

29038

OPERATING AGREEMENT

THIS OPERATING AGREEMENT, Made and entered into this 25 day of May, 1960, by and between CARPER DRILLING COMPANY, INC., a New Mexico corporation, Carper Building, Artesia, New Mexico, hereinafter referred to as "Owner," and JAMES P. DUNIGAN, Box 1641, Abilene, Texas, hereinafter referred to as "Operator,"

W I T N E S S E T H:

The Owner is the record holder of those certain oil and gas leases covering lands in Lea County, New Mexico, subject to certain overriding royalties and other obligations payable out of production, all of which are fully described in the Schedule attached hereto and marked Exhibit "A" for identification and by reference made a part hereof.

The Owner is desirous of giving and granting to Operator the exclusive right and privilege of exploring, testing and developing the lands described in Exhibit "A" only as to the Abo formation, as hereinafter defined, which said formation within the lands described in Exhibit "A" under the terms of said oil and gas leases and all extensions and renewals thereof and subject to the burdens on production enumerated in Exhibit "A" will sometimes hereinafter be referred to as the "middle zone."

NOW, THEREFORE, in consideration of the sum of Ten and No/100 Dollars, and other good and valuable

Oil Conservation Commission
Case No. _____
Exhibit No. 5

considerations in hand paid by Operator to Owner and in further consideration of the obligations here in this Agreement imposed upon Operator, the receipt and sufficiency of which is hereby acknowledged, the Owner does hereby give and grant to Operator the exclusive right of possession and occupancy of the middle zone for the purpose of prospecting, drilling, developing, producing, extracting, taking and marketing all of the oil and gas therefrom under the terms of said oil and gas leases and all extensions and renewals thereof, however accomplished, such rights in the middle zone to be coextensive with the rights granted to the lessees under the terms of said oil and gas leases, subject, however, to the overriding royalty reserved in this Operating Agreement to Owner, and further subject to the following terms and conditions:

1. TITLE.

1.1. Within thirty (30) days from the date of this Agreement the Owner shall, at its expense, furnish to Operator complete abstracts of title covering all of said lands in the middle zone, compiled from the records in the Office of the County Clerk of Lea County, New Mexico, and from the Offices of the Bureau of Land Management at Santa Fe, New Mexico, or Commissioner of Public Lands in Santa Fe, New Mexico, whichever is applicable, certified from the inception of the records down to a date subsequent to this Agreement.

1.2. The Operator shall have thirty (30) days

after receipt of the last of said abstracts within which to furnish Owner with written title opinions setting forth any defects to a good and merchantable record leasehold title to said lands in the middle zone. The existence of the overriding royalties and payments out of production shown in the attached Exhibit "A" and the existence of any casinghead gas contracts shall not be considered as defects to a good and merchantable record title.

1.3. The Owner shall have ninety (90) days after receipt of the last of said title opinions within which to satisfy any such title requirements. The Owner shall make a diligent effort to furnish all curative material necessary to reflect the good and merchantable record leasehold title of Owner to said lands in the middle zone. In the event Owner does not satisfy all such title requirements within the time here allowed, then Operator shall have the option of accepting such title as the Owner is able to deliver or of terminating this Operating Agreement, in which latter event the Operator shall be released from all obligations hereunder and, if requested, shall execute and deliver to Owner a release of this Operating Agreement. The date of the last original or supplemental title opinion by Operator's Attorney approving the title or waiving any defects, or ten days after receipt of the last curative material, whichever is earlier in time, shall be considered as the date on which title is accepted.

2. TEST WELL.

Within ten (10) days after the approval or acceptance of title as provided in paragraph 1.3 hereof, Operator shall actually commence the drilling of a test well for oil or gas at a lawful location of his selection in the middle zone and proceed with due diligence in the drilling and completing of said well to a depth sufficient to test the Abo formation or to 9,000 feet below the surface, whichever is the lesser in depth. Operator shall complete said well with due diligence either as a dry hole or as a producing well within a reasonable time from the date of its commencement.

3. CONTINUOUS DEVELOPMENT.

3.1. Within fifteen (15) days after the date of completion of the test well provided for in paragraph 2 hereof the Operator shall actually commence to carry on a continuous drilling program in the middle zone with not more than fifteen (15) days elapsing between the completion of a producing well and the commencement of another well or not more than thirty (30) days elapsing between the completion of a dry hole and the commencement of another well, until such time as the Operator shall have drilled and completed a producer of oil or gas or a dry hole on each one-sixteenth (1/16) subdivision of each section within the middle zone. Each such continuous development well shall be drilled and completed in the manner and within the time and to the objective depth provided for the first test well.

For the purpose of this paragraph 3, the time of completion of a producing well shall be the date on which Operator shall file his Request for Allowable, form C-104, with the New Mexico Oil Conservation Commission or other applicable authority, or fifteen (15) days after the date Operator has completed testing the well, whichever shall first occur, and the time of completion of a dry hole shall be the date on which Operator completes the testing and logging of the well after reaching total depth. The Operator may cumulate the time between wells under this drilling program so that if any well should be commenced within less time than is required for the commencement of such well such unused time shall be accumulative and may be added to the time for the commencement of the next and any succeeding well. In this connection, Operator will notify Owner of the time or date on which the first and each succeeding well to be drilled hereunder is to be commenced and in calculating the amount of time, if any, accumulated by Operator between wells, the time (on which the drilling well is completed as herein defined and the rig released) or date (on which the succeeding well is to be commenced) specified in the notice to Owner will be used.

3.2. Within fifteen (15) days after the completion of six (6) producing wells in the middle zone, Operator shall actually commence to carry on a second simultaneous continuous drilling program (in addition to the drilling program provided for in 3.1 hereof), with the

same times allowed between the completion of one well and the commencement of another well as are allowed to Operator under the provisions of 3.1 hereof, until such time as the Operator shall have drilled and completed a producer of oil or gas or a dry hole on each one-sixteenth (1/16) subdivision of each section in the middle zone. These two (2) continuous drilling programs shall be conducted simultaneously and independently of each other; however, Operator may interchange the accumulated time between programs.

3.3. Except for the initial test well provided for above, the wells which Operator may drill under the continuous drilling program are not obligation wells and the Operator shall not be liable in damages for the failure to drill the second or any subsequent well provided for in this Operating Agreement.

4. TERMINATION.

4.1. In the event Operator does not fully and timely comply with all of the provisions of paragraphs 2 and 3 hereof, then and in that event all of the operating rights granted to Operator under this Agreement shall ipso facto terminate as to all one-sixteenth (1/16) subdivisions of each section upon which Operator has not drilled and completed a dry hole or a producing oil or gas well in the middle zone. The ipso facto termination of this Agreement shall not be the exclusive remedy of Owner for the Operator's breach of the provisions of paragraph 2 hereof.

4.2. Within fifteen (15) days after the ipso

facto termination of the operating rights, as provided in 4.1 hereof, Operator shall execute and deliver to Owner a release and reassignment of all such terminated operating rights, which release and reassignment shall reconvey all rights in the middle zone to Owner upon which no well has been drilled, free of any liens, encumbrances or other burdens on production not in existence on the date of this Agreement.

5. OVERRIDING ROYALTY RESERVED.

5.1. The Owner excepts and reserves from the operating rights granted to Operator by this Agreement an overriding royalty equal to seventy-five percent (75%) of the market value, at the wells, as produced, of all of the working interest oil and gas produced, saved and marketed under the terms of this Agreement from the middle zone. For the purpose of this paragraph 5, the phrase "working interest" is defined to mean that percentage of all (8/8ths) of the oil or gas remaining after deducting the royalty payable to the lessor and all overriding royalties and production payments in existence on the date of this Agreement and reflected by the attached Exhibit "A". In the event of termination of any of the production payments shown on Exhibit "A," then such terminated interest shall not increase the Owner's overriding royalty and shall only accrue to the benefit of Operator. The overriding royalty reserved by Owner shall be computed and paid at the same time and in the same manner as royalties payable to the

lessor under the terms of said oil and gas leases are computed and paid. The Owner shall never be obligated for any development or operation expenses; however, the Owner shall be responsible for its proportionate part of all taxes levied upon or assessed against or measured by the production of oil or gas from said lands in the middle zone.

5.2. The provisions of Title 43, Code of Federal Regulations, Section 192.83 being recognized, it is agreed (so long as said Regulation or one similar thereto is in force and effect) that the overriding royalty on any federal lease reserved to Owner in this Operating Agreement shall, to the extent that such overriding royalty, as to oil, when added to overriding royalties or payments out of production of oil previously created, and to the royalty payable to the United States under the terms of any such Federal lease, aggregate in excess of 17-1/2%, be suspended when and so long as the average production of oil, per well, per day, averaged on the monthly basis is fifteen (15) barrels or less. The limitations in this paragraph have no application to gas. However, during the period of any such suspension, as in this paragraph provided, such suspended overriding royalty, as to oil, shall automatically be converted into a carried working interest of such a proportion that the Owner will receive from such carried working interest a net amount of money equal to the sum Owner would have been entitled to receive for such suspended overriding royalty interest. Owner shall never be personally responsible for any development or

operation expense, nor by reason of such carried working interest shall Owner become the owner of any of the personal property located on said properties.

6. BOND AND DESIGNATION OF OPERATOR.

6.1. Upon receipt of written request from Operator the Owner shall execute and deliver to Operator quadruplicate copies of Designation of Operator on the form approved by the United States Geological Survey, designating the Operator as Operator of any federal leases described in Exhibit "A" upon which a well is to be commenced in the middle zone.

6.2. The Owner has on file with the Bureau of Land Management a Nation-Wide Oil and Gas Lessee's Bond covering its operations on federal leases in the State of New Mexico. Until such time as this Operating Agreement has been approved by the Bureau of Land Management in Santa Fe, New Mexico, the Operator is given the right to conduct his operations in the middle zone under the said Owner's Nation-Wide Oil and Gas Lessee's Bond, provided, however, that prior to the commencement of any operations on a federal lease under this bond the Operator shall furnish the Owner with a \$10,000.00 Hold-Harmless Corporate Surety Bond indemnifying the Owner from any loss by reason of the Operator's operations under the Nation-Wide Bond. At such time as this Operating Agreement has been approved by the Bureau of Land Management the Operator shall forthwith furnish the United States Geological Survey with a satisfactory Operator's Bond

covering each federal lease described in Exhibit "A" upon which Operator is then conducting operations, to the end that Owner's liability in the middle zone shall be terminated on its Nation-Wide Bond and the Operator shall then be entitled to a release of his \$10,000.00 Hold Harmless Bond.

7. RISK, COST AND EXPENSE OF OPERATIONS.

7.1. All operations conducted by Operator under the terms of this Agreement shall be conducted at the Operator's sole risk, cost and expense and the Operator shall save, hold and protect the Owner harmless from all liability of whatever character or description arising out of or growing from any operation carried on by the Operator upon the lands covered by this Agreement.

7.2. The Operator shall save, hold and protect the leasehold estates in the middle zone from any mechanic's or materialmen's liens.

8. GEOLOGICAL DATA.

Owner, or its representatives, shall at all times have access to the derrick floor and to all geological information pertaining to the operations of Operator under the terms of this Agreement and shall be furnished with copies of all surveys and logs run upon the wells of Operator, as well as copies of all reports required to be furnished to the United States Geological Survey and to the New Mexico Oil Conservation Commission in connection with the Operator's operations in the middle zone. Upon request, Operator shall furnish Owner with a set of all samples run

upon the wells, in sacks furnished by Owner.

9. LEASEHOLD PRESERVATION OBLIGATION.

9.1. Operator shall use its best efforts in accordance with good oil field practices to maintain the oil and gas leases as to the lands described in Exhibit "A" in full force and effect and neither the Owner nor Operator shall do or perform any act or thing that might cause said leases to be forfeited or cancelled as to the lands covered by this Agreement. Each of the parties hereto shall have full right, power and authority to make application for a renewal, exchange or extension of a lease or for royalty relief or for suspension of operations or production with reference to the lease rights on the lands covered by this Agreement.

9.2. Within the period of seven (7) months before the expiration by reason of nonproduction of the fixed term of any oil and gas lease described in Exhibit "A," Owner shall give written notice to Operator of the expiration date of said lease, and the Operator shall have thirty (30) days after receipt of said notice within which to actually commence the drilling of a development well on some portion of the lease described in said notice or execute and deliver to Owner a release and surrender of this Operating Agreement insofar as it covers all of the lands embraced in said oil and gas lease without any burdens on the production from said lease that are not in existence on the date of this Agreement.

10. RENTALS-COMPENSATORY ROYALTY-OFFSETS.

10.1. Owner shall use its best efforts in accordance with good oil field practice to pay all rentals, including minimum royalty accruing to the lessor applicable to the lands covered by this Agreement. However, the Owner shall not be liable to Operator in damages for the failure to pay such rentals. The Operator shall reimburse Owner for one-half (1/2) of such rentals or minimum royalty so paid by the Owner. In the event oil or gas is produced from said lands in the middle zone Operator shall pay the lessor all royalties accruing on account thereof and each party, where applicable, shall be entitled to credit therefor against the minimum royalty due the lessor.

10.2. In the event any compensatory royalty is required to be paid to lessor by reason of off-set production in the middle zone, then, until such time as Operator shall release and reassign this Agreement as to the lands for which compensatory royalty is required to be paid, the Operator shall pay to the lessor all such compensatory royalty.

10.3. Within one hundred and twenty (120) days after the completion of a producing well at a location off-setting any of the lands in the middle zone upon lands not covered by this Agreement, the Operator shall actually commence the drilling of a well at the off-set location and prosecute such drilling operations with due diligence until the well is completed as a dry hole or a producing

well in the middle zone. The drilling of any such off-set well shall be counted as one of the continuous development wells required in paragraph 3 hereof, provided, however, that the accumulative time provision in paragraph 3 hereof shall not be used to extend the time of one hundred and twenty (120) days for the commencement of such off-set well.

11. CORRELATIVE RIGHTS.

11.1. The Operator shall only use so much of the surface of said lands as may be necessary or required to carry on his operations in the middle zone and the Owner shall have the right to use so much of the surface as may be necessary or required to develop the lands above or below the middle zone and each party hereto shall conduct their operations in such a manner so as to interfere as little as possible with the operations of the other. Operator shall, in the drilling of each well in the middle zone, adequately protect all possible producing oil or gas horizons above the middle zone.

11.2. During drilling operations conducted by Operator in the middle zone the Owner shall have the right to take over any such drilling well for the purpose of testing, coring, logging and evaluating said lands above the middle zone; provided, however, that all such testing, coring, logging and evaluating shall be at Owner's expense and the Owner shall indemnify the Operator from any loss occasioned by such operation. During such periods the Owner shall carry insurance for such purpose in such amounts as

are required of Operator under the provisions of paragraph 12 hereof and certificates evidencing such fact will be furnished to Operator upon request.

12. INSURANCE.

Operator shall carry and require its subcontractors to carry insurance with a company or companies satisfactory to Owner, to save and protect the Owner harmless, as follows:

- a) Workmen's Compensation and Employers Liability insurance sufficient to comply with the Workmen's Compensation Laws of the State of New Mexico.
- b) Comprehensive General Public Liability insurance with limits of not less than \$100,000.00 per person and \$300,000.00 per accident, and General Public Liability Property Damage with limits of not less than \$20,000.00 per accident.
- c) Automobile Public Liability insurance with limits of not less than \$100,000.00 per person and \$300,000.00 per accident and Automobile Property Damage insurance with limits of not less than \$20,000.00 per accident.

Prior to commencing operations hereunder the Operator shall furnish Owner with certificates of such insurance.

13. FORCE MAJEURE.

The obligations imposed upon Operator hereunder shall be suspended for the period and to the extent that the same is prevented by an Act of God, strike, lock-out or other industrial disturbance, act of the public enemy, war, lightning, fire, storm, flood, explosion, Government restraint, unavailability of equipment and any other cause which is not reasonably within the control of

Operator; provided, however, the Operator shall use all possible diligence to remove the force majeure as quickly as possible.

14. LOST HOLE.

If, in the drilling of any of the wells provided for herein, Operator should encounter granite or other impenetrable substance or suffer a lost or junked hole, the Operator shall have fifteen (15) days after abandonment of such well within which to commence a lieu development well. For the purpose of determining the period elapsed between continuous development wells, the timely commencement of such lieu development well shall not add to or subtract from the time, if any, accumulated by the commencement of such lost or junked hole.

15. ABANDONMENT OF WELLS.

15.1. The Owner shall have the option to take over any wells to be abandoned (dry holes or theretofore producing wells) by Operator on said lands in the middle zone and shall have option to purchase all or part of the personal property used or obtained in the production of oil or gas from said wells by paying to Operator the salvage value of such personal property. Such value shall be determined by the current reasonable market value of salvable materials of a similar nature.

15.2. In the event Owner does not elect to take over any wells or well within thirty (30) days after receipt of written notice from Operator of its intention to

abandon a theretofore producing well or within seventy-two (72) hours after receipt of telephone or telegraphic notice from Operator of his intention to abandon a drilling well, then and in that event Operator shall, at his expense, plug and abandon the well in accordance with applicable rules and regulations. The Owner shall reimburse Operator for all rig time elapsing between receipt by Owner of the notice of intention to abandon and the receipt by Operator of Owner's notice of intention to take over or not take over the well, or seventy-two (72) hours in time, whichever is the lesser period. Unless Owner notifies Operator of its intention not to take over a drilling well, the Operator shall leave the casing in the well for a minimum period of thirty (30) days after receipt by Owner of the notice of intention to abandon the well.

15.3. In the event Owner takes over any theretofore producing well in the manner provided for in this paragraph 15, the Operator shall immediately execute and deliver to Owner a release and reassignment of this Operating Agreement as to the one-sixteenth (1/16) subdivision of a section upon which the well to be abandoned is located.

15.4. In the event Operator has abandoned a well in the middle zone that has never produced oil or gas and the one-sixteenth (1/16) subdivision of a section upon which the abandoned well is located is offset by a well producing from the middle zone upon any lands not covered by

this Agreement, and in the event Operator has not completed a producing well in the middle zone on said one-sixteenth (1/16) subdivision of a section within nine (9) months from the date of abandonment of the first well, then and in such events, the Owner shall have the option of acquiring a reassignment of said one-sixteenth (1/16) subdivision of a section in the middle zone by either re-entering and completing the abandoned well as a producer in the middle zone or by drilling and completing a new well in the middle zone at another location in said one-sixteenth (1/16) subdivision of a section. In the event Owner re-acquires such rights under the provisions of this paragraph 15.4, Operator shall, within five (5) days after completion of said well, execute and deliver to Owner a release and surrender of this Operating Agreement as to all rights in the middle zone upon the said one-sixteenth (1/16) subdivision of a section that Owner has completed a well, such release and reassignment to be made without any burdens on production that are not in existence on the date of this agreement.

15.5. In the event Owner takes over any abandoned well or wells and does not purchase all of the salvable personal property located thereon, the Operator shall have a reasonable time thereafter, not to exceed ninety (90) days, within which to remove such personal property that was not purchased by Owner.

16. DRILLING CONTRACTS.

The Owner shall have the option to perform all drilling provided for herein at a price equal to what first class contractors using comparable equipment in the area are receiving for comparable depth and hole size. Operator shall offer to Owner a contract to drill any well provided for herein at a price commensurate with that provided for above and Owner will notify Operator immediately that it does or does not wish to drill such well. If Owner states that it does not wish to drill the well, Operator will be free to employ another drilling contractor, or if Owner states that it wishes to drill such well but is unable to do so immediately, Operator may employ another drilling contractor to drill that well or may, at his election, wait until Owner is able to commence drilling such well, in which case the time of commencement shall be automatically extended from the date on which Operator requested the well to be commenced to the date Owner actually commences such drilling. Such extension of time will not affect the amount of time between wells, if any accumulated by Operator by the giving of notice to drill as provided for in paragraph 3.2 hereof.

17. NON-PARTNERSHIP OPERATION.

The rights and obligations hereunder are several and not joint and nothing herein contained shall be construed to create a partnership or joint venture between the parties.

18. NOTICES.

All notices or correspondence relative to any matter covered by this Agreement shall be deemed to have been properly delivered or served, unless herein expressly provided to the contrary, when sent by certified mail or by telegram, charges prepaid, to the following addresses:

Owner:

Carper Drilling Company, Inc.
Carper Building
Artesia, New Mexico
Sherwood 6-2783 or
Sherwood 6-6625 or
Sherwood 6-6018.

Operator:

James P. Dunigan
Box 1641
1426 Tanglewood Rd.
Abilene, Texas
Orchard 3-2551 or
Owen 2-1716.

For the purpose of this section, the addresses of either party may be changed by written notice to the other party.

19. SURRENDER.

Operator shall have the right and privilege at any time and from time to time while not in default of any of the terms and conditions of this Operating Agreement to surrender and relinquish the operating rights hereunder as to all or any one-sixteenth (1/16) subdivision of a section in the middle zone, the same to be accomplished by the execution and delivery to Owner of an appropriate instrument of surrender and release, provided, however, Operator shall be responsible for its share of all rentals, royalties, minimum royalty and other obligations which may have theretofore accrued to the lessor of any of said leases, to each

overriding royalty and production payment owner and to the Owner under this Operating Agreement, as to said rights and lands so relinquished up to the time such release is delivered to Owner.

20. MISCELLANEOUS.

20.1. The phrase "Abo formation," as used in this Operating Agreement is defined to include the entire Abo formation where the same is definable by samples and/or logs and in cases where the Abo formation cannot be so identified, the same shall include the interval between 8,000 and 9,000 feet below the surface.

20.2. This Agreement is made by Owner without warranty of title either express or implied.

20.3. The provisions hereof shall be construed as covenants running with the ownership of said oil and gas leases and all extensions or renewals thereof, however accomplished, covering said lands in the middle zone and, as such, shall be binding upon the heirs, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, This Operating Agreement is executed in multiple copies, each of which shall be considered as an original, on the day and year first hereinabove written.



CARPER DRILLING COMPANY, INC.

R. Caskey
Assistant Secretary

By Stanley Casper
Executive Vice President

"OWNER"
James P. Dunigan
James P. Dunigan
"OPERATOR"

STATE OF NEW MEXICO)
 : ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 25th day of May, 1960, by STANLEY CARPER, Executive Vice President of CARPER DRILLING COMPANY, INC., a New Mexico corporation, on behalf of said corporation.

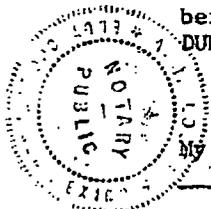


[Signature]
Notary Public

My commission expires:
June 6, 1961

STATE OF NEW MEXICO)
 : ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 25th day of May, 1960, by JAMES P. DUNIGAN.



[Signature]
Notary Public

My commission expires:
June 6, 1961

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF OPERATING AGREEMENT
DATED MAY 25, 1960, BETWEEN CARPER DRILLING COMPANY,
INC., AS OWNER, AND JAMES P. DUNIGAN, AS OPERATOR

Lease 1: Oil and Gas Lease made on February 10, 1934,
between the State of New Mexico, as lessor,
and Shell Petroleum Corporation, as lessee,
bearing State of New Mexico Lease No. B-2516,
insofar as it covers the following lands in
Lea County, New Mexico:

Township 17 South, Range 33 East, N.M.P.M.

Section 29: SW/4

and containing 160 acres, more or less.

SUBJECT TO a 12-1/2% royalty reserved by
lessor in said lease and to overriding
royalties equal to 1/8th of 8/8ths of
production.

Lease 2: Oil and Gas Lease made on June 11, 1945,
between the State of New Mexico, as lessor,
and Barney Cockburn, as lessee, bearing
State of New Mexico Lease No. E-398, in-
sofar as it covers the following lands in
Lea County, New Mexico:

Township 17 South, Range 33 East, N.M.P.M.

Section 32: NW/4 and SE/4

and containing 320 acres, more or less.

SUBJECT TO a 12-1/2% royalty reserved by the
lessor in said lease and to a \$500,000.00
production payment payable out of 5% of the
production on the said NW/4 and out of 2% of
production on the said SE/4 and other lands
not covered by this lease.

Lease 3: Oil and Gas Lease made on November 12, 1935,
between the State of New Mexico, as lessor,
and Roy G. Barton, as lessee, bearing State of
New Mexico Lease No. B-5310, insofar as it
covers the following lands in Lea County,
New Mexico:

Township 17 South, Range 33 East, N.M.P.M.

Section 32: NE/4 and SW/4

and containing 320 acres, more or less.

SUBJECT TO a 12-1/2% royalty reserved by the lessor in said lease, to a 1.875% overriding royalty on the said W/2 NE/4 and said N/2 SW/4, a 7/64ths of 8/8ths overriding royalty on the E/2 NE/4, a 1/16th of 8/8ths overriding royalty on the S/2 SW/4 and a production payment of \$500,000.00 payable out of 4% of the production on the said W/2 NE/4 and out of 2% of the production on the said SW/4 and other lands not covered by this lease.

Lease 4: Oil and Gas Lease made on June 1, 1945, between the United States of America, as lessor, and Barney Cockburn, as lessee, bearing Las Cruces Serial No. 062391, insofar as it covers the following land in Lea County, New Mexico:

Township 17 South, Range 33 East, N.M.P.M.

Section 33: S/2 S/2

Section 34: S/2 S/2

Township 18 South, Range 33 East, N.M.P.M.

Section 5: All

Section 6: Lot 3 (NE/4 NW/4) and
SE/4 NW/4

and containing 1043.33 acres, more or less.

SUBJECT TO a 12-1/2% to 25% royalty on oil and to a 12-1/2% to 16-2/3% royalty on gas, as reserved by the lessor in said lease, a 3-3/8% overriding royalty and a production of \$500,000.00 payable out of 1-5/8% of the production on all of said lands and other lands not included in this lease.

Lease 5: Oil and Gas Lease made on December 29, 1939, between the United States of America, as lessor, and Mark A. Corbin, as lessee, bearing Las Cruces Serial No. 029489(b), insofar as it covers the following lands in Lea County, New Mexico:

Township 18 South, Range 33 East, N.M.P.M.

Section 3: Lots 1, 2, 3, and 4
(N/2 N/2), S/2 N/2

Section 4: Lots 1, 2, 3 and 4
(N/2 N/2), S/2 N/2, S/2

and containing 961.44 acres, more or less.

SUBJECT TO a 12-1/2% to 33-1/3% royalty on oil and to a 12-1/2% to 16-2/3% royalty on gas, as reserved by the lessor in said lease, and to a production payment of \$8,000.00 on each quarter section payable out of the difference between the government royalty and 1/4th of the production.

Lease 6: Oil and Gas Lease made on December 29, 1939, between the United States of America, as lessor, and Mark A. Corbin, as lessee, bearing Las Cruces Serial No. 061537., insofar as it covers the following lands in Lea County, New Mexico:

Township 18 South, Range 33 East, N.M.P.M.

Section 9: W/2
Section 10: E/2
Section 11: W/2

and containing 960 acres, more or less.

SUBJECT TO a 12-1/2% to 33-1/3% royalty on oil and to a 12-1/2% to 16-2/3% royalty on gas, as reserved by the lessor in said lease, and to a production payment of \$8,000.00 on each quarter section payable out of the difference between the government royalty and 1/4th of the production.

Lease 7: Oil and Gas Lease made on February 10, 1949, between the State of New Mexico, as lessor, and Barney Cockburn, as lessee, bearing State of New Mexico Lease No. E-2439, insofar as it covers the following lands in Lea County, New Mexico:

Township 18 South, Range 33 East, N.M.P.M.

Section 1: Lots 1, 2, 3 (N/2 NE/4,
NE/4 NW/4), S/2 NE/4, SE/4
NW/4, N/2 SE/4, SW/4 SE/4

Section 2: Lots 1, 3, 4 (NE/4 NE/4,
N/2 NE/4), SE/4 NE/4, S/2
NE/4, S/2

and containing 919.92 acres, more or less.

SUBJECT TO a 12-1/2% royalty reserved by lessor in said lease and to a production payment of \$500,000.00 payable out of 2% of the production on said lands and other lands not included in this lease.

Lease 8: Oil and Gas Lease made on October 20, 1953, between the State of New Mexico, as lessor, and Carper Drilling Company, Inc., as lessee, bearing State of New Mexico Lease No. E-7524, insofar as it covers the following lands in Lea County, New Mexico:

Township 18 South, Range 33 East, N.M.P.M.

Section 2: Lot 2 (NE/4 NE/4), SW/4 NE/4

and containing 79.99 acres, more or less.

SUBJECT TO a 12-1/2% royalty reserved by lessor in said lease.

Lease 9: Oil and Gas Lease made on March 12, 1959, between H. T. Monteith et ux, as lessors, and Carper Drilling Company, Inc., as lessee, and Oil and Gas Lease made on March 12, 1959, between Floyd B. Graham et ux, as lessors, and Carper Drilling Company, Inc., as lessee, insofar as said leases cover the following lands in Lea County, New Mexico:

Township 18 South, Range 33 East, N.M.P.M.

Section 3: SW/4 SW/4

and containing 40 acres, more or less.

SUBJECT TO a 12-1/2% royalty reserved by lessors in said leases, a 1% overriding royalty on the production and it may or may not be subject to a production payment out of \$500,000.00 payable out of 2% of the production on said lands and other lands not included in said leases.

Lease 10: Oil and Gas Lease made on August 3, 1959, between John R. Joyce II et al, as lessors

and Carper Drilling Company, Inc., as lessee, insofar as it covers the following lands in Lea County, New Mexico:

Township 18 South, Range 33 East, N.M.P.M.

Section 3: W/2 S/2, S/2 SE/4 and SE/4 SW/4

and containing 280 acres, more or less.

SUBJECT TO a 12-1/2% royalty reserved by lessor in said lease, a 1% overriding royalty on the production and it may or may not be subject to a production payment of \$500,000.00 payable out of 2% of the production on said lands and other lands not included in this lease.

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the _____ day of _____, 19____ at _____ o'clock _____ and duly recorded in book _____, page _____, of the Records at _____

Mildred Pace, County Clerk

By _____ Deputy

29038

STATE OF NEW MEXICO
COUNTY OF LEA
FILED
MAR 21 1961
At 11:15 o'clock A. M.
and Recorded in Book _____
Page _____
VIRGIL LOVE, County Clerk
By _____ Deputy

