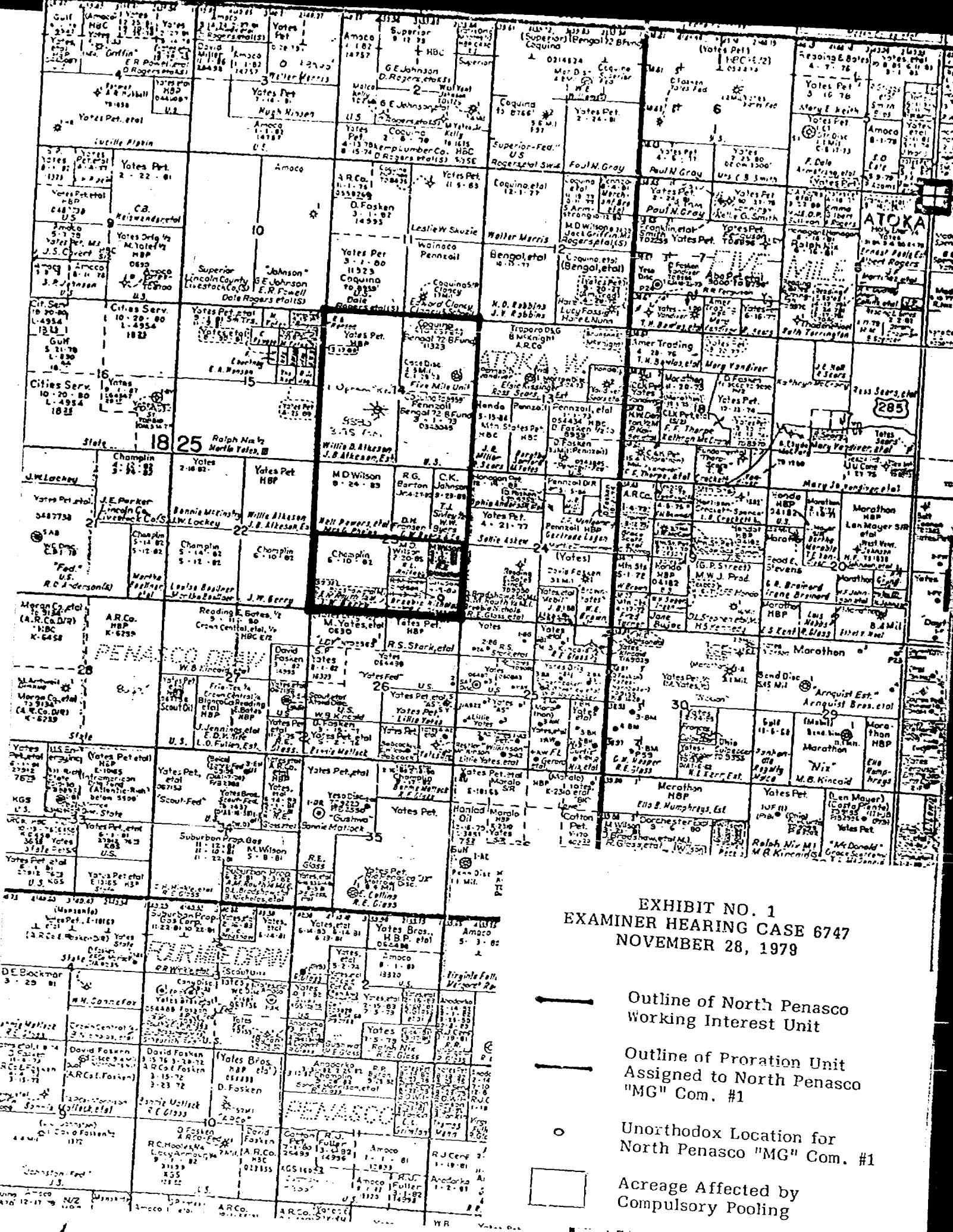
PEGGY DONNELLY McCONNELL

By_____ Date_____ .7835

THE EASTLAND OIL COMPANY

By_____ Date_____ .7835

		Share-
R. T. ROARK		
By_____	Date_____	1.5671
HOOKER-O'KELLEY, LTD.		
By_____	Date_____	1.5671
J. H. MARKS TRUCKING CO., INC.		
By_____	Date_____	1.2537
A. J. LOSEE		
By_____	Date_____	.6268
MARTON MAJOROS		
By_____	Date_____	2.5073
FERNANDO U. DURALDE		
By_____	Date_____	1.2537
WILLIAM EDWARD GREEN, JR.		
By_____	Date_____	1.2537
MAHUN OIL & GAS PARTNERSHIP NO. 3		
By_____	Date_____	1.2537
CHARLES W. THOMPSON		
By_____	Date_____	1.2537


PENASCO
ATOKA
Yates Pet.
Amoco
Marathon
Yates
Champlin
Cities Serv.
Pennzoil
Coquina
Superior
Yates Pet. HBP
M.D. Wilson
R.G. Barton
C.K. Johnson
Chaplin
A.R.Co.
Reading & Bates
Yates Pet. HBP
R.S. Stark, etal
Yates Pet. etal
Yates Pet. HBP
Amoco
Yates Pet.
Yates Pet. HBP
Yates Pet. etal
Yates Pet. HBP
Yates Pet. HBP
Yates Pet. HBP

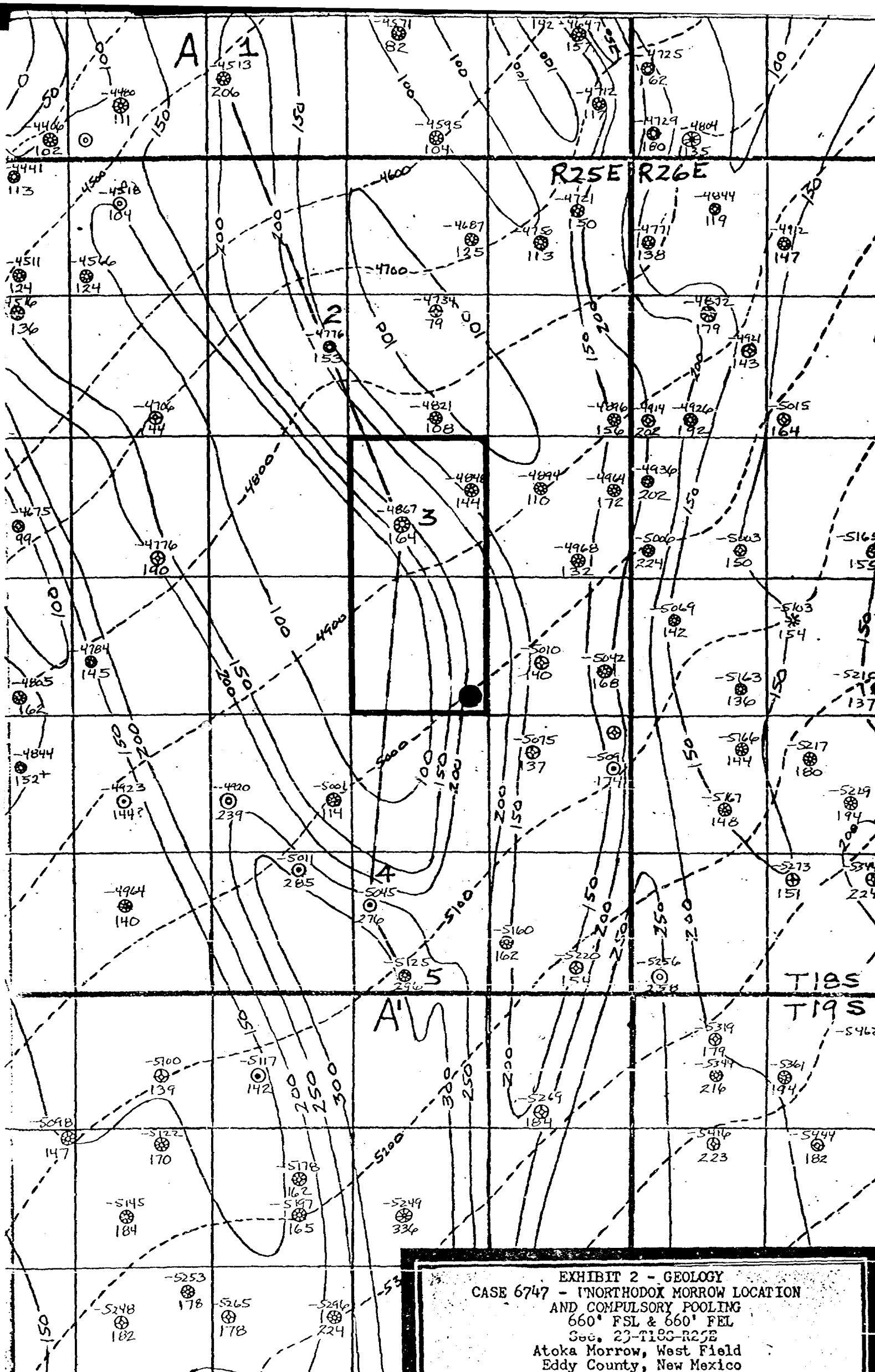


EXHIBIT 2 - GEOLOGY
CASE 6747 - NONSTANDARD MORROW LOCATION AND COMPULSORY POOLING
660' FSL & 660' FEL
Sec. 23-T18S-R25E
Atoka Morrow, West Field
Eddy County, New Mexico

Solid Contours - Morrow Thickness
Dashed Contours - Structure: Top Atoka
Red - Outline N. Penasco W.I. Unit
Yellow - Morrow Alluvial Valleys

EXHIBIT NO. 4
EXAMINER HEARING CASE 6747
NOVEMBER 28, 1979

We respectfully request that the unleased parties underlined in red be subject to compulsory pooling. To date, the unleased parties own 3.125 net acres in the S/2 of Section 23, T-18-S, R-25-E, Eddy County, N. M. When our leasing is complete, we expect less than 1 acre to be unleased.

312

633889-90

AFFIDAVIT

BEFORE ME, the undersigned, a Notary Public in and for Midland County, State of Texas, on this day personally appeared WILLIAM S. MARSHALL, to me well known, and who, after being by me duly sworn, deposes and says the following:

My name is William S. Marshall and I am making this affidavit in regard to a limited partnership by the name of Don Phillips and Associates. Don Phillips died on or about September 24, 1972. Don Phillips was the sole general partner of Don Phillips and Associates. There were numerous limited partners in Don Phillips and Associates. The Articles of Limited Partnership for Don Phillips and Associates which were in effect at the death of Don Phillips provided that the limited partnership of Don Phillips and Associates should be dissolved upon the death of the general partner. The property standing in the name of Don Phillips and Associates was owned by the following parties in the following proportions upon the death of Don Phillips on or about September 24, 1972:

	NAME	ADDRESS	INTEREST OWNED	NET ACRES
	H. Cedric Alvard, M. D. et ux	4224 Francis Ave., Los Angeles CA.90005	1/30	.12500
	The Minneapolis Foundation, Legatee of the Estate of Frances E. Andrews, deceased,	c/o The Trust Department of the First National Bank of Minneapolis, Minneapolis, Minnesota	1/30	.12500
	Hayward Ayres and Marguerite E. Ayres Sally Payton Ellis	1204 Pine Street, South Pasadena, California 91030	1/30	.12500
	Estate of Lester R. Badger, deceased Stephen S. Badger + Barbara B. Hendrickson	c/o Stephen S. Badger, Rt. 1, Box 528B, Excelsior, Minnesota 55331	1/30	.12500
	Helen E. Bristol, deceased	151 Library Place, Princeton, N.J. 08540	1/15	.25000
	Frank H. Carleton Trust	c/o First National Bank of Minneapolis, P. O. Box A700, Minneapolis, Minn. 55480	1/30	.12500
	Evie L. Dickerson	3145 Cahuenga Blvd., Los Angeles, California 90068	1/60	.06250
	Josephine Hildrith	1811 La Cuesta Drive, Santa Ana, California 92705	1/30	.12500
CAN'T LOCATE	Estate of James C. Bennett, deceased	2016 E. Broadway Tucson, Arizona 85719	1/15	.25000
	Joyce A. Holliday Fahlman	1034 Princeton St., Santa Monica, California 90403	1/15	.25000
	F. B. Hubachek	3220 Prudential Plaza Chicago, Illinois 60601	1/30	.12500
	Charles S. Kelly, et ux	3220 Prudential Plaza, Chicago, Ill.60601	1/30	.12500
	Estate of K. K. MacGibbon, deceased	321 Lovell, Elk River, Minn. 55330	1/30	.12500
	Mrs. Jan M. Fox, et vir	5805 Vinnequal Rd., Madison, Wis. 53716	1/90	.04167
	Mr. J. Laird Marshall, et ux	9411 Bible Camp Road, McFarland, Wis.53558	1/90	.04167
CAN'T LOCATE	Mr. Owen Marshall	2470 Rivermont Ave., Lynchburg, Va. 24504	1/90	.04167
	Richard M. Marshall, et ux	173 Lakewood Drive, Madison, Wis. 53740	1/30	.12500
	Douglas D. MacKinnon, M. D.		1/30	.12500
	Robert Ray Newton Trust	Route 22, Meeting House Lane, Knoxville, Tennessee 37921	1/15	.25000
	Mrs. James J. Norton	2880 Lorain Rd., San Marino, Ca. 91108	1/30	.12500
CAN'T LOCATE	Mary A. Phillips	9025 National Blvd., Los Angeles, California 90034	1/12	.31250

		NET ACRES
Rufus R. Rand Estate	c/o Palmer First National Bank & Trust Co., P. O. Box 2018, Sarasota, Florida 33578	1/30 .12500
L. Raysond Scherer, M.D., et ux	1930 Irving Ave. So., Minneapolis, Minnesota 55403	1/30 .12500
Kathryen Knops, et vir	3044 12th Ave. South, Minneapolis, Minnesota 55407	1/30 .12500
Roger Westman	257 N. 117 Ave., Omaha, Nebraska 68154	1/30 .12500
Marian Whitney Trust	San Diego Trust & Savings Bank, Trust Dept., P.O.Box 1871, San Diego, Ca. 92112	1/30 .12500
Elizabeth Malone Winston	2706 W. Lake of the Isles Blvd., Minneapolis, Minnesota 55416	1/30 .12500

FURTHER I SAYETH NOT.

WITNESS MY SIGNATURE, this 15th day of March, 1974.

William S. Marshall

THE STATE OF TEXAS)
)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 15th day of March, 1974.

My commission expires:
June 1, 1975

Notary Public

STATE OF NEW MEXICO, County of Chaves I Hereby certify that this instrument was filed for record on the 21st day of March, 19 74 at 10:14 o'clock A.M. and duly recorded in Book 115 Page 312 of the Records of Chaves County, New Mexico

CHAVES COUNTY, County Clerk

By _____ Deputy

EXHIBIT NO. 5
EXAMINER HEARING CASE 6747
NOVEMBER 28, 1979

LETTERS TO PARTIES AFFECTED BY REQUEST FOR COMPULSORY POOLING

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

The Minneapolis Foundation
℅ The Trust Department of the
First National Bank of Minneapolis
Minneapolis, Minn. 55400

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Sir:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Sally Peyton Ellis
c/o Mr. Stanley A. Black
Hutchinson, Bladk, Hill, Buchanan & Cook
Attorneys at Law
P. O. Box 1170
Boulder, Colorado 80306

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Black:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6248
LAND (505) 746-9666

October 29, 1979

Ms. Barbara B. Hendrickson
Mr. Stephen S. Badger
Route #1 Box 528B
Excelsior, Minnesota 55331

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Ms. Hendrickson and Mr. Badger:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

1

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Mr. John E. MacGibbon
321 Lowell
Elk River, Minnesota 55330

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. MacGibbon:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Mrs. Jan M. Fox
5805 Winnequal Road
Madison, Wisconsin 53716

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Fox:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mrs. Margaret M. Norton
2880 Lorain Road
San Marino, California 91108

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Norton:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Rufus R. Rank Estate
% Plamer First National Bank & Trust Co.
P. O. Box 2018
Sarasota, Florida 33578

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Gentlemen:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provides for a 1/4th royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

If you do not wish to execute the lease, we invite you to participate in the cost of drilling, completing and operating the well. If you do not wish to execute the lease or participate in the well, the Operator will have to instigate complusory pooling procedures under New Mexico statutes. The State will probably grant a 200% risk factor allowing the working interest owners to recover 300% of the total drilling and completing expenditures before you would be permitted to participate in the well. Please inform us of your decision by December 1, 1979.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

H. Cedric Alward, M.D.
4224 Francis Avenue
Los Angeles, California 90005

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Alward:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

November 1, 1979

Mr. Gerald E. Rupp
120 Depot Park
Plainfield, New Jersey 07060

Re: Estate of Helen H. Bristol
Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

October 29, 1979

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

Frank H. Carleton Trust
% First National Bank of Minneapolis
P. O. Box A-700
Minneapolis, Minnesota 55480

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Sir:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

October 29, 1979

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

Mrs. Paul Dickerson
3145 Cahuenga Boulvard
Los Angeles, California 90068

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Dickerson:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mrs. Josephine Hilditch
1811 La. Cuesta Drive
Santa Ana, California 92705

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Hilditch:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Mr. F. B. Hubachek
3100 Prudential Plaza
Chicago, Illinois 60601

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Hubachek:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Mr. J. Laird Marshall
1411 Bible Camp Road
McFarland, Wisconsin 53558

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Marshall:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PERTOLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9888

October 29, 1979

Mr. Richard H. Marshall, Jr.
28 Austin Crescent
Toronto M5R-3E3
Ontario, Canada

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Marshall:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Mr. Donald W. Newton, Trustee
Robert Ray Newton Trust
1416 Meeting House Lane
Knoxville, Tennessee 37921

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Newton:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PERTOLEUM LANDMAN
HOME PHONE (505) 746-9545

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Dr. and Mrs. L. Raymond Scherer
1930 Irving Avenue South
Minneapolis, Minnesota 55403

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Dr. and Mrs. Scherer:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

October 29, 1979

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

Mr. Roger Westman
257 North 117th Avenue
Omaha, Nebraska 68154

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mr. Westman:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979: therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9666

October 29, 1979

Marian Whitney Trust
San Diego Trust & Savings Bank
P. O. Box 1871
San Diego, California 92112

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Sir:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979: therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

OIL AND GAS PROSPECTS

MARK D. WILSON, GEOLOGIST
212 AMERICAN HOME BUILDING
ARTESIA, NEW MEXICO 88210

SCOTT E. WILSON
PETROLEUM LANDMAN
HOME PHONE (505) 746-9543

GEOLOGIST (505) 746-6246
LAND (505) 746-9668

October 29, 1979

Mrs. Elizabeth Melone Winston
2706 West Lake of the Isles
Minneapolis, Minnesota 55416

Re: Proposed Oil and Gas Lease
Township 18 South, Range 25 East, N.M.P.M.
Section 23: NE/4 SE/4
containing 40 acres, more or less,
Eddy County, New Mexico

Dear Mrs. Winston:

We are going to cause a 9,050 foot exploratory well to be drilled in the S/2 Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. To complete our leasing, we would like to take an oil and gas lease covering your interest in the captioned acreage.

Enclosed for your consideration is an oil and gas lease in duplicate which provided for 1/4 royalty and a 5-year primary term. If acceptable, please sign both copies of the lease before a notary public and return one copy to me.

For your information, attached is a copy of an affidavit dated March 15, 1974, naming the parties who own Don Phillips and Associates and their respective interests. In the right margin, I have listed each parties' net acre interest in said acreage.

We hope to commence drilling said well on or before December 31, 1979; therefore, please expedite this matter.

Very truly yours,

Scott E. Wilson
Landman

SEW:sw
Encl.

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

NORTH PENASCO
WORKING INTEREST UNITS

OPERATING AGREEMENT

DATED

January 12, 1979,

OPERATOR YATES PETROLEUM CORPORATION

CONTRACT AREA TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
SECTION 14: ALL
SECTION 23: ALL

COUNTY OR PARISH OF EDDY STATE OF NEW MEXICO

COPYRIGHT 1977 — ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
APPROVED FORM. A.A.P.L. NO. 610 - 1977 REVISED
MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
KRAFTBILT PRODUCTS, BOX 800, TULSA 74101

EXHIBIT NO. 6
EXAMINER HEARING CASE 6747
NOVEMBER 28, 1979

GUIDANCE IN THE PREPARATION OF THIS AGREEMENT:

1. Title Page - Fill in blank as applicable.

2. Preamble, Page 1 - Name of Operator.

3. Article II - Exhibits:
   (a) Indicate Exhibits to be attached.
   (b) If it is desired that no reference be made to Non-discrimination, the reference to Exhibit "F" should be deleted.

4. Article IV.A - Title Examination - Select option as agreed to by the parties.

5. Article IV.B - Loss of Title - If "Joint Loss" of Title is desired, the following changes should be made:
   (a) Delete Articles IV.B.1 and IV.B.2.
   (b) Article IV.B.3 - Delete phrase "other than those set forth in Articles IV.B.1 and IV.B.2 above."
   (c) Article VII.F. - Change reference at end of the first grammatical paragraph from "Article IV.B.2" to "Article IV.B.3."

6. Article V - Operator - Enter name of Operator.

7. Article VI.A - Initial Well:
   (a) Date of commencement of drilling.
   (b) Location of well.
   (c) Obligation depth.

8. Article VI.B.2.(b) - Subsequent Operations - Enter penalty percentage as agreed to by parties.

9. Article VII.D.1. - Limitation of Expenditures - Select option as agreed to by parties.

10. Article VII.D.3. - Limitation of Expenditures - Enter limitation of expenditure of Operator for single project and amount above which Operator may furnish information AFE.

11. Article VII.E. - Royalties, Overriding Royalties and Other Payments - Enter royalty fraction as agreed to by parties.

12. Article X. - Claims and Lawsuits - Enter claim limit as agreed to by parties.

13. Article XIII. - Term of Agreement:
   (a) Select Option as agreed to by parties.
   (b) If Option No. 2 is selected, enter agreed number of days in two (2) blanks.

14. Signature Page - Enter effective date.

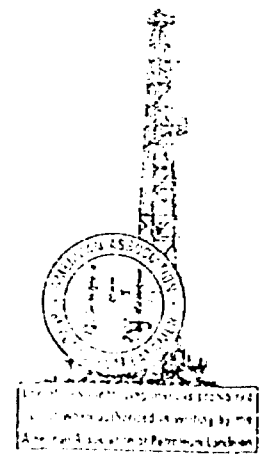


TABLE OF CONTENTS

Article	Title	Page
I.	DEFINITIONS	1
II.	EXHIBITS	1
III.	INTERESTS OF PARTIES	2
	A. OIL AND GAS INTERESTS	2
	B. INTEREST OF PARTIES IN COSTS AND PRODUCTION	2
IV.	TITLES	2
	A. TITLE EXAMINATION	2
	B. LOSS OF TITLE	2
	1. Failure of Title	2-3
	2. Loss by Non-Payment or Erroneous Payment of Amount Due	3
	3. Other Losses	3
V.	OPERATOR	3
	A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR	3
	B. RESIGNATION OR REMOVAL OF OPERATOR AND SELECTION OF SUCCESSOR	4
	1. Resignation or Removal of Operator	4
	2. Selection of Successor Operator	4
	C. EMPLOYEES	4
	D. DRILLING CONTRACTS	4
VI.	DRILLING AND DEVELOPMENT	4
	A. INITIAL WELL	4
	B. SUBSEQUENT OPERATIONS	5
	1. Proposed Operations	5
	2. Operations by Less than All Parties	5-6
	C. RIGHT TO TAKE PRODUCTION IN KIND	6-7
	D. ACCESS TO CONTRACT AREA AND INFORMATION	7
	E. ABANDONMENT OF WELLS	7
	1. Abandonment of Dry Holes	7
	2. Abandonment of Wells that have Produced	7-8
VII.	EXPENDITURES AND LIABILITY OF PARTIES	8
	A. LIABILITY OF PARTIES	8
	B. LIENS AND PAYMENT DEFAULTS	8
	C. PAYMENTS AND ACCOUNTING	8
	D. LIMITATION OF EXPENDITURES	9
	1. Drill or Deepen	9
	2. Rework or Plug Back	9
	3. Other Operations	9
	E. ROYALTIES, OVERRIDING ROYALTIES AND OTHER PAYMENTS	9
	F. RENTALS, SHUT-IN WELL PAYMENTS AND MINIMUM ROYALTIES	9-10
	G. TAXES	10
	H. INSURANCE	10
VIII.	ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST	10
	A. SURRENDER OF LEASES	10-11
	B. RENEWAL OR EXTENSION OF LEASES	11
	C. ACREAGE OR CASH CONTRIBUTION	11
	D. SUBSEQUENTLY CREATED INTEREST	11-12
	E. MAINTENANCE OF UNIFORM INTEREST	12
	F. WAIVER OF RIGHT TO PARTITION	12
	~~G. PREFERENTIAL RIGHT TO PURCHASE~~	~~12~~
IX.	INTERNAL REVENUE CODE ELECTION	12-13
X.	CLAIMS AND LAWSUITS	13
XI.	FORCE MAJEURE	13
XII.	NOTICES	13
XIII.	TERM OF AGREEMENT	13-14
XIV.	COMPLIANCE WITH LAWS AND REGULATIONS	14
	A. LAWS, REGULATIONS AND ORDERS	14
	B. GOVERNING LAW	14
XV.	OTHER PROVISIONS	14
XVI.	MISCELLANEOUS	15

[illegible] American Association of Petroleum Landmen

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between YATES PETROLEUM CORPORATION, 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 agreement,
(2) Restrictions, if any, as to depths or formations,
(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.~~

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

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

B. Interest of Parties in Costs and Production:

Exhibits "A-2" and "A-3" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibits A-2 and A-3. All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties which will be borne by the Joint Account, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

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 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.~~

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

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

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

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear, alone, the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

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

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

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

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

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

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

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

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

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

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

YATES PETROLEUM 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 in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, 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", and not on the number of parties 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. If the Operator that is 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", and not on the number of parties 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 28th day of February, 1979, Operator shall commence the drilling of ~~a well~~ an Initial Test Well for oil and gas at the following location:

1980' FWL and 1980' FSL of Section 14, Township 18 South,
Range 25 East, Eddy County, New Mexico

and shall thereafter continue the drilling of the ~~well~~ Initial Test Well with due diligence to the "Objective Depth", being a depth sufficient to test the Morrow series of the Pennsylvanian system by drilling at least 40 feet into the Mississippian Chester Limestone, which depth is estimated to be 9,000 feet,

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~~ Initial Test 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.

If, in Operator's judgment, the ~~well~~ Initial Test Well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the ~~well~~ Initial Test Well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

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

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VI.E.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, 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, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

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

(b) 300% of that portion of the costs and expenses of drilling reworking, deepening, or 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 well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non - Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non - Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non - Consenting Party's relinquished interest. If such Non - Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the recoupment period.

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, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

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

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

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

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

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

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

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

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

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

In the event any party hereto is not at any time taking or marketing its share of gas production and Operator is either (i) unwilling to purchase or sell or (ii) unable to obtain the prior written consent to purchase or sell such party's share of gas production, or in the event any party has contracted to sell its share of gas produced from the Contract Area 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, then in any such event the terms and conditions of the Gas Balancing Agreement attached hereto as Exhibit "E" and incorporated herein shall automatically become effective.

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

E. Abandonment of Wells:

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

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

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

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

B. Liens and Payment Defaults:

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

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

C. Payments and Accounting:

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

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

D. Limitation of Expenditures:

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

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

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

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

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Ten Thousand ---------- Dollars ($ 10,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Five Thousand ---------- Dollars ($ 5,000.00).

E. Royalties, Overriding Royalties and Other Payments:

Each party shall pay or deliver, or cause to be paid or delivered, all royalties to the extent of one-fourth (1/4) due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof. If the interest of any party in any oil and gas lease covered by the agreement is subject to any overriding royalty, production payment, or other charge that is less than the aforesaid *. No party shall ever be responsible, on any 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 settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

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

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

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

* royalty, such party shall retain for its own account the difference between the existing burdens and the aforesaid royalty.

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

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

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

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. *Surrender of Leases:*

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

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

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

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

B. Renewal or Extension of Leases:

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

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

Each party who participates in the purchase of a renewal lease shall be given an assignment without warranty of its proportionate interest therein by the acquiring party.

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

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Contract Area.

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

D. Subsequently Created Interest:

Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

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

1. the entire interest of the party in all leases and equipment and production; or

2. an equal undivided interest in all leases and equipment and production in the Contract Area.

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

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 require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for 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 party's interests within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an 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 interest therein.

~~**G. Preferential Right to Purchase:**~~

~~Should any party desire to sell all or any part of its interests under this agreement, or its rights and~~ interests in the Contract Area, it shall promptly give written notice to the other parties, ~~with full~~ information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms 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 on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company or to a subsidiary of a parent ~~company, or to any company in which any one party owns a majority of the stock~~.

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION

This agreement is not intended to create, and shall not be construed to create, a relationship of partnership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the computation of partnership taxable income.

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Five Thousand Dollars ($ 5,000.00) 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 expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. 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, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

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

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

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

ARTICLE XII.
NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, unless otherwise specifically provided, shall be given in writing by United States mail or Western Union telegram, postage or charges prepaid, or by teletype, and addressed to the party 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 United States mail or with the Western Union Telegraph Company, with postage or charges prepaid, or when sent by teletype. Each party shall have the right to change its address at any time, and from time to time, by giving written notice hereof 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 subjected 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, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.~~

☒ 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 or reworking 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 or reworking operations are commenced within 90 days from the date of abandonment of said well.

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

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage 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:

The essential validity of this agreement and all matters pertaining thereto, 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 where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

A. Test Wells:

The term "Shallow Unit Area" shall mean those horizons underlying the lands in the Contract Area that are found from the surface to a depth of 5,500 feet below the surface of the ground. The term "Deep Unit Area" shall mean those horizons underlying the lands in the Contract Area that are found between a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone. The term "Contract Area" shall mean both the Shallow Unit Area and the Deep Unit Area.

If any well is dry in the Deep Unit Area, and any party owning an interest in the Shallow Unit Area desires to attempt completion therein, then the costs of drilling the well to the total depth and plugging it back to the selected point in the Shallow Unit Area shall be borne by the Drilling Parties who initially participated in drilling the well, and such Drilling Parties shall be reimbursed by the parties attempting completion for 1/2 of the shallow and intermediate casing costs, including cementing costs and rig time used in running and cementing the casing. Thereafter, the Drilling Parties attempting completion shall own the hole and casing therein and shall be responsible for completing the well as a producer or dry hole.

No well shall be dually completed in the Contract Area until a mutual agreement is reached between all the parties who participated in the cost of drilling the well.

If in the drilling of the Initial Test Well, Operator loses the hole or encounters mechanical difficulties rendering it impracticable, in the opinion of Operator, to drill the well to the Objective Depth, then and in any of such events, on or before 30 days after completion of the Initial Test Well, Operator shall have the option to commence the actual drilling of another well ("Substitute Test Well") in the Contract Area at a lawful location mutually acceptable to the Drilling Parties, and Operator shall prosecute the drilling of said well with due diligence and in a good and workmanlike manner to the Objective Depth. For all purposes of this agreement, the drilling of the Substitute Test Well shall be

considered as the drilling of the Initial Test Well.

B. Prior Operating Agreement:

Notwithstanding anything to the contrary, the terms and provisions of this agreement shall prevail over the terms and provisions contained in that certain Operating Agreement dated December 1, 1972, by and between Coquina Oil Corporation, Operator, and Marcum Drilling Company, et al, non-operators, as it affects the E/2 Section 14, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

C. Rio Pecos Corporation Leasehold:

Yates Petroleum Corporation (1/2), Yates Drilling Company (1/6), Abo Petroleum Corporation (1/6), and MYCO Industries, Inc. (1/6), shall be assigned all of the interest owned by Rio Pecos Corporation in the oil and gas leases described in Exhibit "A-1" hereto.

D. Nondiscrimination:

In the performance of this contract, Operator shall not engage in any conduct or practice which violates any applicable law, order or regulation prohibiting discrimination against any person by reason of his race, religion, color, sex, national origin or age, and Operator further agrees to comply with the non-discrimination provision of Section 202 of Executive Order No. 11246 (30 F.R. 12319) as amended by Executive Order No. 11375.

Note: This Agreement contains no page 16.

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 12th day of January, 1979.

OPERATOR

ATTEST:

ASSISTANT Secretary

YATES PETROLEUM CORPORATION

By: _____

VICE President

NON-OPERATORS

ATTEST:

ASSISTANT Secretary

YATES DRILLING COMPANY

_____

VICE President

ATTEST:

ASSISTANT Secretary

MYCO INDUSTRIES, INC.

_____

President

_____

Martin Yates, III

ATTEST:

Secretary

ABO PETROLEUM CORPORATION

By: _____

President

_____

John A. Yates

ATTEST:

_____

Secretary

CHAMPLIN PETROLEUM COMPANY

By: _____

President

ATTEST:

_____

Secretary

MOBIL OIL CORPORATION

By: _____

President

_____

Mark D. Wilson

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 12th day of January, 1979.

OPERATOR

ATTEST:

YATES PETROLEUM CORPORATION

_____
Secretary

By: _____
President

NON-OPERATORS

ATTEST:

YATES DRILLING COMPANY

_____
Secretary

_____
President

ATTEST:

MYCO INDUSTRIES, INC.

_____
Secretary

_____
President

_____
Martin Yates, III

ATTEST:

ABO PETROLEUM CORPORATION

_____
Secretary

By: _____
President

_____
John A. Yates

ATTEST:

CHAMPLIN PETROLEUM COMPANY

_____
Asst Secretary

By: _____
Vice President

ATTEST:

MOBIL OIL CORPORATION

_____
Secretary

By: _____
President

_____
Mark D. Wilson

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 12th day of January, 19 79.

OPERATOR

ATTEST:

YATES PETROLEUM CORPORATION

_____
Secretary

By: _____
President

NON-OPERATORS

ATTEST:

YATES DRILLING COMPANY

_____
Secretary

_____
President

ATTEST:

MYCO INDUSTRIES, INC.

_____
Secretary

_____
President

_____
Martin Yates, III

ATTEST:

ABO PETROLEUM CORPORATION

_____
Secretary

By: _____
President

_____
John A. Yates

ATTEST:

CHAMPLIN PETROLEUM COMPANY

_____
Secretary

By: _____
President

ATTEST:

MOBIL OIL CORPORATION

By: D E Harrison
Attorney-in-Fact
P.E. HARRISON

S. T. ALEXANDER
Assistant Secretary

_____
Mark D. Wilson

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 12th day of January, 19 79.

OPERATOR

ATTEST:

YATES PETROLEUM CORPORATION

_____ Secretary

By: _____ President

NON-OPERATORS

ATTEST:

YATES DRILLING COMPANY

_____ Secretary

_____ President

ATTEST:

MYCO INDUSTRIES, INC.

_____ Secretary

_____ President

_____ Martin Yates, III

ATTEST:

ABO PETROLEUM CORPORATION

_____ Secretary

By: _____ President

_____ John A. Yates

ATTEST:

CHAMPLIN PETROLEUM COMPANY

_____ Secretary

By: _____ President

ATTEST:

MOBIL OIL CORPORATION

_____ Secretary

By: _____ President

Mark D. Wilson

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

Carol Smith

Carol Smith, Assistant Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: James H. Shaw

James H. Shaw, Attorney-in-Fact

ATTEST:

Carol Smith

Carol Smith, Assistant Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: James H. Shaw

James H. Shaw, Attorney-in-Fact

ATTEST:

Carol Smith

Carol Smith, Assistant Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: James H. Shaw

James H. Shaw, Attorney-in-Fact

George A. Donnelly, Jr.

Richard Donnelly

Peggy Donnelly McConnell

ATTEST:

Secretary

THE EASTLAND OIL COMPANY

By: President

R. T. Roark

HOOKER-O'KELLEY, LTD.

By: General Partner

ATTEST:

Secretary

MARKS CRANE & RIGGING COMPANY

By: President

A. J. Losee

Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

George A. Donnelly, Jr.

Richard Donnelly

Peggy Donnelly McConnell

ATTEST:
Eugene D. Roy
Secretary

THE EASTLAND OIL COMPANY

By: Geo. A. Donnelly Jr.
President

R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

A. J. Losee

Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

/Peggy Donnelly McConnell/
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

_____
R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja)ry 12, 1979, Township 18 Soutl Range 25 East, Eddy County, New Mexico.

//

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

R. J. Roark

R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja uary 12, 1979, Township 18 Sout' Range 25 East, Eddy County, New Mexico.

ATTEST:

Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: President

ATTEST:

Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: President

ATTEST:

Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: President

George A. Donnelly, Jr.

Richard Donnelly

Peggy Donnelly McConnell

ATTEST:

Secretary

THE EASTLAND OIL COMPANY

By: President

R. T. Roark

HOOKER-O'KELLEY, LTD.

By: Herschel O'Kelley, General Partner

ATTEST:

Secretary

MARKS CRANE & RIGGING COMPANY

By: President

A. J. Losee

Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

_____
R. T. Roark

ATTEST:
R. C. Goddard
Secretary

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

J. H. Marks Trading Co., Inc.
~~MARKS CRANE & RIGGING COMPANY~~

By: Richard D. Gilliam
~~President~~ Chairman of the Board

_____
A. J. Losee

_____
Marton Majoros

Attached to and made a part of North Ponasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ATTEST:

Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: President

ATTEST:

Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: President

ATTEST:

Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: President

George A. Donnelly, Jr.

Richard Donnelly

Peggy Donnelly McConnell

ATTEST:

Secretary

THE EASTLAND OIL COMPANY

By: President

R. T. Roark

HOOKER-O'KELLEY, LTD.

By: General Partner

ATTEST:

Secretary

MARKS CRANE & RIGGING COMPANY

By: President

A. J. Losee

Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja)ry 12, 1979, Township 18 Sout Range 25 East, Eddy County, New Mexico.

//

ATTEST:

_____
Secretary

BENGAL 72-B FUND, A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

TR, LTD., A Texas Limited Partnership of which Coquina Oil Corporation is Sole General Partner

By: _____
President

ATTEST:

_____
Secretary

THE NAUTILUS VENTURE, A General Partnership of which Coquina Oil Corporation is a General Partner

By: _____
President

_____
George A. Donnelly, Jr.

_____
Richard Donnelly

_____
Peggy Donnelly McConnell

ATTEST:

_____
Secretary

THE EASTLAND OIL COMPANY

By: _____
President

_____
R. T. Roark

HOOKER-O'KELLEY, LTD.

By: _____
General Partner

ATTEST:

_____
Secretary

MARKS CRANE & RIGGING COMPANY

By: _____
President

_____
A. J. Losee

Marton Majoros
Marton Majoros

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

Fernando U. Duralde

Fernando U. Duralde

//

William Edwin Green, Jr.

Hugo S. Moreno

Charles W. Thompson

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

Fernando U. Duralde

William Edwin Green, Jr.

Hugo S. Moreno

Charles W. Thompson

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Ja lry 12, 1979, Township 18 Soutl Range 25 East, Eddy County, New Mexico.

Fernando U. Duralde

William Edwin Green, Jr.

ATTEST:

Secretary

Mahun Oil & Gas Partnership No.3
of which Mahun Oil & Gas Corp. is
sole General Partner.

Charles W. Thompson

Attached to and mad a part of North Penasco Workin Interest Units Operating Agreement, dated Ja ary 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

Fernando U. Duralde

William Edwin Green, Jr.

Hugo S. Moreno

Charles W. Thompson 1-22-79

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated Janu[illegible] 12, 1979, Township 18 South, [illegible]nge 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by John A. Yates, VICE President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by S. P. Yates, VICE President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by Frank Yates, _____ President of MYCO INDUSTRIES, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by FRANK YATES, Attorney-in-Fact for MARTIN YATES, III.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by John A. Yates, _____ President of ABS PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 7th day of March, 1979, by JOHN A. YATES.

My commission expires:
August 20, 1980

Marsha A. Keyes
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

The foregoing instrument was acknowledged before me this 19th day of January, 1979, by E.H. Chittick, Jr, Vice President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

Virginia L DeCamp
Notary Public
VIRGINIA L. DeCAMP
Notary Public in and for Harris County, Texas
My Commission Expires May 11, 1979

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of MOBIL OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by MARK D. WILSON.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of BENGAL 72-B FUND, a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of TR, LTD., a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, General Partner of THE NAUTILUS VENTURE, a General Partnership.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____/President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF Louisiana)
COUNTY OF Harris) ss.

The foregoing instrument was acknowledged before me this 9th day of February, 1979, by P.E. HARRISON, ATTORNEY-IN-FACT ~~President~~ of MOBIL OIL CORPORATION, a New York corporation, on behalf of said corporation.

My commission expires:
AGNES MALONE
Notary Public in and for Harris County, Texas
My Commission Expires 6-2-79

Agnes Malone
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by MARK D. WILSON.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of BENGAL 72-B FUND, a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of TR, LTD., a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, General Partner of THE NAUTILUS VENTURE, a General Partnership.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Ponasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of MOBIL OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 19 day of JANUARY, 1979, by MARK D. WILSON.

My commission expires:
4-17-80

Mark D. Wilson
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of BENGAL 72-B FUND, a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, Sole General Partner of TR, LTD., a Texas Limited Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, President of Coquina Oil Corporation, General Partner of THE NAUTILUS VENTURE, a General Partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF HARRIS) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of CHAMPLIN PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by _____, _____ President of MOBIL OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by MARK D. WILSON.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 26 day of January, 1979, by JAMES H. SHAW, Attorney-in-Fact of Coquina Oil Corporation, Sole General Partner of BENGAL 72-B FUND, a Texas Limited Partnership.

My commission expires:
2/28/79

Ann Robey
Notary Public - Ann Robey

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 26 day of January, 1979, by JAMES H. SHAW, Attorney-in-Fact of Coquina Oil Corporation, Sole General Partner of TR, LTD., a Texas Limited Partnership.

My commission expires:
2/28/79

Ann Robey
Notary Public - Ann Robey

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 26 day of January, 1979, by JAMES H. SHAW, Attorney-in-Fact of Coquina Oil Corporation, General Partner of THE NAUTILUS VENTURE, a General Partnership.

My commission expires:
2/28/79

Ann Robey
Notary Public - Ann Robey

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 15th day of January, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
7-31-80

Willie L. Crockett
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 15th day of January, 1979, by RICHARD DONNELLY.

My commission expires:
7-31-80

Willie L. Crockett
Notary Public

STATE OF TEXAS)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

GEORGE A. DONNELLY, JR.
The foregoing instrument was acknowledged before me this 15th day of January, 1979, by ~~RICHARD DONNELLY~~, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
7-31-80

Willie L. Crockett
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by R. T. ROARK, a single man.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD GILLHAM, _____ of MARKS CRANE & RIGGING COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Yorkin Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this /____ day of _____, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF Tarrant) ss.

The foregoing instrument was acknowledged before me this 16th day of January, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
March 30, 1980

Clarice B. Haden
Notary Public
Tarrant County, Texas

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by R. T. ROARK, a single man.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD GILLHAM, _____ of MARKS CRANE & RIGGING COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ~~MIDLAND~~ Tarrant) ss.

The foregoing instrument was acknowledged before me this 25th day of January, 1979, by R. T. ROARK,

My commission expires:
10-31-80

Gladys Holamon
Notary Public

GLADYS HOLAMON, Notary Public
In and for Tarrant County, Texas
My Commission Expires Oct. 31, 1980

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD GILLHAM, _____ of MARKS CRANE & RIGGING COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Workir Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this /____ day of _____, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by R. T. ROARK, a single man.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this 22 day of January, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
9-10-79

Joyce Barthelemy
Notary Public Midland County, Texas
Joyce Barthelemy

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD GILLHAM, _____ of MARKS CRANE & RIGGING COMPANY, a _____ corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Workin Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by GEORGE A. DONNELLY, JR.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by PEGGY DONNELLY McCONNELL, a single woman.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by RICHARD DONNELLY, Vice President of THE EASTLAND OIL COMPANY, a Texas corporation, on behalf of said corporation.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by R. T. ROARK, a single man.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HERSCHEL O'KELLEY, General Partner, on behalf of HOOKER-O'KELLEY, LTD., a Texas limited partnership.

My commission expires:
_____

_____
Notary Public

STATE OF TEXAS)
COUNTY OF ECTOR) ss.

The foregoing instrument was acknowledged before me this 16 day of JANUARY, 1979, by RICHARD GILLHAM, CHAIRMAN of ~~HANKS~~ J.M. Hanks Fracking Co, Inc. ~~CRANE & RIGGING COMPANY~~, a TEXAS corporation, on behalf of said corporation.

My commission expires:
10-23-79

Charlotte A. Nagy
Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated January 12, 1979, Township 18 South Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 15 day of January, 1979, by A. J. LOSEE.

My commission expires:
1-27-81

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated J: ary 12, 1979, Township 18 Sout Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 21 day of January, 1979, by MARTON MAJOROS.

My commission expires:
Notary Public, Georgia, State at Large
~~My Commission Expires Sept. 7, 1979~~

Juanita E. Monroe
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Workir- Interst Units Operating Agreement, dated J lary 12, 1979, Township 18 Sout , Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this ___ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF_____) ss.

The foregoing instrument was acknowledged before me this ___ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 26th day of Jan, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

Elaine D. Purcell
Notary Public

Notary Public, Georgia, State at Large
My Commission Expires July 25, 1981

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ___ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ___ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ___ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interest Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF_____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 19th day of January, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
[illegible]

Notary Public

NOTARY PUBLIC, FULTON COUNTY, STATE AT LARGE
MY COMMISSION EXPIRES SEPT. 14, 1980

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated J: ary 12, 1979, Township 18 Sout Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 22 day of January, 1979, by Mahun Oil & Gas Partnership No.3, of which Mahun Oil & Gas Corp. is sole General Partner.

My commission expires:
Notary Public, Georgia, State at Large
My Commission Expires April 7, 1979

Juanita E. Monroe
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by CHARLES W. THOMPSON.

My commission expires:
_____

_____
Notary Public

Attached to and made a part of North Penasco Working Interst Units Operating Agreement, dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by A. J. LOSEE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF_____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by MARTON MAJOROS.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by FERNANDO U. DURALDE.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by WILLIAM EDWIN GREEN, JR.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1979, by HUGO S. MORENO.

My commission expires:
_____

_____
Notary Public

STATE OF GEORGIA)
COUNTY OF Fulton) ss.

The foregoing instrument was acknowledged before me this 22 day of January, 1979, by CHARLES W. THOMPSON.

My commission expires:
12-6-82

Claudia Middlebrook
Notary Public

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF
NORTH PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

1. Contract Area.

Township 18 South, Range 25 East, N.M.P.M.

Section 14: All
Section 23: All

2. Depth Restrictions.

a. The Shallow Unit Area covers only the oil and gas rights from the surface to a depth of 5,500 feet below the surface of the ground.

b. The Deep Unit Area covers only the oil and gas rights from a depth of 5,500 feet below the surface of the ground to the top of the Mississippian Chester Limestone.

3. The interests of the parties to this agreement are set forth in Exhibits "A-2" and "A-3".

4. The oil and gas leases and interests subject to this agreement are set forth in Exhibit "A-1".

5. Addressess of Parties for Notices:

Yates Petroleum Corporation
Yates Drilling Company
MYCO Industries, Inc.
Martin Yates, III
Abo Petroleum Corporation
John A. Yates
207 South Fourth Street
Artesia, New Mexico 88210
Attention: Mr. Jack W. McCaw

Champlin Petroleum Company
300 Wilco Building
Midland, Texas 79701
Attention: Mr. R. L. Lanning

Mobil Oil Corporation
9 Greenway Plaza
Suite 2700
Houston, Texas 77046
Attention: Ms. Martha J. Mealy

Mark D. Wilson
212 American Home Life Building
Artesia, New Mexico 88210
Attention: Mr. Scott E. Wilson

Coquina Oil Corporation
P. O. Box 2960
Midland, Texas 79702
Attention: Mr. Tracy P. Clark

The Eastland Oil Company
George A. Donnelly, Jr.
Richard Donnelly
P. O. Drawer 3488
Midland, Texas 79702

Mrs. Peggy Donnelly McConnell
c/o Doug Sanford
2305 Ft. Worth National Bank Bldg.
Fort Worth, Texas 76101

R. T. Roark
Hooker-O'Kelley, Ltd.
P. O. Box 3106
Midland, Texas 79702

J. H. Marks Trucking Co., Inc.
Box 2192
Odessa, Texas 79760

A. J. Losee
P. O. Drawer 239
Artesia, New Mexico 88210

Mahun Oil & Gas Partnership No. 3
Marton Majoros
230 Broadland Road, N.W.
Atlanta, Georgia 30342

Fernando U. Duralde
2760 Felton Drive
East Point, Georgia 30344

William Edward Green, Jr.
8895 North Mount Drive
Alpharetta, Georgia 30201

Charles W. Thompson
2744 Felton Drive
East Point, Georgia 30344

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
THE FOLLOWING PARTIES DERIVE THEIR OWNERSHIP IN THE NORTH PENASCO WORKING INTEREST UNITS BY VIRTUE OF THEIR OWNERSHIP IN THE E/2 SECTION 14 UNDER ASSIGNMENT OF OPERATING RIGHTS DATED SEPTEMBER 13, 1973, RECORDED BOOK 112, PAGE 804, MISCELLANEOUS RECORDS OF EDDY COUNTY, NEW MEXICO.							
COQUINA OIL CORP., GENERAL PARTNER -- BENGAL 72-B FUND (72.950820%), TR, LTD. (24.590164%), THE NAUTILUS VENTURE (2.459016%)							
1. NM 11323 Sec. 14: NE/4	160.00	37.5000	60.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	37.5000	60.0000	HBP	12.50	14.125	73.375
GEORGE A. DONNELLY, JR.							
1. NM 11323 Sec. 14: NE/4	160.00	3.1250	5.0000	HBP	12.50	10.875	76.625
NM 0343045 Sec. 14: SE/4	160.00	3.1250	5.0000	HBP	12.50	14.125	73.375
RICHARD DONNELLY							
1. NM 11323 Sec. 14: NE/4	160.00	3.1250	5.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	3.1250	5.0000	HBP	12.50	14.125	73.375

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
THE FOLLOWING PARTIES DERIVE THEIR OWNERSHIP IN THE NORTH PENASCO WORKING INTEREST UNITS BY VIRTUE OF THEIR OWNERSHIP IN THE E/2 SECTION 14 UNDER ASSIGNMENT OF OPERATING RIGHTS DATED SEPTEMBER 13, 1973, RECORDED BOOK 112, PAGE 804, MISCELLANEOUS RECORDS OF EDDY COUNTY, NEW MEXICO.							
PEGGY DONNELLY McCONNELL							
1. NM 11323 Sec. 14: NE/4	160.00	3.1250	5.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	3.1250	5.0000	HBP	12.50	14.125	73.375
THE EASTLAND OIL COMPANY							
1. NM 11323 Sec. 14: NE/4	160.00	3.1250	5.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	3.1250	5.0000	HBP	12.50	14.125	73.375
.. T. ROARK							
1. NM 11323 Sec. 14: NE/4	160.00	6.2500	10.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	6.2500	10.0000	HBP	12.50	14.125	73.375
HOOKER-O'KELLEY, LTD.							
1. NM 11323 Sec. 14: NE/4	160.00	6.2500	10.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	6.2500	10.0000	HBP	12.50	14.125	73.375

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
THE FOLLOWING PARTIES DERIVE THEIR OWNERSHIP IN THE NORTH PENASCO WORKING INTEREST UNITS BY VIRTUE OF THEIR OWNERSHIP IN THE E/2 SECTION 14 UNDER ASSIGNMENT OF OPERATING RIGHTS DATED SEPTEMBER 13, 1973, RECORDED BOOK 112, PAGE 804, MISCELLANEOUS RECORDS OF EDDY COUNTY, NEW MEXICO.							
J. H. MARKS TRUCKING CO., INC.							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375
A. J. LOSEE							
1. NM 11323 Sec. 14: NE/4	160.00	2.5000	4.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	2.5000	4.0000	HBP	12.50	14.125	73.375
MARTON MAJOROS							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	16.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	16.0000	HBP	12.50	14.125	73.375
FERNANDO U. DURALDE							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
THE FOLLOWING PARTIES DERIVE THEIR OWNERSHIP IN THE NORTH PENASCO WORKING INTEREST UNITS BY VIRTUE OF THEIR OWNERSHIP IN THE E/2 SECTION 14 UNDER ASSIGNMENT OF OPERATING RIGHTS DATED SEPTEMBER 13, 1973, RECORDED BOOK 112, PAGE 804, MISCELLANEOUS RECORDS OF EDDY COUNTY, NEW MEXICO.							
WILLIAM EDWARD GREEN, JR.							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375
MAHUN OIL & GAS PARTNERSHIP NO. 3							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375
CHARLES W. THOMPSON							
1. NM 11323 Sec. 14: NE/4	160.00	5.0000	8.0000	HBP	12.50	10.875	76.625
2. NM 0343045 Sec. 14: SE/4	160.00	5.0000	8.0000	HBP	12.50	14.125	73.375

Footnote: The interests of the above parties on pages 1 through 4 are limited to the rights from the surface down to a depth of 8959 feet.

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASES OWNED BY YATES PETROLEUM CORPORATION:							
1. EDWARD L. UPHAM, ET AL Sec. 14: W/2	320.00			HBP	12.50	-0-	87.50
a) Surface to 5,500'		100.0000	320.0000	(MOBIL OIL CORPORATION HAS			
b) Below 5,500'		50.0000	160.0000	CALL ON THE PRODUCTION)			
2. ROY E. GLASS Sec. 23: NE/4 SE/4 BELOW 5,800 FEET	40.00	25.0000	10.0000	HBP	12.50	5.00 PP	82.50
3. CORDELLA M. KINCAID, ET AL Sec. 23: NE/4 SE/4 BELOW 5,800 FEET	40.00	25.0000	10.0000	HBP	12.50	-0-	87.50
LEASES OWNED BY MARK D. WILSON (16.96013%) AND RIO PECOS CORPORATION (83.03987%):							
1. JOHN MARSHALL PHELPS, ET AL Sec. 23: NW/4	160.00	50.0000	80.0000	3-24-83	16.67	8.33	75.00
MARY E. MASSINGILL, ET AL Sec. 23: NW/4	160.00	50.0000	80.0000	3-24-83	16.67	8.33	75.00
3. ROBERT L. WHITNEY, ET UX Sec. 23: NW/4 SE/4	40.00	100.0000	40.0000	2-20-83	12.50	12.50	75.00
4. MARGARET W. CHILDRESS, ET AL Sec. 23: NE/4 SE/4	40.00	6.2500	2.5000	3-17-81	18.75	6.25	75.00
5. C. A. BAR LAND AND CATTLE COMPANY Sec. 23: NE/4 SE/4	40.00	3.1250	1.2500	2-20-81	18.75	6.25	75.00

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
6. CLARENCE E. HINKLE, ET UX Sec. 23: NE/4 SE/4	40.00	6.2500	2.5000	2-20-81	18.75	6.25	75.00
7. I. J. MARSHALL, ET UX Sec. 23: NE/4 SE/4	40.00	3.1250	1.2500	2-20-81	18.75	6.25	75.00
8. ROLLA ROBERTS HINKLE TRUST Sec. 23: NE/4 SE/4	40.00	6.2500	2.5000	5-1-81	18.75	6.25	75.00
9. MARSHALL & WINSTON, INC. Sec. 23: NE/4 SE/4	40.00	12.5000	5.000	7-12-80	25.00	-0-	75.00
10. QUETICO SUPERIOR FOUNDATION Sec. 23: NE/4 SE/4	40.00	3.1250	1.2500	7-12-80	25.00	-0-	75.00
11. CLAUDIA JANE RAMSLAND, ET AL (4 Leases) Sec. 23: S/2 SE/4	80.00	100.0000	80.0000	4-5-80	25.00	-0-	75.00
12. REED W. AND WARD W. BYERS TRUST Sec. 23: E/2 NE/4	80.00	100.0000	30.0000	3-23-83	12.50	12.50	75.00
LEASES OWNED BY CHAMPLIN PETROLEUM COMPANY:							
1. WILMA CONNER Sec. 23: SW/4	160.00	50.0000	80.0000	6-10-82	18.75	-0-	81.25
2. DOROTHY SMITH Sec. 23: SW/4	160.00	50.0000	80.0000	6-10-82	18.75	-0-	81.25
3. DOROTHY H. FRANSEN Sec. 23: W/2 NE/4	80.00	100.0000	80.0000	4-27-82	12.50	6.25	81.25

EXHIBIT "A-1"
NORTH PENASCO WORKING INTEREST UNITS
TOWNSHIP 18 SOUTH, RANGE 25 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

PRESENT OWNERSHIP OF UNITIZED RIGHTS AND BASIC LEASE AND MINERAL DATA

Lessor or Lease No. and Description	Gross Acres in Lease	Percent Interest Each Lease	Net Acres Each Lease	Expiration Date	Percent Basic Royalty	Percent ORR Burden	Revenue Interest on 100% Ownership Basis
LEASE OWNED BY MOBIL OIL CORPORATION:							
1. EDWARD L. UPHAM, ET AL Sec. 14: W/2 BELOW 5,500 FEET	320.00	50.0000	160.0000	HBP	12.50	-0-	87.50
LEASES OWNED BY EAGLE GROUP (YATES PETROLEUM CORPORATION - 1/2; YATES DRILLING COMPANY - 1/6; MARTIN YATES, III - 1/6; JOHN A. YATES - 1/6):							
1. ROY E. GLASS Sec. 23: NE/4 SE/4 FROM SURFACE TO 5,800 FEET	40.00	25.0000	10.0000	HBP	12.50	5.00 PP	82.50
2. CORDELLA M. KINCAID, ET AL Sec. 23: NE/4 SE/4 FROM SURFACE TO 5,800 FEET	40.00	25.0000	10.0000	HBP	12.50	-0-	87.50

EXHIBIT "A-2"

NORTH PENASCO DEEP UNIT
TOWNSHIP 18 SOUTH, RANGE 25 EAST
EDDY COUNTY, NEW MEXICO

INTERESTS OF THE PARTIES UNDER AGREEMENT

	Column 1	Column 2	Column 3	Column 4
	Net Acres	Percentage of Unit	Working Interest In Initial, Substitute, or Optional Test Well Before Paycut	Working Interest In Initial, Substitute, or Optional Test Well After Payout and In Subsequent Wells
Yates Petroleum Corporation	336.21874	26.3443	26.3443	26.3443
Yates Drilling Company	52.07292	4.0802	4.0802	4.0802
MYCO Industries, Inc.	52.07292	4.0802	4.0802	4.0802
Abo Petroleum Corporation	52.07292	4.0802	4.0802	4.0802
Champlin Petroleum Company	240.00000	18.8051	18.8051	18.8051
Mobil Oil Corporation	160.00000	12.5367	12.5367	12.5367
Mark D. Wilson	63.81250	5.0000	5.0000	5.0000
Coquina Oil Corporation, General Partner				
Bengal 72-B Fund	87.54099	6.8592	6.8592	6.8592
TR, Ltd.	29.50819	2.3121	2.3121	2.3121
The Nautilus Venture	2.95082	.2312	.2312	.2312
eorge A. Donnelly, Jr.	10.00000	.7835	.7835	.7835
Richard Donnelly	10.00000	.7835	.7835	.7835
Peggy Donnelly McConnell	10.00000	.7835	.7835	.7835
The Eastland Oil Company	10.00000	.7835	.7835	.7835
R. T. Roark	20.00000	1.5671	1.5671	1.5671
Hooker-O'Kelley, Ltd.	20.00000	1.5671	1.5671	1.5671
J. H. Marks Trucking Co., Inc.	16.00000	1.2537	1.2537	1.2537
A. J. Losee	8.00000	.6268	.6268	.6268
Marton Majoros	32.00000	2.5073	2.5073	2.5073
Fernando U. Duralde	16.00000	1.2537	1.2537	1.2537
William Edward Green, Jr.	16.00000	1.2537	1.2537	1.2537
Mahun Oil & Gas Partnership No. 3	16.00000	1.2537	1.2537	1.2537
Charles W. Thompson	16.00000	1.2537	1.2537	1.2537
	1276.25000	100.0000	100.0000	100.0000

EXHIBIT "A-3"

NORTH PENASCO SHALLOW UNIT
TOWNSHIP 18 SOUTH, RANGE 25 EAST
EDDY COUNTY, NEW MEXICO

INTERESTS OF THE PARTIES UNDER AGREEMENT

	Column 1	Column 2	Column 3	Column 4
	Net Acres	Percentage of Unit	Working Interest In Initial, Substitute, or Optional Test Well Before Payout	Working Interest In Initial, Substitute, or Optional Test Well After Payout and In Subsequent Wells
Yates Petroleum Corporation	486.21875	38.0974	38.0974	38.0974
Yates Drilling Company	55.40625	4.3414	4.3414	4.3414
MYCO Industries, Inc.	52.07292	4.0802	4.0802	4.0802
Martin Yates, III	3.33333	.2612	.2612	.2612
Abo Petroleum Corporation	52.07292	4.0802	4.0802	4.0802
John A. Yates	3.33333	.2612	.2612	.2612
Champlin Petroleum Company	240.00000	18.8051	18.8051	18.8051
Mark D. Wilson	63.81250	5.0000	5.0000	5.0000
Coquina Oil Corporation, General Partner				
Bengal 72-B Fund	87.54099	6.8592	6.8592	6.8592
TR, Ltd.	29.50819	2.3121	2.3121	2.3121
The Nautilus Venture	2.95082	.2312	.2312	.2312
George A. Donnelly, Jr.	10.00000	.7835	.7835	.7835
Richard Donnelly	10.00000	.7835	.7835	.7835
Peggy Donnelly McConnell	10.00000	.7835	.7835	.7835
The Eastland Oil Company	10.00000	.7835	.7835	.7835
R. T. Roark	20.00000	1.5671	1.5671	1.5671
Hooker-O'Kelley, Ltd.	20.00000	1.5671	1.5671	1.5671
J. H. Marks Trucking Co., Inc.	16.00000	1.2537	1.2537	1.2537
A. J. Losee	8.00000	.6268	.6268	.6268
Marton Majoros	32.00000	2.5073	2.5073	2.5073
Fernando U. Duralde	16.00000	1.2537	1.2537	1.2537
William Edward Green, Jr.	16.00000	1.2537	1.2537	1.2537
Mahun Oil & Gas Partnership No. 3	16.00000	1.2537	1.2537	1.2537
Charles W. Thompson	16.00000	1.2537	1.2537	1.2537
	1276.25000	100.0000	100.0000	100.0000

Kraftbilt 601, BOX 800 TULSA OK 74101

COPAS — 1974
Recommended by the Council of Petroleum Accountants Societies of North America

COPAS

EXHIBIT " C "

Attached to and made a part of North Penasco Working Interest Units, Operating Agreement, Dated January 12, 1979, Township 18 South, Range 25 East, Eddy County, New Mexico.

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

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

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

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

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

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

"Parties" shall mean Operator and Non-Operators.

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

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

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

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

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

2. Statement and Billings

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

3. Advances and Payments by Non-Operators

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

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

4. Adjustments

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

5. Audits

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

6. Approval by Non-Operators

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

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**

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

2. **Labor**

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

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

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

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

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

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

3. **Employee Benefits**

   Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. **Material**

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

5. **Transportation**

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

   A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

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

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

6. **Services**

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

7. Equipment and Facilities Furnished by Operator

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

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

8. Damages and Losses to Joint Property

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

9. Legal Expense

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

10. **Taxes**

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

11. **Insurance**

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

12. **Other Expenditures**

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

III. OVERHEAD

1. **Overhead - Drilling and Producing Operations**

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

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

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

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

A. Overhead - Fixed Rate Basis

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

Drilling Well Rate $ 2,800.00
Producing Well Rate $ 280.00

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

(a) Drilling Well Rate

[1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

(3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Fields Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

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

(a) Development

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

(b) Operating

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

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

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $ 25,000.00 :

A. 5 % of total costs if such costs are more than $ 25,000.00 but less than $ 100,000.00 ; plus

B. 3 % of total costs in excess of $ 100,000.00 but less than $1,000,000; plus

C. 2 % of total costs in excess of $1,000,000.

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

3. Amendment of Rates

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

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

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

1. Purchases

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

2. Transfers and Dispositions

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

A. New Material (Condition A)

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

(2) Line Pipe

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

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

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

B. Good Used Material (Condition B)

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

(1) Material moved to the Joint Property

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

(2) Material moved from the Joint Property

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

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

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

C. Other Used Material (Condition C and D)

(1) Condition C

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

(2) Condition D

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

D. Obsolete Material

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

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

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

4. Warranty of Material Furnished by Operator

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

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

2. Reconciliation and Adjustment of Inventories

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

3. Special Inventories

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

4. Expense of Conducting Periodic Inventories

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

EXHIBIT "D"

ATTACHED TO AND MADE A PART OF
NORTH PENASCO WORKING INTEREST UNITS
OPERATING AGREEMENT, DATED JANUARY 12, 1979
EDDY COUNTY, NEW MEXICO

INSURANCE:

Operator shall secure and maintain during the term of this agreement, with insurance companies satisfactory to Non-Operator, insurance to cover Operator's operations on the Unit Area covered by this agreement, as follows:

Workmen's Compensation Insurance which shall fully comply with the laws of the State where operations are to be performed, and with employer's liability insurance including, if any operations hereunder are to be conducted in inland waters, bays or marshes, endorsements covering:

(1) United States Longshoremen's and Harbor Workers' Compensation Act.

(2) Employer's Liability covering marine operations with limits of liability of $500,000 for death or injury to one person and $500,000 for deaths or injuries arising out of one accident.

The Operator shall not be required to carry any other insurance for the joint account. The liability, if any, of the parties hereto in damages for claims growing out of personal injury to or death of third persons or injury or destruction of property of third parties resulting from the operation and development of the premises covered hereby shall be borne by the parties hereto in the proportions of their respective interests in the production therefrom; and each party individually may acquire such insurance as it deems proper to protect itself against such claims. Operator shall require all third party contractors performing work in or on the premises covered hereby to carry such insurance and in such amounts as Operator shall deem necessary.

EXHIBIT "E"

ATTACHED TO AND MADE A PART OF
NORTH PENASCO WORKING INTEREST UNITS OPERATING AGREEMENT
DATED JANUARY 12, 1979
TOWNSHIP 18 SOUTH, RANGE 25 EAST
EDDY COUNTY, NEW MEXICO

GAS BALANCING AGREEMENT

In accordance with the terms of the Operating Agreement and upon completion of a gas well, this Gas Balancing Agreement shall become effective in accordance with Article VI.C and shall apply to each well severally.

It is the intention of the parties hereto that Operator shall have the duty of controlling gas well production and the responsibility of administering the provisions of this agreement. Operator shall cause deliveries to be made to gas purchasers at such rates as may be required to give effect to the intent that the gas production accounts of all parties are to be brought into balance under the provisions contained herein.

Each party has made (or will make) arrangements to sell or utilize its share of the gas produced from each well in the Contract Area. It appears, however, that the respective gas markets of the parties may be limited from time to time; therefore, to permit the parties as much flexibility as possible in meeting the demands of their respective markets, the parties hereto agree to the storage arrangements herein set forth.

1.

From and after the date of initial delivery of gas from said well, during any period when a party is taking less than its share of the gas produced from said well, any other party may produce from said well and take or deliver to a purchaser, each month, all or a part of that portion of the allowable gas production which is not produced by a party taking less than its full share. The parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by lease equipment in accordance with their respective interests.

2.

On a cumulative basis, a party taking less than its full share of the gas produced shall be credited with gas in storage equal to its full share of the total gas produced and saved, less that portion of the gas such party took or delivered to a purchaser. Operator will maintain an account of the gas balance as between the parties hereto and will furnish each party monthly statements showing the total quantity of gas produced, the total quantity of gas taken by each party, and the monthly and cumulative over and under delivery of each party.

3.

After notice to the Operator, any party may at any time begin taking or delivering to a purchaser its full share of gas produced (less such party's share of gas used in operations, vented or lost). To allow the recovery of gas in storage and to balance the gas account of the parties in accordance with their respective interests, a party with gas in storage shall be entitled to take or deliver to a purchaser its current share of the gas produced, plus a share of gas not exceeding its gas storage, 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 in said well of such party with gas in storage and the denominator of which is the total percentage interest in said well of all parties with gas in storage currently taking or delivering to a purchaser.

4.

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 allowable gas production to meet the deliverability test required by its purchaser. Each party shall, at all times, use its best efforts to regulate its takes and deliveries from said well so that said well will not be shut in for over producing the allowable thereto assigned by the applicable regulatory authority.

5.

Other provisions contained in the Operating Agreement notwithstanding, each party shall be responsible for the entire payment to each royalty, overriding royalty and production payment owner entitled to a portion of the proceeds received for the gas which such party takes, such payment to be based upon the gas produced and the price received. Each party hereto hereby indemnifies the other parties hereto against the claims, demands and causes of action which have as their basis an alleged entitlement to payment in excess of that received by the party taking the gas, of royalty, overriding royalty and production payment owners to whom such indemnitor is obligated under the applicable leases or other instruments which create such interests.

If, however, any party is obligated pursuant to said Operating Agreement or instruments of title as reflected in the chain of title to such party's interest to assume and alone bear any overriding royalty or other obligation or portion hereon out of such obligated party's share of production, such obligated party shall promptly reimburse each party taking gas for all amounts paid to the owner of such excess interest, which are attributable to such excess interest. If such obligated party fails to make such reimbursement within 15 days after receiving a statement therefor, all reimbursed amounts shall thereafter bear interest at the rate of 10% per annum and the unreimbursed party (whether Operator or Non-Operator) shall have the benefits of all of the liens and other rights provided for in Article VII.8 of the Operating Agreement to secure the payment of such unreimbursed amounts plus interest thereon.

6.

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

7.

Should production of gas from said well be permanently discontinued before the gas account is balanced, settlement will be made between the underproduced and overproduced parties. In making such settlement, the underproduced party or parties will be paid by the overproduced party or parties, based on the actual price received, month by month, for the volumes of gas as and when the same were produced, less applicable taxes theretofore paid.

8.

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.

9.

This agreement shall be considered as a separate and distinct agreement with respect to each separate common source of supply for each separate Contract Area well.

10.

This agreement is binding upon the heirs, successors and assigns of the signatory parties hereto, it being agreed that this agreement is a covenant

running with the oil and gas leases contributed by the parties to this agreement. The parties hereto agree to give notice of the existence of this agreement to any successor in interest of such signatory party to any oil and gas lease subject to the terms of this agreement. This agreement shall be and remain in force and effect for a term concurrent with the term of the Operating Agreement between the parties hereto.

Yates Petroleum Corporation
AUTHORITY FOR EXPENDITURE

AFE # 79-086-0
Revision #
Date

Lease Name No. Penasco MG Com #1 Location 660/s 660/e Sec 23-18s-25e
County Eddy State NM Field Undesignated Morrow
Horizon Morrow Est.T.D. 9050 Est. Spud Date January 1980
Est. Completion Date February 1980 Drilling Contractor Landis Drlg. Co.

Primary Objective: ☐ Oil ☐ Gas ☒ Oil and/or Gas
Purpose : ☒ Drilling-New ☐ Recompletion ☐ Other (Supplement AFE, etc)
Type Well : ☐ Development ☒ Exploratory

	INTANGIBLE COSTS:	Dry Hole	Completion
9210	Staking Permit & Legal Fees	$ 1,100	$ 1,100
9211	Location, Right-of-Way	$ 5,600	$ 6,500
9212	Drilling, Footage 9050' @ $16.50	$ 149,300	$ 149,300
9213	Drilling, Daywork 5 days @ 4050 /day	$ 20,200	$ 20,200
9212/9213	Moving in, Rigging up, Rigging down	$ ---	$ ---
9224	Bits, Tools & Supplies	$ 400	$ 600
9214	Drilling Water	$ 9,300	$ 10,500
9215	Drilling Mud & Additives	$ 26,300	$ 26,300
9216	Mud Logging Unit	$ 8,100	$ 8,100
9217	Cement, Tools & Services, Temp. Surveys	$ 13,200	$ 17,400
9218	Drill Stem Testing	$ 5,200	$ 5,200
9219	Electric Logs & Perforating	$ 19,100	$ 25,600
9220	Tool & Equip. Rental, Trucking, Welding	$ 4,400	$ 5,400
9221	Supervision & Overhead	$ 3,300	$ 4,500
9223	Coring, Tools & Services	$ ---	$ ---
9241	Completion Unit 11 days @ $1000 /day	$ ---	$ 11,000
9247	Stimulation	$ ---	$ 26,000
9222	Contingency	$ 29,500	$ 35,300
	TOTAL INTANGIBLES	$ 295,000	$ 353,000
	WELL EQUIPMENT COSTS:		
9301	Christmas Tree and Well Head	$ 1,200	$ 13,800
9302	Casing: 13 3/8" 48# J-55 - 380	$ 7,100	$ 7,100
9302	8 5/8" 24# J-55 - 1250'	$ 11,700	$ 11,700
9302	5 1/2" 15.5 - 17# J-55 - 9050'	$ ---	$ 61,300
9303	Tubing: 2 7/8" 6.5# J-55 - 9050'	$ ---	$ 29,200
9304	Packer & Special Equipment	$ ---	$ 3,700
9350	Contingency	$ 2,000	$ 8,200
	TOTAL WELL EQUIPMENT	$ 22,000	$ 135,000
	LEASE & BATTERY EQUIPMENT COSTS:		
9401	Pumping Equipment	$	$
9402	Storage 2-210 b. Welded w/Stair, Walk, Fbrgls	$	$ 9,400
9403	Separation Eq., Flowlines, Valves & Fittings Tk.	$	$ 19,200
9404	Trucking & Construction Costs	$	$ 6,400
	TOTAL LEASE & BATTERY EQUIP.	$	$ 35,000
	TOTALS	$ 317,000	$ 523,000

Approval of this AFE constitutes approval of the Operator's option to charge the joint account with tubular goods from Operator's warehouse stock at the rates stated above, unless the Non-Operator gives notification on this form of his intent to furnish his proportionate share in kind.

YATES PETROLEUM CORPORATION Share -

By Edith L. Kitchens Date 10-23-79 26.3443

YATES DRILLING COMPANY

By _____ Date _____ 4.0802

MYCO INDUSTRIES, INC.

By _____ Date _____ 4.0802

EXHIBIT NO. 7
EXAMINER HEARING CASE 6747
NOVEMBER 28, 1979

Share-

ABO PETROLEUM CORPORATION

By_____ Date_____ 4.0802

CHAMPLIN PETROLEUM COMPANY

By_____ Date_____ 18.8051

MOBIL OIL CORPORATION

By_____ Date_____ 12.5367

MARK D. WILSON

By_____ Date_____ 5.0000

COQUINA OIL CORPORATION, GENERAL PARTNER
FOR BENGAL 72-B FUND

By_____ Date_____ 6.8592

CONQUINA OIL CORPORATION, GENERAL PARTNER
FOR TR, LTD.

By_____ Date_____ 2.3121

CONQUINA OIL CORPORATION, GENERAL PARTNER
FOR THE NAUTILUS VENTURE

By_____ Date_____ .2312

GEORGE A. DONNELLY, JR.

By_____ Date_____ .7835

RICHARD DONNELLY

By_____ Date_____ .7835

PEGGY DONNELLY McCONNELL

By_____ Date_____ .7835

THE EASTLAND OIL COMPANY

By_____ Date_____ .7835

		Share-
R. T. ROARK		
By_____	Date_____	1.5671
HOOKER-O'KELLEY, LTD.		
By_____	Date_____	1.5671
J. H. MARKS TRUCKING CO., INC.		
By_____	Date_____	1.2537
A. J. LOSEE		
By_____	Date_____	.6268
MARTON MAJOROS		
By_____	Date_____	2.5073
FERNANDO U. DURALDE		
By_____	Date_____	1.2537
WILLIAM EDWARD GREEN, JR.		
By_____	Date_____	1.2537
MAHUN OIL & GAS PARTNERSHIP NO. 3		
By_____	Date_____	1.2537
CHARLES W. THOMPSON		
By_____	Date_____	1.2537

CASE 6745: Application of Harvey E. Yates Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the W/2 of Section 28, Township 23 South, Range 24 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6746: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the S/2 of Section 31, Township 18 South, Range 26 East, to be dedicated to a well to be drilled at an unorthodox location 660 feet from the South line and 1100 feet from the West line of said Section 31. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6747: Application of Yates Petroleum Corporation for compulsory pooling and an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the S/2 of Section 23, Township 18 South, Range 25 East, to be dedicated to a well to be drilled at an unorthodox location in the center of Unit P of said Section 23. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6748: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Rio Pecos "MH" Fed. Well No. 1, a Morrow test to be drilled 1980 feet from the South line and 1100 feet from the East line of Section 29, Township 18 South, Range 27 East, the S/2 of said Section 29 to be dedicated to the well.

CASE 6749: Application of Petro-Lewis Corporation for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Penrose Skelly, Blinebry, and Drinkard production in the wellbore of its Warlick Well No. 3 located in Unit P of Section 18, Township 21 South, Range 37 East.

CASE 6750: Application of CO_2-In-Action, Inc. for creation of a new carbon dioxide gas pool and special pool rules, Harding County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the North Bueyeros-Santa Rosa CO2 Gas Pool comprising all or parts of Sections 1, 2, 3, 10, 11, and 12, Township 20 North, Range 30 East and Sections 20 thru 23 and 26 thru 35, Township 21 North, Range 30 East, and the promulgation of special rules therefor including a provision for 160-acre spacing units with the option to drill on 40 acres, and with well locations as close as 330 feet to the unit boundary.

CASE 6725: (Continued from November 14, 1979, Examiner Hearing)

Application of Tenneco Oil Company for three non-standard gas proration units, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 291.23-acre non-standard gas proration unit comprising the W/2 of Section 6 and the NW/4 of Section 7, a 347.58-acre unit comprising the W/2 of Section 19 and the NW/4 of Section 30, and a 375.17-acre unit comprising the SW/4 of Section 30 and the W/2 of Section 31, all in Township 29 North, Range 8 West, Basin-Dakota Pool, each unit to be dedicated to a well to be drilled at a standard location thereon.

CASE 6751: Application of Tenneco Oil Company for the rescission of special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the rescission of the special pool rules for the Catclaw Draw-Morrow Gas Pool to provide for 320-acre spacing rather than 640 acres. In the absence of objection, the pool rules will be rescinded and the pool placed on standard 320-acre spacing for Pennsylvanian gas pools rather than the present 640-acre spacing.

CASE 6357: (Reopened and Readvertised)

In the matter of Case 6357 being reopened pursuant to the provisions of Order No. R-5853 which order established temporary special rules and regulations for the South Peterson-Pennsylvanian Pool, with provisions for 80-acre spacing. All interested parties may appear and show cause why the South Peterson-Pennsylvanian Pool should not be developed on 40-acre spacing units.

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 6747

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its North Penasco "MG" Com. No. 1 Well in the Wolfcamp through Pennsylvanian formations as a gas well, which is to be located at a point 660 feet from the south line and 660 feet from the east line of Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant has dedicated the S/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. To avoid the drilling of unnecessary wells, to protect correlative rights and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense, his just and fair share of the gas in said unit, all mineral interests, whatever they may be, from the Wolfcamp through the Pennsylvanian formation underlying the S/2 of said Section 23, should be pooled.

5. That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Commission enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Pennsylvanian formation underlying the S/2 of said Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: Chad Dickerson
Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO	:	CASE NO. 6747

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its North Penasco "NG" Com. No. 1 Well in the Wolfcamp through Pennsylvanian formations as a gas well, which is to be located at a point 660 feet from the south line and 660 feet from the east line of Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant has dedicated the S/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. To avoid the drilling of unnecessary wells, to protect correlative rights and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense, his just and fair share of the gas in said unit, all mineral interests, whatever they may be, from the Wolfcamp through the Pennsylvanian formation underlying the S/2 of said Section 23, should be pooled.

5. That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Commission enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Pennsylvanian formation underlying the S/2 of said Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: _____
Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO	:	CASE NO. 6747

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant has the right to drill its North Penasco "MG" Com. No. 1 Well in the Wolfcamp through Pennsylvanian formations as a gas well, which is to be located at a point 660 feet from the south line and 660 feet from the east line of Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico.

2. The applicant has dedicated the S/2 of said section to this well, and there are interest owners in the proration unit who have not agreed to pool their interests.

3. Applicant should be designated the operator of the well and the proration unit.

4. To avoid the drilling of unnecessary wells, to protect correlative rights and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense, his just and fair share of the gas in said unit, all mineral interests, whatever they may be, from the Wolfcamp through the Pennsylvanian formation underlying the S/2 of said Section 23, should be pooled.

5. That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs, plus an additional 200% thereof as a reasonable charge for the risk involved in the drilling of the well.

6. Applicant should be authorized to withhold from production the proportionate share of a reasonable supervision charge for drilling and producing wells attributable to each non-consenting working interest owner.

WHEREFORE, applicant prays that:

A. This application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. Upon hearing the Commission enter its order pooling all mineral interests, whatever they may be, from the Wolfcamp through the Pennsylvanian formation underlying the S/2 of said Section 23, Township 18 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, to form a 320-acre spacing unit dedicated to applicant's well.

C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: _____
Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

LAW OFFICES
LOSEE, CARSON & DICKERSON, P. A.
300 AMERICAN HOME BUILDING
P. O. DRAWER 239
ARTESIA, NEW MEXICO 88210

A. J. LOSEE
JOEL M. CARSON
CHAD DICKERSON
DAVID R. VANDIVER

AREA CODE 505
746-3508

29 October 1979

RECEIVED
OCT 30 1979
OIL CONSERVATION DIVISION
SANTA FE

Mr. Joe D. Ramey, Director
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Ramey:

Enclosed for filing, please find three copies each of two Applications of Yates Petroleum Corporation for unorthodox gas well locations, and one Application of Yates Petroleum Corporation for compulsory pooling, all in Eddy County, New Mexico.

We ask that these cases be set for hearing before an examiner and that you furnish us with a docket of said hearings.

Sincerely yours,

LOSEE, CARSON & DICKERSON, P.A.

Chad Dickerson

CD:pv
Enclosures

cc w/enclosures: Yates Petroleum Corporation

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR AN UNORTHODOX GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO : CASE NO. 6747

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant is the operator of the Morrow formation underlying:

Township 18 South, Range 25 East, N.M.P.M.

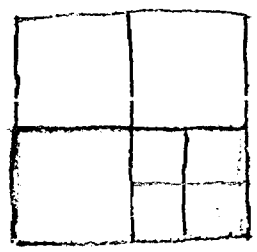
Section 23: S/2

and proposes to drill its North Penasco "MG" Com. No. 1 Well at a point located 660 feet from the south line and 660 feet from the east line of said Section 23.

2. The applicant seeks an exception to the well location requirements of Rule 104-C.2(a) of the Oil Conservation Division to permit the drilling of the well at the above mentioned unorthodox location to a depth sufficient to adequately test the Morrow formation.

3. A standard 320-acre gas proration unit comprising the S/2 of said Section 23 should be dedicated to such well or to such lesser portion thereof as is reasonably shown to be reasonably productive of gas.

4. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent economic loss caused by the drilling



of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division may enter its order granting applicant permission to drill a well 660 feet from the south line and 660 feet from the east line of said Section 23 and to dedicate the S/2 of Section 23, which is reasonably presumed to be productive of gas from the Morrow formation.

C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By:
Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF YATES PETROLEUM CORPORATION FOR AN UNORTHODOX GAS WELL LOCATION, EDDY COUNTY, NEW MEXICO : CASE NO. 6747

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant is the operator of the Morrow formation underlying:

Township 18 South, Range 25 East, N.M.P.M.

Section 23: S/2

and proposes to drill its North Penasco "MG" Com. No. 1 Well at a point located 660 feet from the south line and 660 feet from the east line of said Section 23.

2. The applicant seeks an exception to the well location requirements of Rule 104-C.2(a) of the Oil Conservation Division to permit the drilling of the well at the above mentioned unorthodox location to a depth sufficient to adequately test the Morrow formation.

3. A standard 320-acre gas proration unit comprising the S/2 of said Section 23 should be dedicated to such well or to such lesser portion thereof as is reasonably shown to be reasonably productive of gas.

4. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent economic loss caused by the drilling

of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division may enter its order granting applicant permission to drill a well 660 feet from the south line and 660 feet from the east line of said Section 23 and to dedicate the S/2 of Section 23, which is reasonably presumed to be productive of gas from the Morrow formation.

C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: Chad Dickerson
Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

BEFORE THE OIL CONSERVATION DIVISION

OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION :
OF YATES PETROLEUM CORPORATION :
FOR AN UNORTHODOX GAS WELL LOCATION, : CASE NO. 6747
EDDY COUNTY, NEW MEXICO :
:

APPLICATION

COMES NOW Yates Petroleum Corporation, by its attorneys, and in support hereof, respectfully states:

1. Applicant is the operator of the Morrow formation underlying:

Township 18 South, Range 25 East, N.M.P.M.

Section 23: S/2

and proposes to drill its North Penasco "MG" Com. No. 1 Well at a point located 660 feet from the south line and 660 feet from the east line of said Section 23.

2. The applicant seeks an exception to the well location requirements of Rule 104-C.2(a) of the Oil Conservation Division to permit the drilling of the well at the above mentioned unorthodox location to a depth sufficient to adequately test the Morrow formation.

3. A standard 320-acre gas proration unit comprising the S/2 of said Section 23 should be dedicated to such well or to such lesser portion thereof as is reasonably shown to be reasonably productive of gas.

4. The approval of this application will afford applicant the opportunity to produce its just and equitable share of gas, will prevent economic loss caused by the drilling

of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

WHEREFORE, applicant prays:

A. That this application be set for hearing before an examiner and that notice of said hearing be given as required by law.

B. That upon hearing the Division may enter its order granting applicant permission to drill a well 660 feet from the south line and 660 feet from the east line of said Section 23 and to dedicate the S/2 of Section 23, which is reasonably presumed to be productive of gas from the Morrow formation.

C. And for such other relief as may be just in the premises.

YATES PETROLEUM CORPORATION

By: Chad Dickerson
Chad Dickerson

LOSEE, CARSON & DICKERSON, P.A.
P. O. Drawer 239
Artesia, New Mexico 88210

Attorneys for Applicant

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

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

CASE NO. 6747

Order No. R- 6208

APPLICATION OF YATES PETROLEUM CORPORATION FOR COMPULSORY POOLING AND AN UNORTHODOX LOCATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on November 28, 19 79, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this _____ day of _____, 19 79, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Yates Petroleum Corporation, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the S/2 of Section 23, Township 18 South, Range 25 East, NMPM, _____, Eddy County, New Mexico.

(3) That the applicant has the right to drill and proposes to drill a well/at an unorthodox location in the center of Unit P of said Section 23.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That $2800.00 per month while drilling and $280.00 per month while producing per month should be fixed as a reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before March 15, 1980, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp-Pennsylvanian formations underlying the S/2 of Section 23, Township 18 South, Range 25 East, NMPM, ____; Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at an unorthodox location ~~in the center of Unit P of said Section 23~~ approved, 660 feet from the South and East lines of said Section 23.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 15th day of March, 1980, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 15th day of March, 1980, Order (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Yates Petroleum Corporation is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That $2800 per month while drilling and $280 per month while producing are ~~per month~~ is hereby fixed as a reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.